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世 紀 金 花 | GINWA

CENTURY GINWA RETAIL HOLDINGS LIMITED
世紀金花商業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 162)

SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	For the twelve months ended 31 December		Changes
	2015	2014	
	HK$million	HK$million	
Gross revenue [(1)]	**4,450.9**	5,035.5	**-12%**
Revenue	**1,567.7**	1,722.4	**-9%**
EBITDA	**363.4**	365.3	**-1%**
EBIT (Profit from operations)	**201.5**	226.0	**-11%**
(Loss)/profit attributable to equity shareholders	**(1.3)**	120.1	**-101%**
Basic (loss)/earnings per share	**(0.1) cent**	5.2 cents	**-102%**
	At 31 December 2015	At 31 December 2014	
	HK$ million	HK$ million	
Net assets of the Group	**5,445.7**	5,561.9	**-2%**
NAV per ordinary share [(2)]	**4.63 dollars**	4.82 dollars	**-4%**

Note:

(1) Gross revenue represents the gross amount arising from the sales of goods, concession sales charged to retail customers, rental income from operating leases and management and administrative service fee income charged to tenants, net of value added tax or other sales tax and sales discounts.

(2) NAV per ordinary share represents the total equity attributable to equity shareholders of the Company per ordinary share.

KEY PERFORMANCE INDEX

	For the twelve months ended 31 December		Changes
	2015	2014	
	HK$	HK$	
Same store sales growth [(1)]			**-12%**
Sales per ticket [(2)]	**1,343**	1,382	**-3%**
Annualized area efficiency (per m^2) [(3)]	**36,300**	39,500	**-8%**

Notes:

(1) Same store sales growth represents change in the total gross revenue for department stores and supermarkets having operations throughout the comparable period.

(2) Sales per ticket represents gross revenue per total number of transactions of department stores.

(3) Annualized area efficiency represents annualized gross revenue per department store average operating area.

INTERIM RESULTS

The board of directors (the "Board") of Century Ginwa Retail Holdings Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the twelve months ended 31 December 2015, together with comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the twelve months ended 31 December 2015 (Expressed in Hong Kong dollars ("HK$"))

	Note	**Twelve months ended 31 December 2015 (unaudited)** ***HK$'000***	Year ended 31 December 2014 (audited) *HK$'000*
Revenue	*4*	**1,567,676**	1,722,418
Other revenue		**28,785**	9,905
Cost of goods sold		**(627,019)**	(659,959)
Sales and other taxes and surcharges		**(87,429)**	(112,769)
Staff costs		**(200,209)**	(223,813)
Operating lease expenses		**(103,682)**	(106,890)
Depreciation expenses		**(161,876)**	(139,214)
Utilities expenses		**(68,962)**	(72,209)
Advertisement expenses		**(50,485)**	(36,935)
Impairment losses on property, plant and equipment		**–**	(46,506)
Other operating expenses		**(95,255)**	(107,980)
Profit from operations		**201,544**	226,048
Valuation gain on an investment property		**42,038**	166,634
Net finance costs	*5(a)*	**(199,948)**	(146,198)
Net gain on settlement of loan receivable from a related party		**–**	27,647
Changes in fair value of derivative financial instruments		**4,452**	2,822
Profit before taxation	*5*	**48,086**	276,953
Income tax	*6*	**(43,664)**	(134,749)
Profit for the period/year		**4,422**	142,204
Attributable to:			
Equity shareholders of the Company		**(1,266)**	120,149
Non-controlling interests		**5,688**	22,055
Profit for the period/year		**4,422**	142,204
(Loss)/earnings per share			
Basic (HK$)	*7(a)*	**(0.001)**	0.052
Diluted (HK$)	*7(b)*	**(0.001)**	0.050

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the twelve months ended 31 December 2015 (Expressed in HK$)

	Twelve months ended 31 December 2015 (unaudited) ***HK$'000***	Year ended 31 December 2014 (audited) *HK$'000*
Profit for the period/year	**4,422**	142,204
Other comprehensive (loss)/income for the period/year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
– Surplus on revaluation of leasehold land and buildings held for own use	**99,768**	382,751
Items that may be reclassified subsequently to profit or loss:		
– Available-for-sale equity securities: net movement in fair value reserve	**148,835**	(58,562)
– Exchange differences on translation into presentation currency	**(400,363)**	32,065
	(251,528)	(26,497)
Other comprehensive (loss)/income for the period/year	**(151,760)**	356,254
Total comprehensive (loss)/income for the period/year	**(147,338)**	498,458
Attributable to:		
Equity shareholders of the Company	**(166,483)**	485,003
Non-controlling interests	**19,145**	13,455
Total comprehensive (loss)/income for the period/year	**(147,338)**	498,458

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015 (Expressed in HK$)

	Note	**At 31 December 2015 (unaudited)** ***HK$'000***	At 31 December 2014 (audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**3,820,823**	3,757,677
Investment property		**1,646,332**	1,808,848
Intangible assets		**475,559**	507,009
Goodwill		**1,301,745**	1,387,710
Prepayments for acquisitions of properties		**865,957**	558,372
Available-for-sale equity securities		**513,129**	358,981
Deferred tax assets		**2,779**	19,525
		8,626,324	8,398,122
Current assets			
Short-term investments		**736,627**	586,661
Inventories		**109,763**	126,283
Trade and other receivables	*8*	**661,697**	805,535
Cash at bank and on hand		**165,461**	357,673
		1,673,548	1,876,152
Current liabilities			
Trade and other payables	*9*	**1,447,286**	1,553,022
Bank loans		**1,910,051**	1,445,081
Income tax payable		**45,228**	91,894
		3,402,565	3,089,997
Net current liabilities		**(1,729,017)**	(1,213,845)
Total assets less current liabilities		**6,897,307**	7,184,277

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2015 (Expressed in HK$)

	At 31 December 2015 (unaudited) ***HK$'000***	At 31 December 2014 (audited) *HK$'000*
Non-current liabilities		
Bank loans	**751,484**	945,302
Deferred tax liabilities	**700,170**	677,041
	1,451,654	1,622,343
NET ASSETS	**5,445,653**	5,561,934
CAPITAL AND RESERVES		
Share capital	**231,576**	229,823
Reserves	**5,036,653**	5,173,832
Total equity attributable to equity shareholders of the Company	**5,268,229**	5,403,655
Non-controlling interests	**177,424**	158,279
TOTAL EQUITY	**5,445,653**	5,561,934

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

Century Ginwa Retail Holdings Limited (the "Company") was incorporated in Bermuda on 8 August 2000 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 October 2000. The condensed consolidated interim financial information of the Company for the twelve months ended 31 December 2015 (the "Second Interim Financial Information") comprise the Company and its subsidiaries (collectively referred to as the "Group"). The principal activities of the Group are the operation of department stores, a shopping mall and supermarkets in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

The Second Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 29 February 2016.

Pursuant to a resolution passed by the board of directors of the Company dated 17 November 2015, the Company's financial year end date has been changed from 31 December to 31 March. Accordingly, the current financial period will cover a period of fifteen months from 1 January 2015 to 31 March 2016. The Second Interim Financial Information now presented cover a period of twelve months from 1 January 2015 to 31 December 2015. The comparative figures presented for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and related notes cover the financial year from 1 January 2014 to 31 December 2014.

The Second Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The Second Interim Financial Information contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The Second Interim Financial Information thereon does not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 BASIS OF PREPARATION *(continued)*

The Second Interim Financial Information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2014 that is included in the Second Interim Financial Information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2015.

As at 31 December 2015, the Group had net current liabilities of HK$1,729,017,000, including the non-current portion of a bank loan repayable on demand of HK$541,420,000. The Second Interim Financial Information has been prepared on a going concern basis notwithstanding the net current liabilities of the Group at 31 December 2015 because the directors of the Company are of the opinion that (i) the Group is up to date with the scheduled repayments on the long-term bank loan repayables on demand and does not consider it probable that the bank will exercise its discretion to demand repayment; (ii) the Group has unutilised banking facilities of HK$369,898,000 as at 31 December 2015; (iii) a new long-term bank loan of HK$596,800,000 has been drawn down by the Group after the end of the reporting period; and (iv) based on a cash flow forecast of the Group for the twelve months ending 31 December 2016 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the Second Interim Financial Information on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 cycle*
- *Annual Improvements to HKFRSs 2011-2013 cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the operation of department stores, a shopping mall and supermarkets in the PRC.

Turnover represents the sales value of goods sold to customers (net of value added tax or other sales tax and discounts), net income from concession sales, rental income from operating leases and management and administrative service fee income. The amount of each significant category of revenue and net income recognised during the period/year is analysed as follows:

	Twelve months ended 31 December 2015 (unaudited)	Year ended 31 December 2014 (audited)
	HK$'000	*HK$'000*
Sales of goods	**728,664**	786,059
Net income from concession sales	**629,745**	721,886
Rental income from operating leases	**135,906**	140,770
Management and administrative service fee income	**73,361**	73,703
	1,567,676	1,722,418

Information on gross revenue

Gross revenue represents the gross amount arising from the sales of goods and concession sales charged to retail customers, and rental income from operating leases and management and administrative service fee income charged to tenants, net of value added tax or other sales tax and discounts.

	Twelve months ended 31 December 2015 (unaudited)	Year ended 31 December 2014 (audited)
	HK$'000	*HK$'000*
Sales of goods	**728,664**	786,059
Gross revenue from concession sales	**3,512,954**	4,034,940
Rental income from operating leases	**135,906**	140,770
Management and administrative service fee income	**73,361**	73,703
	4,450,885	5,035,472

Further details regarding the Group's principal activities are disclosed below.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Department stores and shopping mall: this segment operates 8 department stores and a shopping mall.

- Supermarkets: this segment operates 7 supermarkets.

(i) Segment information

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and net income and expenses are allocated to the reportable segments with reference to revenue and net income generated by those segments and the expenses incurred by those segments. However, assistance provided by one segment to another is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income, investment income and other financial charges and income, and "depreciation and amortisation" is regarded as including impairment losses on tangible and intangible assets and valuation gain or loss on investment property. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. No inter-segment sales have occurred for the twelve months ended 31 December 2015 and the year ended 31 December 2014.

Assets and liabilities are not monitored by the Group's senior executive management based on segments. Accordingly, no information on segment assets and liabilities is presented.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment information *(continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the twelve months ended 31 December 2015 and the year ended 31 December 2014 is set out below.

	Twelve months ended 31 December 2015 (unaudited)		
	Department stores and shopping mall	**Supermarkets**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue and net income from external customers and reportable segment revenue and net income	**1,209,736**	**357,940**	**1,567,676**
Reportable segment profit (adjusted EBITDA)	**374,020**	**6,317**	**380,337**

	Year ended 31 December 2014 (audited)		
	Department stores and shopping mall	Supermarkets	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue and net income from external customers and reportable segment revenue and net income	1,360,393	362,025	1,722,418
Reportable segment profit (adjusted EBITDA)	433,420	16,837	450,257

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliation of reportable segment profit

	Twelve months ended 31 December 2015 (unaudited) ***HK$'000***	Year ended 31 December 2014 (audited) *HK$'000*
Reportable segment profit	**380,337**	450,257
Other revenue	**28,785**	9,905
Depreciation expenses	**(161,876)**	(139,214)
Impairment losses on property, plant and equipment	**–**	(46,506)
Valuation gain on investment properties	**42,038**	166,634
Net finance costs	**(199,948)**	(146,198)
Net gain on settlement of loan receivable from a related party	**–**	27,647
Changes in fair value of derivative financial instruments	**4,452**	2,822
Unallocated head office and corporate administration expenses	**(45,702)**	(48,394)
Profit before taxation	**48,086**	276,953

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Twelve months ended 31 December 2015 (unaudited) ***HK$'000***	Year ended 31 December 2014 (audited) *HK$'000*
Interest expenses on bank loans	**221,822**	207,615
Bank charges and other finance costs	**10,342**	12,773
Total borrowing costs	**232,164**	220,388
Finance income on loan receivable from a related party	**–**	(80,417)
Finance income on entrusted loan from a third party	**(32,353)**	–
Net foreign exchange loss	**137**	6,227
	199,948	146,198

5 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs

	Twelve months ended 31 December 2015 (unaudited) *HK$'000*	Year ended 31 December 2014 (audited) *HK$'000*
Salaries, wages and other benefits	**179,266**	189,054
Contributions to defined contribution retirement plans	**15,914**	14,443
Equity-settled share-based payment expenses in respect of share option scheme	**5,029**	20,316
	200,209	223,813

(c) Other items

	Twelve months ended 31 December 2015 (unaudited) *HK$'000*	Year ended 31 December 2014 (audited) *HK$'000*
Impairment losses on property, plant and equipment	**–**	46,506
Net loss on disposal of property, plant and equipment	**2,680**	5,067
Interest income	**(21,951)**	(9,905)
Net income on financial guarantee issued	**(6,834)**	–

6 INCOME TAX

	Twelve months ended 31 December 2015 (unaudited) *HK$'000*	Year ended 31 December 2014 (audited) *HK$'000*
Provision for PRC Corporate Income Tax	**35,012**	66,595
Deferred taxation	**8,652**	68,154
	43,664	134,749

6 INCOME TAX *(continued)*

No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the twelve months ended 31 December 2015 (year ended 31 December 2014: HK$Nil).

The Company and its subsidiaries incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the twelve months ended 31 December 2015 (year ended 31 December 2014: 25%).

Certain subsidiaries of the Group established in the PRC obtained approval from the respective tax bureaux that they are entitled to tax benefits applicable to entities under the Second Phase of the Western Region Development Plan of the PRC, and enjoy a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2011 to 2020.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the twelve months ended 31 December 2015 is based on the loss attributable to equity shareholders of the Company of HK$1,266,000 (year ended 31 December 2014: profit of HK$120,149,000) and the weighted average of 2,301,285,000 ordinary and convertible preference shares (year ended 31 December 2014: 2,298,233,000 ordinary and convertible preference shares) in issue during the period, calculated as follows:

	Twelve months ended 31 December 2015 (unaudited) ***'000***	Year ended 31 December 2014 (audited) *'000*
Issued ordinary and convertible preference shares at 1 January *(see Note (i))*	**2,298,233**	2,298,233
Effect of shares purchased under a share award scheme	**(2,471)**	–
Effect of shares issued under share option scheme	**5,523**	–
Weighted average number of ordinary and convertible preference shares at 31 December *(see Note (i))*	**2,301,285**	2,298,233

Note:

(i) The holder of the convertible preference shares is entitled to receive the same rate of dividends/distributions as the holders of ordinary shares. Accordingly, for the purpose of the calculation of basic (loss)/earnings per share, the convertible preference shares issued have been included in the calculation of the weighted average number of shares in issue.

7 (LOSS)/EARNINGS PER SHARE *(continued)*

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK$1,266,000 (year ended 31 December 2014: profit of HK$120,149,000) and the weighted average number of 2,301,285,000 ordinary and convertible preference shares (diluted) (year ended 31 December 2014: 2,417,495,000 ordinary and convertible preference shares (diluted)), calculated as follows:

	Twelve months ended 31 December 2015 (unaudited) ***'000***	Year ended 31 December 2014 (audited) *'000*
Weighted average number of ordinary and convertible preference shares at 31 December	**2,301,285**	2,298,233
Effect of conversion of convertible preference shares	**–**	117,707
Effect of deemed issue of shares under the Company's share option schemes	**–**	1,555
Weighted average number of ordinary and convertible preference shares (diluted) at 31 December	**2,301,285**	2,417,495

8 TRADE AND OTHER RECEIVABLES

	At 31 December 2015 (unaudited) ***HK$'000***	At 31 December 2014 (audited) *HK$'000*
Trade receivable from third parties *(see Note 8(a))*	**54,545**	69,318
Amounts due from related parties *(see Note 8(b))*	**11,027**	13,159
Prepayments, deposits and other receivables:		
– Value added tax refundable	**111,455**	131,948
– Receivables from third parties *(see Note 8(c))*	**437,707**	547,811
– Prepayments and deposits for operating lease	**6,129**	5,552
– Others	**40,834**	37,747
	596,125	723,058
	661,697	805,535

8 TRADE AND OTHER RECEIVABLES *(continued)*

Except for deposits of HK$3,719,000 (31 December 2014: HK$3,945,000), all of the trade and other receivables are expected to be recovered or recognised as expenses within one year. Trade receivables are generally due within three months from the date of billing.

(a) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis (based on the invoice date) as of the end of the reporting period:

	At 31 December 2015 (unaudited)	At 31 December 2014 (audited)
	HK$'000	*HK$'000*
Less than 1 month	**27,783**	36,708
More than 1 month but less than 3 months	**6,741**	13,517
More than 3 months	**20,021**	19,093
	54,545	69,318

(b) Amounts due from related parties

The amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) Receivables from third parties

Included in the balance are receivables of HK$427,409,000 at 31 December 2015 (31 December 2014: HK$500,971,000) due from a third party which provides services in managing the Group's customer loyalty programme, and the sale and usage of customers' prepaid cards within the Group's department stores, shopping mall and supermarkets.

9 TRADE AND OTHER PAYABLES

	At 31 December 2015 (unaudited) *HK$'000*	At 31 December 2014 (audited) *HK$'000*
Trade payable arising from:		
– Concession sales	**863,725**	840,035
– Purchase of inventories	**91,874**	84,651
	955,599	924,686
Amounts due to related parties *(see Note (i))*	**2,875**	18,595
Other payables and accrued expenses	**360,966**	422,516
Financial liabilities measured at amortised cost	**1,319,440**	1,365,797
Derivative financial instruments *(see Note (ii))*	**17,712**	22,164
Deferred income	**17,874**	34,612
Receipts in advance	**92,260**	130,449
	1,447,286	1,553,022

All of the trade and other payables are expected to be settled or recognised as revenue or net income within one year or are repayable on demand.

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) On 5 September 2013, a subsidiary of the Group entered into a loan agreement with a financial institution in the draw-down of United States dollar ("USD") 30,000,000 (equivalent to approximately HK$232,524,000). Pursuant to the loan agreement, the Company issued 66,114,000 warrants to this financial institution on the same day. Each warrant entitles the holder to subscribe for one ordinary share in the Company, where a maximum of 66,114,000 ordinary shares in the Company can be subscribed during the period from 5 September 2013 to 4 March 2016. The initial exercise price of each warrant to subscribe for one ordinary share in the Company is HK$2.2874, where adjustments will be made against the exercise price on the first and second anniversaries of the warrants issuance date, if on each of these dates the prevailing exercise price is higher than the prevailing market price of the Company's ordinary share as defined in the warrant instrument. On the first anniversary of the warrants issuance date, i.e. 5 September 2014, the exercise price of the warrant was adjusted to HK$1.6012 per warrant. In addition, on the maturity date or under certain conditions as set out in the warrant instrument, the holder of the warrant can require the Company to redeem any unexercised warrants at a price of USD0.03554467 (equivalent to approximately HK$0.275) each (i.e. the redemption option).

The warrants and the redemption option are classified as derivative financial instruments. The remeasurement of the derivative financial instruments to fair value at 31 December 2015 resulted in a gain of HK$4,452,000 being recognised in profit or loss (year ended 31 December 2014: HK$2,822,000). No warrants have been exercised during the twelve months ended 31 December 2015 (year ended 31 December 2014: Nil).

9 TRADE AND OTHER PAYABLES *(continued)*

Ageing analysis

Included in trade and other payables are trade and bills payables with the following ageing analysis (based on the maturity date) as of the end of the reporting period:

	At 31 December 2015 (unaudited)	At 31 December 2014 (audited)
	HK$'000	*HK$'000*
Due within one month or on demand	**955,599**	924,686

10. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the twelve months ended 31 December 2015 (year ended 31 December 2014: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading operator of middle to high end shopping malls, department stores and supermarkets in northwest China. As at 31 December 2015, the Group owns and operates eight department stores and seven supermarkets in Shaanxi province and Urumqi. It also owns several prime commercial properties strategically located within premium central business districts. The Group's store GFA covers approximately 300,000 square meters (approximately 3,200,000 square feet), of which approximately 160,000 square meters (approximately 1,700,000 square feet) are self-owned properties.

In accordance with the data announced by the National Bureau of Statistics of China, China's GDP in 2015 grew by 6.9%, and the growth rate was decreased by 0.4% when compared to the preceding year, hitting a 25-year low. Gross retail sales amount of social consumer goods grew by 10.6%, and the growth rate was decreased by 0.3% when compared to the preceding year. The downward pressure on domestic economy still persisted.

In the aspect of offline retail industry, in accordance with the statistics of China National Commercial Information Center, there were only 40% out of 50 key large-scale retail enterprises achieving sales growth in the first half of 2015, while the results of relatively large number of enterprises showed their downturn business scale and profit in 2015. Thus, the domestic offline retail industry is still facing a harsh reality. In accordance with statistics, besides, the department store industry of China has experienced extensive store closing in 2015, which was the five years' high. The offline department store industry has commenced its horizontal integration, and large department store groups acquired single department stores with declining performance in order to seize core business districts within the first and second-tier cities. Meanwhile, online retail sales of China still maintained a high growth rate in 2015. In accordance with the data announced by the National Bureau of Statistics of China, the number of online shopping population has exceeded 330 million people, while the amount of online shopping sales was increased from RMB0.5 trillion in 2010 to RMB3.5 trillion. The proportion of gross social consumption retail sales was increased from 3.5% in 2010 to 12.3%.

With the effect of various factors, the result of the Group declined in 2015, in which the business scale and operating profit fell by 9.0% and 10.8% year-on-year respectively. To cope with the changing trend of consumption and demand, the Company adjusted and shifted its positioning, product mix and 197 brand counters of each boutique department store. These adjustments and transformation effectively decelerated the sliding result under the adverse global market condition. In the aspect of trendy department store and wholesale supermarket businesses, their results fell to a lesser extent, in which the scale of the trendy department stores was decreased by 4.9% comparing with the previous year, while the wholesale was slightly decreased by 0.6% year-on-year. In addition, the Company consolidated marketing resources of all of its stores, improved its membership management system, O2O project planning and measures, so as to solidify the management base and prepare for long-term development of the Company. Moreover, in the aspect of store management method, the purposes of communication cost reduction, efficiency improvement, rapid integration of resources in a timely manner can be achieved by adjusting the performance evaluation method, optimizing workflow and implementing high degree of autonomy in stores and other measures.

G98 Omni-channel Intelligence Service Platform Project

As an important strategic initiative of transition and upgrade, the Group first introduced O2O omni-channel service concept, establishing an omni-channel operation model with unique characteristics of Century Ginwa. The platform applies e-commerce, mobile Internet, big data and other digital innovative technologies, which consolidates physical stores, mobile business, cross-industry unions and other brands and supplier resources, in order to provide customers with a full range of service experience.

Since the launching of Century Ginwa G98 omni-channel intelligence service platform, successful upgrades and switching of SAP CRM membership management systems have been achieved. By linking the online/offline membership management structure, and the indifference of member service experience on chain retail department stores through cross-channel, as well as the successful online of mobile client APP, we have achieved online/offline marketing business model integration of chain retail department stores, and with coordination of bidirectional browsing between WEB and WAP online store, we have established an intelligent order and commodity management system. 150,000 members have been recruited during the public beta period in 2015.

FUTURE AND BUSINESS OUTLOOK

Looking ahead, despite the adverse effects brought by various domestic and foreign unfavorable economic factors, the situation may not have significant difference in the short run. However, regarding the acceleration of the pace of reform and further adjustment of economic structure, China's economy is in progress while maintaining stability. The "To increase guarantees and to expand domestic demand" policy was announced on the Third Plenary Session of the 18th Central Committee, pursuant to which, it will be beneficial to retail industry in the long run. It is foreseen that the rapid urbanization will lead to the change of consumption ratios and structure, which further stimulates the potential demand under consumption upgrade. The Group will timely adjust its strategies and develop future-proof policies for the updated situation.

As for the G98 Project, the Company will carry out various online businesses with innovative Internet thinking, enhance customer retention, and integrate online/offline resources in order to achieve mutual multi-channel diversion. In 2016, the cross-border electricity supplier acts as a breakthrough to carry out related business by phases. First of all, the initial phase is the optimization of project system process, which mainly focuses on building capabilities, including operation capability, supply chain capability, IT capability etc., and the planning of the business model to adopt future development; Secondly, operation trial phase is to expand online business categories and brands actively, explore the establishment of supply chain with overseas direct mail model and the development of franchise expansion model; Finally, the comprehensive promotion expansion phase is the improvement of global pure online shopping model and the promotion and enhancement of customer experience on the basis of online/offline resources integration and omni-channel circle interaction.

Taking into account the in-depth analysis for the current situation and the objective assessment of the future trends, coupled with the vision rooted in its retail business, the Group will continue to note the key factors affecting retail industry and accelerate the formation of the customer-oriented business model and capability. Through data exploration and analysis, management technique utilization and meticulous analysis on consumer behavior, the Group has enhanced its management level on targeted marketing. By leveraging the continuing innovation on marketing techniques, enhancement of scientific analysis, enforcement of control measures and increase of efficiency which leads from inputs to outputs, the product and operation management capabilities and marketing capabilities will be strengthened. The Group will also dedicate its effort to guiding and stimulating the customers' consumption, which may lead to higher efficiency in output. Equipped with the SAP-based enterprise resource planning system and unified management platform, the Group gradually established its online/offline integrated capabilities via the implementation of O2O strategic project. It provides the customers a more convenient shopping experience. The Group will continuously provide the customers great shopping experiences by understanding and determining the customers' real needs. Meanwhile, sales area, customer base and commodity resource coverage have been gradually increased in order to optimize business structure of the Company and become the source of future growth for continued expansion. In the aspect of existing business expansion, based on the successful practice and experience of the trendy department store and supermarket business of the Company, the existing business will be integrated and optimized, while increasing the coverage of second-tier cities in Shaanxi to achieve healthy growth of scale.

In the aspect of business diversification which increases profit sources, we will further develop brand agency business and introduce well-known domestic and foreign brands to enter the northwest market, so as to provide consumers with more quality choices and provide operational management services to the franchise stores. By reducing channels to directly provide goods to consumers, the pattern of profit distribution will thus be changed.

Besides, the Company will insist its principle of prudent financial management and strive to control costs. On the basis of original effective implementation of optimization measures, the effectiveness of management optimization and capability building is further enhanced, making it the largest extent released and reflected on the operation results in 2016. With our strong brand strength, outstanding operating efficiency, good financial performance and loyal customer base, the Company is confident in maintaining its leading position in the marketplace among the industry and generating better returns for our shareholders.

In 2014, the Group has entered into an agreement to procure a shopping mall to be developed with approximately 69,061 square meters together with 457 parking spaces. Blasting demolition of existing buildings of the project took place on 15 November 2015. Relevant project construction is expected to commence in mid-2016 and is expected to be completed in 2018. Since the shopping mall is located in the central business district of Xi'an, it allows the Group to establish its presence in such premium location and enhance the market share and market influence.

FINANCIAL RESULTS

Global economy was full of uncertainties, while the economic environment in China remained complicated. Although the "stabilising growth" stimulus policies by PRC government have gradually improved the retail industry, the retail industry was still under severe hardship due to the short-term sluggish economic growth and various Macroeconomic factors, such as weak consumer confidence. During the period under review, the performance of the Group was inevitably affected by the aforesaid negative factors.

(i) Gross revenue of the Group for the twelve months ended 31 December 2015 decreased to HK$4,450.9 million as compared to HK$5,035.5 million for the same period last year, representing a decrease of 12%. The decline was primarily attributable to drop in concession sales.

(ii) In the period under review, same store sales dropped by 12%.

(iii) Annualized area efficiency (annualized gross revenue per department store average operating area) for the twelve months ended 31 December 2015 was HK$36,300 per square meter, decreased by 8% comparing with the same period last year.

(iv) Revenue of the Group for the twelve months ended 31 December 2015 decreased to HK$1,567.7 million as compared to HK$1,722.4 million for the same period last year, representing a decrease of 9%. The decrease was due to the decline of concession sales.

(v) The rental income and management and administrative service fees of the Group for the twelve months ended 31 December 2015 reached HK$209.3 million, which was a 2% decrease from HK$214.5 million for the same period last year.

(vi) The Group's operating profit (EBIT) for the twelve months ended 31 December 2015 was HK$201.5 million, decreased by 11% from HK$226.0 million for the same period last year. The operating profit margin (profit from operation over gross revenue) remained at 4.5%.

(vii) Due to the increase in market value of the Saigo Property, the Group recorded a pre-tax gain of HK$42.0 million in the period under review (year ended 31 December 2014: HK$166.6 million) for appreciation in the value of the investment property.

(viii) Net finance costs for the twelve months ended 31 December 2015 were HK$199.9 million (year ended 31 December 2014: HK$146.2 million). The change in net finance cost was mainly due to increase in balances of bank loans.

(ix) The Group's profit for the twelve months ended 31 Decmber 2015 and loss attributable to shareholders of the Company were HK$4.4 million (year ended 31 December 2014: profit HK$142.2 million) and HK$1.3 million (year ended 31 December 2014: profit HK$120.1 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's consolidated net asset value was HK$5,445.7 million (31 December 2014: HK$5,561.9 million). As at 31 December 2015, the Group had cash at bank and on hand amounting to HK$165.5 million (31 December 2014: HK$357.7 million). The current ratio of the Group as at 31 December 2015 was 0.49 (31 December 2014: 0.61). The gearing ratio, being bank loans less cash at bank and on hand and short-term investments divided by the total equity, as at 31 December 2015, was 0.32 (31 December 2014: 0.26).

CONTINGENT LIABILITIES

At the close of business on 31 December 2015, the Group has issued the following guarantees:

(a) A guarantee provided by Century Ginwa Company Limited ("Ginwa Bell Tower"), a joint stock company established in the PRC and a non-wholly owned subsidiary of the Company, in respect of an interest bearing bank loan drawn by an independent third party in 2005. The loan will mature in July 2016. In September 2010, Ginwa Investments Holding Group Limited ("Ginwa Investments") provided a counter-guarantee to indemnify Ginwa Bell Tower on any losses incurred arising from the above guarantee. As of 31 December 2015, the outstanding loan balance is RMB75,719,000 (equivalent to approximately HK$90,378,000) (31 December 2014: RMB87,000,000, equivalent to approximately HK$110,280,000).

(b) A guarantee provided by Ginwa Bell Tower in respect of a payable for acquisition of a property by Ginwa Investments in August 2005. Ginwa Investments has defaulted repayment on the loan. As of 31 December 2015, the outstanding loan balance is RMB9,500,000 (equivalent to approximately HK$11,339,000) (31 December 2014: RMB9,500,000, equivalent to approximately HK$12,042,000).

(c) A guarantee provided by the Company in respect of a bank loan of RMB600,000,000 (equivalent to approximately HK$716,160,000) drawn by Shanghai Huade Investment Company Limited ("Huade Investment") in February 2015, where the guarantee is in addition to the payments made by the Group for its intended acquisition of commercial properties. The loan will mature in 2018. In February 2015, the Group has obtained counter-guarantees from (i) the project company developing the above commercial properties; and (ii) the intermediate holding company of Huade Investment on the pledge of its 70% equity interests in the immediate holding company of Huade Investment.

Saved as aforesaid and apart from intra-group liabilities and normal trade payable in the ordinary course of business, the Group did not, at the close of business on 31 December 2015, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, term loans (whether guaranteed, unguaranteed, secured and unsecured), debts securities or any other similar indebtedness (whether guaranteed, unguaranteed, secured and unsecured) or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptable credits or any guarantees or other material contingent liabilities.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Decrease in carrying value of assets measured at fair value

Due to the recent uncertainties surrounding the stock markets in the PRC, the Group's investments in 30,000,000 shares in Ginwa Enterprise (Group) Inc., a company listed in the Shanghai Stock Exchange, have experienced a decrease in value by approximately 25% since the end of the reporting period and up to the date of this announcement.

DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the reporting period (year ended 31 December 2014: HK$Nil).

HUMAN RESOURCES

As at 31 December 2015, the number of the Group's staffs was approximately 9,700 (2014: 10,200), including directly employed approximately 2,300 (2014: 2,400) full time employees, and the remaining were concession sales staffs managed on behalf of the suppliers. Most of the employees are employed in Mainland China. The directly employed employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staffs as one of the key factors to corporate success.

FOREIGN EXCHANGE EXPOSURE

During the twelve months ended 31 December 2015, the Group's operation of department stores, shopping mall and supermarkets earned revenue and incurred costs in Renminbi. The Group was not subject to any significant exposure to foreign exchange risk as most of the transactions, assets and liabilities were denominated in Renminbi. Hence, no financial instrument hedging was employed.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the twelve months ended 31 December 2015.

AUDIT COMMITTEE

The audit committee was established by the Company with written terms of reference in compliance with the requirements set out in Appendix 14 of the Listing Rules.

The audit committee shall consist of not less than 3 members. As at the date of this announcement, the audit committee consists of four Independent Non-executive Directors: Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng, Dr. Cao Guoqi and Ms. Sun Zhili, and two Non-executive Directors: Mr. Chen Shuai and Mr. Cao Yonggang. Ms. Sun Zhili is the chairman of the audit committee.

The primary objective of the audit committee is to review the financial reporting process of the Group and its internal control system, oversee the audit process and perform other duties assigned by the Board and make recommendations for the Company to improve the quality of financial information to be disclosed. It also reviews the annual and interim reports of the Company prior to their approval by the Board.

The audit committee together with management and independent auditors have reviewed the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited interim results for the twelve months ended 31 December 2015 prior to their approval by the Board.

CORPORATE GOVERNANCE

The Company has adopted most of the code provisions as stated in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules and the Board is committed to complying with the CG Code to the extent that the Directors consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasize an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. The Company had complied with the CG Code throughout the Period with the following deviations:

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. However, all the directors (Executive, Non-executive and Independent Non-executive) are subject to retirement at least once every three years under Bye-Law 87(1) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration and nomination committees to attend. The chairman of the Board and the chairmen of the audit committee and the remuneration committee were not able to attend the annual general meeting of the Company held on 15 May 2015 due to other important business engagement. They had delegated the Chief Executive Officer to chair and be available to answer questions at the annual general meeting.

On 7 August 2015, Mr. Chan Wai Kwong, Peter was re-designated from an independent non-executive director to an executive director and the vice-chairman of the Company. Following his re-designation, the Board comprised ten Directors and of which three were Independent Non-executive Directors. According to Rule 3.10A of the Listing Rules, the Company must appoint Independent Non-executive Directors representing at least one-third of the board. The Company only had three Independent Non-executive Directors which were short of Independent Non-executive Directors representing at least one-third of the Board and thus failed such requirements.

Subsequent to the appointment of Dr. Cao Guoqi as an Independent Non-exeutive Director of the Company on 5 November 2015, the Company has then complied with the requirements of Rule 3.10A of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standards set out in the Model Code throughout the twelve months ended 31 December 2015.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

This announcement will be published on the websites of the Stock Exchange and of the Company. The interim report for the twelve months ended 31 December 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and of the Company in due course.

APPRECIATION

I would like to express my deep thanks to my fellow directors and all employees for their valuable contribution. I and on behalf of the Board would also like to extend my sincere thanks to our shareholders, customers, suppliers, bankers and business associates for their continued strong support.

By order of the Board
Century Ginwa Retail Holdings Limited
Choon Hoi Kit, Edwin
Chief Executive Officer

Hong Kong, 29 February 2016

As at the date of this announcement, the Board comprises four executive directors, Mr. Wu Yijian, Mr. Chan Wai Kwong, Peter, Mr. Choon Hoi Kit, Edwin and Mr. Sha Yingjie; three non-executive directors, Mr. Chen Shuai, Mr. Cao Yonggang and Mr. Qu Jiaqi; and four independent non-executive directors, Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng, Ms. Sun Zhili and Dr. Cao Guoqi.