RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

2016
ANNUAL REPORT

Contents

Corporate Information

Directors

Executive Directors

Dai Yongge (Chairman)
Wang Hongfang (Chief Executive Officer)
Dai Bin

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

Audit Committee

Fan Ren-Da, Anthony (Chairman)
Wang Shengli
Wang Yifu

Remuneration Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Nomination Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Authorised Representatives

Wang Hongfang
Hung Fan Kwan FCPA, FCCA

Company Secretary

Hung Fan Kwan FCPA, FCCA

Auditors

KPMG
Certified Public Accountants

Registered Office

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P.O. Box 2681
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Cayman Islands

Principal Place of Business in Hong Kong

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Central
Hong Kong

China Office

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Nangang District
Harbin, Heilongjiang
China 150001

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Investor Relations

Company Website: www.renhebusiness.com
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Chairman's Statement

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I report to all shareholders on the full-year results for the 12 months ended 31 December 2016.

Major Events

2016 was a critical year for the Group. The operating environment for retail and commercial property space continued facing strong headwinds and challenges. The Group's underground shopping mall businesses continued to under-perform. In addition, triggered by the crisis arisen from the Group's failure to fulfil certain requirements under a syndicated loan of USD300 million by 31 December 2015, the Group faced with the risk of being demanded for immediate repayment of the loan at that time. That was extremely critical for the Group. In view of this, the Group decided to dispose the underperforming underground shopping malls in order to obtain enough cash to alleviate the Group's liquidity risk.

As a result, in February, we announced the proposed sale of majority of our underground shopping malls by way of tender for a minimum cash consideration of not less than USD1,000 million and that the relevant bidders would be required to assume all the indebtedness, construction payables and capital expenditures related to the disposal properties. Given no letter of interest under the tender, the Group then exercised the put option granted by my related entity and sold majority of the Group's shopping mall projects to my related entity for a cash consideration of USD1,000 million and the assumption of the debts and liabilities attached to those disposed assets. Details of which are set out in the Management Discussion and Analysis section below. The sale was completed on 8 July 2016.

With the cash consideration received from the disposal, the Group settled all the offshore debts. As at 31 December 2016, the Group has no more offshore debt nor onshore debt, and was in net cash position.

Outlook

With the successful disposal of the underground shopping mall assets and the subsequent full settlement of the Group's offshore debts and obligations with the proceeds from the disposal, the Group's financial position has been significantly improved. This allows us to focus on our agriculture wholesale market business.

The existing 8 agriculture wholesale markets provide the Group with stable and steady business and cashflow. For the short-term development, we will focus on enhancing the efficiency of the existing markets. We will upgrade the settlement system with modern technology at the markets, install information system to collect and utilize useful data at the market, diversify the product range traded at our markets, to better serve the market users.

The China agriculture sector is enormous. There are ample potential business opportunities along the entire value chain. With the resources in hand, we will look for opportunities to further build our wholesale market network. Our long term goal is to become the best operator of agriculture wholesale market with significance presence in China.

Lastly I would like to thank all members of the board for their positive inputs, and our shareholders and business partners for their full support and trust in us. I would also like to thank the management and all employees for their team work and commitment. On behalf of the Board, I sincerely thank various local governments for their support in the past, and contribution towards the success of our business.

Dai Yongge
Chairman

28 March 2017

Management Discussion and Analysis

Business Review

During the year until 8 July 2016, the Group operated two businesses, namely the underground shopping mall business and the agriculture business. However, subsequent to the Very Substantial Disposal of majority of the Group's underground shopping malls, the Group's principal business has been focused on the operation of agriculture wholesale markets in PRC since 8 July 2016.

Details of the Very Substantial Disposal are described under the paragraph titled "Major Events" below.

The agriculture business

As at 31 December 2016, the Group operates 8 agriculture wholesale markets in 6 cities in the PRC.

Agriculture wholesale market	**Location**	**GFA** (sq.m) *(note 1)*	**2016 Revenue** RMB'000
China Shouguang Agricultural Produce Logistics Park	Shouguang city, Shandong province	537,003	161,775
Guiyang Agricultural Produce Logistics Park	Guiyang city, Guizhou province	173,620	150,479
Harbin Hada Agricultural Produce Market	Harbin city, Heilongjiang province	185,035	318,029
Harbin Youyi Agricultural Produce Market	Harbin city, Heilongjiang province	17,952 *(note 2)*	21,958
Qiqihar Hada Agricultural Produce Market	Qiqihar city, Heilongjiang province	49,106 *(note 3)*	75,232
Muda International Agricultural Produce Logistics Park	Mudanjiang city, Heilongjiang province	116,758	43,565
Shenyang Shouguang Dili Agricultural By-Products Markets	Shenyang city, Liaoning province	235,123 *(note 4)*	230,727
Total		1,314,597	1,001,765

Management Discussion and Analysis

Notes:

1. The land and properties of the respective markets are not owned by the Group. Except for those specifically stated in the notes below, all such land and properties are leased by the respective owners, associated entities controlled by the Group's controlling shareholder, to the Group for the operation of the market under a framework lease agreement (the "Framework Lease Agreement") entered into between the vendor of the acquisition and the Group. Pursuant to the Framework Lease Agreement, the annual rent for all the markets listed above shall be RMB100 million per year commencing from 27 July 2015 to 31 December 2018, exclusive of operating charges, property tax and other outgoings.

2. Among the total GFA of approximately 17,952 sq.m, approximately 15,552 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 2,400 sq.m are leased from the independent third party landlords.

3. Among the total GFA of approximately 49,106 sq.m, approximately 40,175 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 8,931 sq.m are leased from the independent third party landlords.

4. Among the total GFA of approximately 235,123 sq.m, approximately 149,931 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 85,192 sq.m are leased from the independent third party landlords.

Major Events

Very Substantial Disposal

The Company made an announcement on 31 December 2015 and made a further announcement on 25 February 2016 that the Group failed to fulfil certain requirements under a syndicated loan of USD300 million due to various lenders (the "Syndicated Loan") as of 31 December 2015. Although the Group has not yet received any formal notice of default or acceleration of the Syndicated Loan, if the waivers, consents and extensions sought by the Group are not being granted, the lenders of the Syndicated Loan may at any time demand immediate repayment of the Syndicated Loan prior to its original maturity date.

As a result, the Company assessed and explored the feasibility of disposing certain underground shopping malls projects held by the Group by way of tender and DTZ Cushman & Wakefield ("DTZ") had been appointed as the sole agent to explore the market interest and to advise the Company on the intended sale of the Group's shopping malls.

The assets subject to the tender sale comprise of (i) all 23 completed shopping malls; (ii) 11 shopping malls under construction; and (iii) 10 shopping malls at the planning stage with relevant construction approvals obtained (the "Disposal Properties"). The total GFA of the Disposal Properties amounted to approximately 4.1 million sq.m. and the total GFA of the completed Disposal Properties managed by the Group amounted to approximately 1.3 million sq.m. 9 projects which are at the planning stage with construction approvals obtained will remain in the Group subsequent to the completion of the very substantial disposal of assets.

On 18 March 2016, the Company announced the commencement of the Tender for the sale of the Disposal Properties to potential bidder(s) which was expected to close on or around 20 April 2016 (the "Tender"). As a standby arrangement for the Company in the event of unsuccessful tender, on 18 March 2016, Apex Assure Limited ("Apex"), a company wholly-owned by Mr. Dai Yongge (the director and substantial shareholder of the Company), had entered into the Option Deed with the Company, pursuant to which the Company was granted a put option to sell all the Disposal Properties to Apex and Apex should assume all Disposal Properties Payable accrued up to and including the date of Completion (amounted to approximately RMB9,640 million as at 31 December 2015) for a cash consideration of USD1,000 million (approximately RMB6,500 million), which is equivalent to the Complete Disposal Minimum Price under the Tender (the "Put Option"). On the same date, the Company exercised the Put Option and the Completion contemplated thereunder was subject to the conditions precedent stated in the Option Deed had been occurred, fulfilled or waived (as appropriate) which included, among others, the occurrence of the Unsuccessful Tender.

On 21 April 2016, the Company announced that the Tender was closed on 20 April 2016. During the period of the Tender, DTZ had marketed the Disposal Properties extensively and approached a wide range of sizable institutional investors including asset management companies, insurance companies, private equity real estate funds and property developers to solicit their interests on the Disposal Properties. Despite the effort, the Company did not receive any letter of interest under the Tender. As such, the Unsuccessful Tender occurred and the Company proceeded to fulfill other conditions of the Put Option. The Disposal contemplated under the Put Option constituted a very substantial disposal (the "Very Substantial Disposal") and connected transaction of the Company under the Listing Rules and was subject to, among others, the Independent Shareholders' Approval being obtained in the Extraordinary General Meeting (the "EGM").

On 29 April 2016, the Company dispatched the Circular regarding (1) Very Substantial Disposal and Connected Transaction and (2) Notice of EGM.

On 18 May 2016, the Company announced that the ordinary resolution as set out in the EGM Notice contained in the Circular was duly passed by the Independent Shareholders by way of poll at the EGM held on 18 May 2016.

On 11 July 2016, the Company announced that all the conditions precedent for the Completion have occurred, fulfilled or waived (as appropriate) and the Completion took place on 8 July 2016 and all the outstanding balance of the Syndicated Loan, together with the accrued interests, had been fully repaid.

For further details and definition of terms, please refer to the following announcements published by the Company:

- Announcements dated 31 December 2015 — Inside Information relating to non-fulfilment of conditions of loan agreement
- Announcement dated 25 February 2016 — Recent development and intention to dispose of certain underground shopping malls by way of tender
- Announcement dated 18 March 2016 — (i) Proposed disposal of certain underground shopping malls by way of tender; and (ii) potential very substantial disposal and connected transaction
- Announcement dated 21 April 2016 — Result of the Tender and delay in dispatch of circular
- Announcement and Shareholders' Circular dated 29 April 2016 — (i) Very substantial disposal and connected transaction; and (ii) Notice of EGM
- Announcement dated 18 May 2016 — Poll results of the extraordinary general meeting
- Announcement dated 11 July 2016 — Completion of very substantial disposal and connected transaction

Repayment of all the offshore loans

Subsequent to the Completion of the Very Substantial Disposal and receipt of the consideration of USD1,000 million from the Purchaser, as at 31 December 2016, the Group has utilized USD540.5 million and HKD1,690 million for the repayment of the following offshore loans:

(i) full repayment of the USD250 million and HKD390 million term loan facility with a syndicate of banks as the lenders on 8 July 2016;

(ii) full repayment of the USD100 million bilateral term loan facility on 25 July 2016;

(iii) full repayment of HKD1,300 million loan on 8 July 2016 due to Mr. Dai Yongge who on behalf of the Group to repay a short-term bridge loan facility due on 21 June 2016; and

(iv) through series of repayment, the USD190.5 million debt obligation assumed by the Company in connection with the acquisition of the agriculture market business completed in July 2015 had been fully settled by 31 December 2016.

As at 31 December 2016, the Group had neither offshore debts nor onshore debts in hands and was in a net cash position. For details, please refer to the section headed "Liquidity and Financial Resources" below.

Financial Review

On 8 July 2016, the Group completed the disposal of all the 23 completed shopping malls, all the 11 shopping malls under construction and 10 shopping malls at the planning stage. As a result, all the operations relating to the shopping mall business was classified as discontinued operation and the operation relating to the agriculture business was classified as continuing operation.

Since the Group only acquired the agriculture business on 27 July 2015, the comparative figures in last year represented the operating activities from 27 July 2015 to 31 December 2015, around 5 months operation.

Continuing operation — agriculture business

Revenue

A major source of our revenue is the commission income primarily based on either value of transactions or weight of products, which we charge to traders. We also earn lease income by leasing space at the warehouses, icehouses and other facilities we have at our markets to assist traders to store and package their products, and from renting rooms at our on-site residential areas and motels to traders.

For the year ended 31 December 2016, the Group recorded a consolidated revenue of approximately RMB1,001.8 million, as compared with RMB386.6 million in 2015.

Commission income grew by 166.1% to RMB758.3 million this year as compared to RMB285.0 million last year while lease income grew by 139.6% to RMB243.5 million this year from RMB101.6 million last year.

	2016 RMB'million	2015 RMB'million	Change RMB'million	Change %
Commission income	**758.3**	285.0	473.3	166.1
Lease income	**243.5**	101.6	141.9	139.6
Total	**1,001.8**	386.6	615.2	159.1

Commission income

Commission income increased by 166.1% to RMB758.3 million this year as compared to RMB285.0 million last year which was mainly due to the full year effect this year. In addition, commission rate was revised upwards in certain markets.

Lease income

Lease income rose by 139.6% to RMB243.5 million from RMB101.6 million last year which was mainly due to the full year effect this year.

Gross profit

Gross Profit margin of agriculture business was 100% as both commission income and lease income does not incur any cost of sales.

Other income

Other income mainly comprised market service fee income of RMB126.6 million. (2015: RMB44.5 million). The increase mainly represented full year effect as compared to 5-months of operation in last year.

Administrative expenses

Administrative expenses mainly comprised of staff cost, depreciation and trip expenses. The increase was mainly due to full year effect this year.

Other operating expenses

Other operating expenses mainly comprised amortization of intangible assets of RMB324.3 million (2015: RMB140.4 million) arose from the acquisition of the agriculture business and the operating lease expenses of RMB116.9 million (2015: RMB43.3 million) for leasing the properties (including land and buildings) to facilitate the on-going operations of the agriculture business in accordance with the Framework Lease Agreement entered during the acquisition of the agriculture business. The increase was due to the full year effect this year.

Finance income

Finance income mainly represented the bank interest income earned from the agriculture business operation.

Finance expenses

Finance expenses mainly arose from the assumption of the loan of the vendor during the acquisition of the agriculture business in July 2015.

Loss from discontinued operation

The loss from discontinued operation arose from the disposal of all the 23 completed shopping malls, all the 11 shopping malls under construction and 10 shopping malls at the planning stage at a consideration of USD1 billion (around RMB6.5 billion).

Profit guarantee

On 9 June 2015, the Company entered into the Acquisition Agreement with the Vendor regarding the agriculture business, pursuant to the Acquisition Agreement, the Vendor, has warranted and guaranteed to the Company that the net profit before amortization of intangible assets and after tax of the Target Group as shown in the management accounts (i) for the financial year ending 31 December 2015 will not be less than RMB500 million assuming the Reorganization has taken place from the very first day of the financial period in relation to the financial year ending 31 December 2015 and (ii) for the financial year ending 31 December 2016 will not be less than RMB600 million , each of RMB500 million and RMB600 million (the "Profit Guarantee"). For the purpose of the Profit Guarantee, the aggregate Guaranteed Amount for the two years ending 31 December 2016 shall not be less than RMB1,100 million (the "Aggregated Guaranteed Amount"). Please refer to our circular dated 29 June 2015 for further details and definition of terms.

According to the management accounts of the Target Group for the financial years ended 31 December 2016 and 31 December 2015, which was prepared in accordance with International Financial Reporting Standards and reviewed by an independent audit firm in accordance with the Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements", the net profit before amortization of intangible assets and after tax of the Target Group for the financial years ended 31 December 2016 and 31 December 2015 was RMB597.1 million and RMB539.7 million respectively. Therefore, the aggregate profit for the two years ending 31 December 2016 was RMB1,136.8 million which exceeded the Aggregate Guaranteed Amount of RMB1,100 million.

Liquidity and Financial Resources

As at 31 December 2016, total assets of the Group amounted to RMB10,490.7 million as compared with RMB38,235.9 million as at 31 December 2015. With the completion of the disposal of the shopping mall business on 8 July 2016, the total assets of the Group reduced significantly after then.

In terms of financial resources as at 31 December 2016, the Group's total cash at bank and on hand was RMB1,465.0 million (as at 31 December 2015: RMB908.4 million).

As the transaction was completed on 8 July 2016 and the total consideration of USD1 billion have been received. In addition to settle the outstanding balance of the Syndicated Loan, some of other outstanding bank loans and short term advance have also been settled. The liquidity and financial position of the Group improved significantly since then.

The gearing ratio as at 31 December 2016, which is calculated by dividing the total interest-bearing borrowings by total assets was NIL as compared to 17.6% as at 31 December 2015.

The Group services its debts primarily with recurring cash flow generated from its operation. Together with the proceeds raised from disposal of the shopping mall business, we are confident that we should have adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements.

Foreign Exchange Rate Risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) and must be arranged through the PBOC with government approval.

All cash and bank balances of the Group denominated in Renminbi were placed in banks in Hong Kong and the PRC. Renminbi is not freely convertible and the remittance of earnings to overseas is subject to exchange control promulgated by the PRC government. All the revenue-generating operations of the Group are transacted in Renminbi. The Group also kept certain bank balances in Hong Kong which are denominated in US dollar or HK dollar and the senior notes are denominated in US dollar. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of our subsidiaries (Renminbi) in the PRC and functional currency of the overseas group entities (Hong Kong dollar). Depreciation or appreciation of the Renminbi and Hong Kong dollar against foreign currencies can affect the Group's results. The Group currently does not hedge our foreign exchange risk but may do so in the future.

Capital Commitments

As at 31 December 2016, the future capital expenditure for which the Group had contracted but not provided for in respect of continuing operation amounted to approximately RMB11.7 million (31 December 2015: Nil) while the future capital expenditure for which the Group had authorized but not contracted for in respect of continuing operation amounted to approximately RMB8.0 million (31 December 2015: Nil).

Human Resources

As at 31 December 2016, the Group employed 2,109 staff members (31 December 2015: 3,416). The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2016 was approximately RMB305.8 million (2015: approximately RMB281.8 million). We have established a training programme that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and their skills and develop their careers. We provide orientation training as well as on-the job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund scheme, and employees in Mainland China also participate in similar schemes.

Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

Directors and Senior Management Profile

Executive Directors

Mr. DAI Yongge (戴永革), aged 48, was appointed as an Executive Director in December 2007 and the Chairman on 25 August 2008, and is a member of the remuneration committee and nomination committee of the Board. He was also the Chief Executive Officer between 26 February 2008 and 29 June 2014.

With over 20 years of experience in the management of underground shopping centres, Mr. Dai is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Dai became a director of Harbin Renhe Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe in 2003, 2005 and 2007 respectively and was responsible for the Group's strategic planning and management of the underground shopping centres in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group between 1999 and 2003 and was responsible for the strategic planning and management of Renhe Group. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 11 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken Xiu Li, the spouse of Ms. Zhang Xingmei and father of Mr. Dai Bin.

Mr. WANG Hongfang (王宏放), aged 57, was appointed as the Chief Executive Officer in June 2014. He was also appointed as an Executive Director in December 2007 and as the Executive President (Investments and Financing) of the Company on 26 February 2008.

Mr. Wang joined Renhe Group in 2003 and has over 22 years of management experience. He is primarily responsible for the management of the Group's investments and financing. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining Renhe Group, he was assigned management positions in a number of companies in the PRC during the period from 1994 to 2000. From 2001 to 2003, Mr. Wang was the president of Harbin Jurong New Power Co., Ltd. in which he was responsible for the overall planning and management of its business. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) with a bachelor's degree in automatic control mechanics (自動化控制) in 1982 and a master's degree in politics and economics in 1991.

Mr. DAI Bin (戴彬), aged 25, was appointed as our Executive Director in June 2014, and is primarily involved in the operation and management of the Company. He graduated from University of New South Wales, Australia, with a bachelor's degree of commerce, major in finance in 2012. Mr. Dai Bin is the son of Mr. Dai Yongge and Ms. Zhang Xingmei. He is also the nephew of Mrs. Hawken Xiu Li.

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗 • 好肯), aged 54, was appointed as our Non-Executive Director in November 2007. Mrs. Hawken joined Renhe Group in 1996 and is responsible for assisting our Executive Directors to formulate the Company's business strategies. She was appointed as a director of Harbin Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin Baorong since 2000. Mrs. Hawken graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai Yongge and aunt of Mr. Dai Bin.

Ms. JIANG Mei (蔣梅), aged 45, was appointed as our Non-Executive Director in December 2007. Ms. Jiang joined Renhe Group in 2002 and is responsible for assisting our Executive Directors to formulate our Group's business strategies. Since 2002, she has been a director of Harbin Renhe Century. She has also been a director of Guangzhou Renhe and a director of Zhengzhou Renhe since 2005 and 2007, respectively. Prior to joining Renhe Group, she was the deputy general manager of an advertising company in the PRC from 1993 to 2000. Ms. Jiang graduated from Beijing Dance Academy (北京舞蹈學院) in 1991.

Ms. ZHANG Xingmei (張興梅), aged 48, was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 20 years of management experience of the underground shopping centres in the PRC. Since 1996, Ms. Zhang has been appointed as a director of Harbin Renhe. Since 2000, she has been a director of Harbin Baorong. She has also been the chairperson of Harbin Renhe Century since 2002. She has been appointed as a director of Guangzhou Renhe and Zhengzhou Renhe since 2005 and 2007 respectively, and is responsible for overseeing the operation of their underground shopping mall projects. Ms. Zhang graduated from Heilongjiang Institute of Economic Management (黑龍江省哈爾濱經濟管理幹部學院) with a college degree in business administration in 1992. Ms. Zhang is the spouse of Mr. Dai Yongge and mother of Mr. Dai Bin.

Directors and Senior Management Profile

Mr. ZHANG Dabin (張大濱), aged 58, was re-designated as our Non-Executive Director in June 2014, prior to which he had been our Executive Director since December 2007. He was also appointed as the Executive President (Project Construction) of the Company in 2008. Mr. Zhang joined Renhe Group in 1999 and has more than 23 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. In 2003, he became the chief executive officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of the Group's projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Ms. WANG Chunrong (王春蓉), aged 48, was re-designated as our Non-Executive Director since June 2014, prior to which she had been our Executive Director since December 2007. She was also appointed as a Vice President (Finance) of the Company on 26 February 2008. Ms. Wang joined the Renhe Group in 1996 and has over 26 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance function of the Group. She worked as a manager at the finance department of Harbin Renhe Group from 1996 to 2000, and was later appointed as a director of Harbin Renhe since 2002. She is responsible for the financial management of the Group. Prior to joining Renhe Group, she worked at the accounting department of Heilongjiang Province Technology Information Research Office (黑龍江省科技情報研究所) from 1990 to 1996. She was appointed as the vice president of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) in 1990.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達), aged 56, joined in 2007 as an independent Non-Executive Director of the Company. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Uni-President China Holdings Limited (Stock Code: 220), LT Commercial Real Estate Limited (Stock Code: 112), CGN New Energy Holdings Co., Ltd. (Stock Code: 1811), China Development Bank International Investment Limited (Stock Code: 1062), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), Neo-Neon Holdings Ltd (Stock Code: 1868), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Technovator International Limited (Stock Code: 1206), Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Mr. WANG Shengli (王勝利), aged 67, was appointed as an independent Non-Executive Director of the Company since August 2008. He is the chairman of the remuneration committee and the nomination committee, and a member of the audit committee, of the Board of the Company. Mr. Wang is a retired military officer in the PRC with over 41 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense subdivision of China Civil Engineering Society (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association (北京民防協會) and the consultant of Shandong Province Civil Defense Association (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University (遼寧大學) in 1985 with a bachelor's degree in Chinese Literature and politics.

Mr. WANG Yifu (王一夫), aged 66, was appointed as an independent Non-Executive Director of the Company since August 2008. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Board of the Company. Mr. Wang has over 34 years of experience in the banking and finance industry. He worked at several branches of the China People's Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank (哈爾濱商業銀行). Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

Mr. LEUNG Chung Ki (梁松基), aged 60, was appointed as the independent Non-Executive Director of the Company since 2012. Mr. Leung graduated with bachelor degree in business administration in the Chinese University of Hong Kong and a master degree in business administration in the De Paul University in United States. Mr. Leung has over 24 years of banking experience and holds directorships in various companies engaging in investment since 2000.

Mr. TANG Hon Man (鄧漢文), aged 58, was appointed as the independent Non-Executive Director of the Company since 2012. Mr. Tang graduated with a bachelor degree in business administration in the Chinese University of Hong Kong. Mr. Tang has over 29 years of working experience and has been appointed as the director of supply chain management division of an international electronic product distribution group since 2006 and a director of supply chain management division of a global 3D printing technology company listed in the United States of America since April 2013.

Directors and Senior Management Profile

Senior Management

Mr. CHU Chengfa (楚成發), aged 49, is the vice president of our Company, and is responsible for the management of the Group's administration and legal affairs. Mr. Chu joined Renhe Group in 1999 and has almost 25 years of experience in the legal compliance field. Mr. Chu was appointed as the head of the legal affairs department of Renhe Group in 1999 and vice president of Renhe Group in 2003, advising the overall legal compliance of all the Group's projects. Prior to joining Renhe Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1991.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, aged 52, is our vice president and chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing the Group's financial reporting, internal controls and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined the Group in March 2008, is retained by the Group on a full-time basis and has over 29 years experience in accounting, finance and treasury functions. Prior to joining the Group, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

Mr. SUN Qiwei (孫啟偉), aged 57, is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 20 years of experience in business administration and management of underground construction projects. He was the office head of Harbin Renhe from 1996 to 1999. From 1999 to 2003, he was appointed as an assistant general manager and head of the office of Renhe Group. From 2006 to 2007, Mr. Sun was appointed as a general manager of Guangzhou Renhe. Since 2007, he has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. From 2003 to 2006, he was a deputy general manager of Harbin Hada Fruits and Vegetables Wholesale Market Co. Limited (哈達果菜批發市場有限公司). Mr. Sun graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) with a college degree in Chinese journalism in 1988.

Mr. GENG Xiaoguo (耿孝國), aged 52, is a vice president and deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over 15 years of experience in project construction, mainly involved in the application process of the construction projects when they first commenced. Since 2006, Mr. Geng has been appointed as a director of Guangzhou Renhe. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1987.

Ms. CHAN Rebecca (陳慧瑩), aged 41, is a vice president of the Company, responsible for the Company's capital market operations. Ms. Chan joined the Group in July, 2014. Ms. Chan has over 15 years of experience in corporate finance and capital markets transaction. Before joining the Group, Ms. Chan was trained as a solicitor in Hong Kong and subsequently switched to investment banking in 2005 and had been working for various investment banks since then, including UBS AG and J. P. Morgan Asia. Her last position before joining the Group was an Executive Director with J. P. Morgan Asia's Equity Capital Markets department. Ms. Chan holds a laws degree (LL. B) from University of Sheffield, United Kingdom. Ms. Chan is also a qualified solicitor of the HKSAR.

Mr. LI Xiang (李响), aged 35, is a vice president of the Company. Mr. Li joined the Group in August 2014 with over 9 years of experience in investment banking. Prior to joining the Group, Mr. Li was a Vice President with J. P. Morgan Asia's Equity Capital Markets department. He has a master degree from the University of Oxford.

Mr. WANG Dong (王棟), aged 44, was appointed as Vice President (Finance) of our Company. Mr. Wang joined the Renhe Group in August 2015 and has over 21 years of experience in the field of finance, investment and auditing. Mr. Wang is primarily responsible for overseeing the finance function of the Group. Prior to joining Renhe Group, he worked as project manager in Orient Group Financial Company and financial controller in Mid Tai Investment Company. Mr. Wang graduated from Harbin Institute of Technology with a master's degree in business administration. He is a member of the Chinese Institute of Certified Public Accountants. Mr. Wang was qualified as a senior accountant by Heilongjiang Province Government (黑龍江省人事廳).

Report of the Directors

The directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2016.

Principal Activities

The Company acts as an investment holding company. The principal activities of its major subsidiaries as at 31 December 2016 are set out in note 17 to the financial statements.

Major Customers and Suppliers

The information in respect of the Groupˇs sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total Sales	Purchases
The largest customer	2%	
Five largest customers in aggregate	5%	
The largest supplier		37%
Five largest suppliers in aggregate		56%

None of the directors, their respective associates or, so far as the directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five customers and suppliers of the Group for the year.

Financial Statements

The loss of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 48 to 123.

Transfer to Reserves

Loss attributable to equity shareholders of the Company, before dividends, of RMB14,583,909,000 (2015: loss of RMB4,435,683,000) have been transferred to reserves. Other movements in reserves are set out in the Group's consolidated statement of changes in equity for the year ended 31 December 2016.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB Nil (2015: Nil).

Investment Properties

Details of the changes in investment properties of the Group are set out in note 14 to the financial statements.

Property and Equipment

Details of the changes in property and equipment of the Group are set out in note 13 to the financial statements.

Share Capital

Details of the changes in the Group's share capital during the year are set out in notes 26(c) to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors

The directors during the financial year were:

Chairman

Dai Yongge

Executive directors

Dai Yongge
Wang Hongfang
Hu Yuzhou (resigned on 25 October 2016)
Dai Bin
Zhou Jun (resigned on 25 October 2016)

Non-executive directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent non-executive directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

Report of the Directors

Biographical Details of the Directors

The biographical details of the current directors are set out on page 14 to page 17 of this annual report.

Directors' Service Contracts and Rotation

Most of the executive directors are engaged on a service contract for a term of three years. Each service contract will continue thereafter until terminated by not less than one month's notice in writing served by either party. Most of the non-executive and independent non-executive directors have been appointed to hold the office for a term of one year and thereafter continue for further successive periods of one year with maximum period of three years for further re-election at Annual General Meeting ("AGM"). In addition, the appointment of each of directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers all the independent non-executive directors to be independent.

In accordance with the provisions of the Company's Articles of Association, Mrs. Hawken Xiu Li, Ms. Wang Chunrong, Mr. Fan Ren-Da, Anthony, Mr. Leung Chung Ki and Mr. Tang Hon Man will retire from the Board at the forthcoming AGM but, being eligible, will offer themselves for re-election.

Other than disclosed above, none of the directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

Directors' Emoluments

Details of directors' emoluments on a named basis are set out in note 9 to financial statements. The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the prevailing market conditions.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules were as follows:

(a) Long/short positions in shares/underlying shares of the Company:

Name of director	Capacity	Nature of interest *(note 1)*	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mr. Dai Yongge	Beneficial owner	L	153,900,000	0.35%
	Interest in controlled corporations	L *(note 2)*	16,146,900,132	36.72%
	Interest of spouse	L *(note 3)*	12,243,902,439	27.85%
	Interest in a controlled corporation	S	66,556,293	0.15%
Mr. Wang Hongfang	Beneficial owner	L	28,050,000	0.06%
	Interest in a controlled corporation	L	7,575,000	0.02%
Ms. Zhang Xingmei	Interest in a controlled corporation	L *(note 4)*	12,243,902,439	27.85%
	Interest of spouse	L *(note 5)*	16,300,800,132	37.07%
	Interest of spouse	S	66,556,293	0.15%
Mr. Zhang Dabin	Beneficial owner	L	3,000,000	0.00%
	Interest in a controlled corporation	L	13,100,000	0.03%
Ms. Wang Chunrong	Interest in a controlled corporation	L	33,600,000	0.07%

(b) Long positions in shares of associated corporations of the Company

Name of director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued share capital of the associated corporation
Mr. Dai Yongge	Beneficial owner	Shining Hill Investments Limited ("Shining Hill")	1	100.00%
	Interest in a controlled corporation	Super Brilliant Investments Limited ("Super Brilliant")	1	100.00%
Ms. Zhang Xingmei	Beneficial owner	Win Spread Limited	1	100.00%
	Interest in a controlled corporation	Dili Group Holdings Company Limited	1,351,171	100.00%
	Interest in a controlled corporation	Shouguang Dili Agri-Products Group Company Limited	1,627,160 *(note 6)*	67.86%
	Interest in a controlled corporation	New Amuse Limited	1	100.00%

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) Mr. Dai Yongge is deemed to be interested in such shares held through controlled corporations, Super Brilliant, Wealthy Aim Holdings Limited and Gloss Season Limited.

(3) Mr. Dai Yongge is deemed to be interested in the shares held by his spouse, Ms. Zhang Xingmei.

(4) Ms. Zhang Xingmei is deemed to be interested in such shares held through a controlled corporation, New Amuse Limited.

(5) Ms. Zhang Xingmei is deemed to be interested in the shares held by her spouse, Mr. Dai Yongge.

(6) A total of 1,627,160 shares consist of both ordinary shares and class A preference shares with the same voting rights.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 31 December 2016, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/ Nature of interest *(note 1)*	Approximate percentage of interest in the Company
Super Brilliant	Beneficial owner	15,383,738,082 (L)	34.99%
	Beneficial owner	66,556,293 (S)	0.15%
Shining Hill *(note 2)*	Interest in a controlled corporation	15,383,738,082 (L)	34.99%
	Interest in a controlled corporation	66,556,293 (S)	0.15%
New Amuse Limited	Beneficial owner	12,243,902,439 (L)	27.85%
Shouguang Dili Agri-Products Group Company Limited	Interest in a controlled corporation	12,243,902,439 (L)	27.85%
Dili Group Holdings Company Limited	Interest in a controlled corporation	12,243,902,439 (L)	27.85%
Win Spread Limited	Interest in a controlled corporation	12,243,902,439 (L)	27.85%
China Life Insurance (Group) Company *(note 3)*	Interest in a controlled corporation	2,521,668,000 (L)	5.74%

Report of the Directors

Notes:

(1) The letter "L" denotes the person's long position in such shares, and the letter "S" denotes the person's short position in such shares.

(2) Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed or taken to be interested in the shares beneficially owned by Super Brilliant for the purposes of the SFO.

(3) China Life Insurance (Overseas) Co. Ltd is a directly controlled corporation of China Life Insurance (Group) Company. According to the disclosure form filed by China Life Insurance (Overseas) Co. Ltd on 18 April 2016, it ceased to have an interest in more than 5% of the shares of the Company.

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2016, there was no other person, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Share Option Scheme

The Company adopted a share option scheme on 25 August 2008. There were no outstanding share options as at 31 December 2016. No share options have been granted, exercised, cancelled and lapsed during the year ended 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company.

Directors' Interest in Contracts

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Loans and Borrowings

Particulars of loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in note 23 to the financial statements.

Continuing Connected Transactions

In accordance with paragraph 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed and confirmed that as at 31 December 2016, the continuing connected transactions of the Company as disclosed in the prospectus of the Company dated 30 September 2008 have remained exempt from the reporting, announcement and independent shareholders' approval requirements under paragraph 14A.73 of the Listing Rules, and that these transactions and the continuing connected transactions as disclosed in the circular of the Company dated 29 June 2015 have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

Report of the Directors

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 124 of this annual report.

Retirement Schemes

The Group is required to make contributions to the Schemes at the rate ranges from 18% to 20% of the eligible employee's salaries. Particulars of these retirement schemes are set out in note 27 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Audit Committee

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Code"). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016.

Corporate Governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year covered by this annual report, in compliance with the Code on Corporate Governance Practices saved as disclosed in the corporate governance report contained in this annual report.

Confirmations of Independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Auditors

The consolidated financial statements of the Group have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board
Dai Yongge
Chairman

Hong Kong, 28 March 2017

Corporate Governance Report

Introduction

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve our image with effective corporate governance procedures.

Since listing, the Company had adopted the code provisions as set out in the Code, save and except for the following:

Code Provision A.2.7

The Chairman of the Company did not hold any formal meeting with the independent non-executive directors and other non-executive directors due to the busy schedule of the Chairman and the non-executive directors. The Chairman may communicate with the independent non-executive directors and other non-executive directors on a one-to-one or group basic to understand their concerns and to discuss pertinent issues.

Code Provision A.5.2

During the year under review, the Nomination Committee held no meeting, given the hectic schedule of its members. The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Code Provision A.6.7 and E.1.2

The Chairman of the Company, certain independent non-executive directors and other non-executive directors did not attend the Annual General Meeting and EGM held on 18 May 2016 due to other business commitments or being overseas. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the Chairman of the Annual General Meeting and EGM. The Board will finalize and inform the date of the Annual General Meeting and EGM as earliest as possible to make sure that the Chairman and other non-executive directors (including independent non-executive directors) would attend the Annual General Meeting and EGM of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions of the Code by the Company for the year ended 31 December 2016.

Compliance With The Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the directors' dealings in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2016 in relation to their securities dealings, if any.

Directors' Training

All directors have been given relevant guideline materials regarding the duties and responsibilities of being as a director, the relevant laws and regulations applicable to the directors, duty of disclosure of interests and business of the Group. Such induction materials will also be provided to newly appointed directors shortly upon their appointment as directors.

During the year, the Company continuously updated the directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All directors were encouraged to participate in continuous professional development by attending seminars/in-house briefing/reading materials on different topics to develop and refresh their knowledge and skills.

The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees on 25 August 2008 and has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out hereunder.

Most of the non-executive directors and independent non-executive directors are appointed for a term of one year, which are subject to retirement in accordance with the articles of association of the Company (the "Articles"). According to the Articles, at each AGM, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an AGM at least once every three years.

The Company has received from each of the independent non-executive directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

During the year under review, the Board held six meetings and attendance of each director at the meetings and AGM is set out below:

Name of Director	No. of Board meetings held during the Director's term of office in the relevant period	No. of Board meetings attended	Attendance rate	AGM/EGM
Executive Directors				
Dai Yongge	6	6	100%	0/2
Wang Hongfang	6	5	83%	2/2
Hu Yuzhou (resigned on 25 October 2016)	6	0	0%	0/2
Dai Bin	6	1	17%	0/2
Zhou Jun (resigned on 25 October 2016)	6	4	67%	0/2
Non-executive Directors				
Hawken Xiu Li	6	0	0%	0/2
Jiang Mei	6	0	0%	0/2
Zhang Xingmei	6	0	0%	0/2
Zhang Dabin	6	0	0%	0/2
Wang Chunrong	6	2	33%	0/2
Independent Non-executive Directors				
Fan Ren-Da, Anthony	6	5	83%	2/2
Wang Shengli	6	1	17%	0/2
Wang Yifu	6	5	83%	0/2
Leung Chung Ki	6	5	83%	0/2
Tang Hon Man	6	3	50%	0/2

Nomination Committee

The Company established a Nomination Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and diversity of the Board, assessing the independence of independent non-executive directors and providing recommendations to the Board on matters relating to the appointment of directors. The Nomination Committee of the Company consists of Mr. Dai Yongge, an executive director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors and is chaired by Mr. Wang Shengli.

Below is the summary of the Board Diversity Policy:

The Company believes that having a diverse Board can enhance the quality of its performance. In this regard, the Company has developed a diversity policy for the Board, in terms of skills, experience, knowledge, expertise, culture, ethnicity, length of service, independence, age and gender. In addition, the Nomination Committee will hold discussions towards achieving the goal of Board diversification and provide recommendations to the Board for adoption.

During the year under review, the Nomination Committee held no meeting, given the hectic schedules of its members. The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Remuneration Committee

The Company established a Remuneration Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include providing recommendations to the Board on the Company's structure and policy for remuneration of directors and senior management, determining the remuneration packages of individual executive directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The Remuneration Committee of the Company consists of Mr. Dai Yongge, an executive director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors and is chaired by Mr. Wang Shengli.

During the year under review, the Remuneration Committee held no meeting, given the hectic schedules of its members.

Audit Committee

The Company established an Audit Committee pursuant to a resolution of the directors passed on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the Audit Committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee of the Company consists of Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli and Mr. Wang Yifu (being independent non-executive directors) and is chaired by Mr. Fan Ren-Da, Anthony. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

During the year under review, there were two meetings held by the Audit Committee and the attendances are listed below:

Name of Audit Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Fan Ren-Da, Anthony (Chairman)	2	2	100%
Wang Shengli	2	1	50%
Wang Yifu	2	2	100%

Auditors' Remuneration

During the year under review, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB7,600,000 and RMB1,800,000 respectively.

Accountability and Audit

The directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The directors consider that the financial statements have been prepared in conformity with all appropriate accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management with an appropriate enquiries, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

Internal Control

The Company leveraged on the expertise offered by external professionals to develop its risk management system and conduct testing accordingly. Meanwhile, the Company has implemented the following measures to enhance its risk management process:

- **Control Environment**

  The Company has established an audit committee and improved the organizational structure of the Company. The Company has already stipulated the internal staff manual of conduct to clarify the ethical value of the Company's staff, policy of conflict of interests and the communication channel of the management.

- **Risk Management**

  The Company's management has many years of experience in operation and has stipulated specific strategic goals and operating goals for the Company.

- **Control Activities**

  The Company has already started to stipulate written policies and procedures based on the Company's various businesses and financial activities, in order to define related control activities.

- **Information and Communication**

  The Company's management understands the importance of information and communication, and has adopted measures including but not limited to reviewing the monthly consolidated financial statements, convening management meetings regularly and setting up email boxes as the communication channel between the staff and senior management, so as to strengthen the information and communication of the Company.

Investor Relations, Communications with Shareholders and Shareholders' Rights

Objective

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company is committed to establish strategic communication channels to ensure the access of reliable corporate information by the shareholders, financial communities as well as the public.

Communications with Shareholders

The directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGM and Extraordinary General Meeting ("EGM") which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and (iii) the upkeeping of the latest information of the Company's website at http://www.renhebusiness.com. Shareholders and investors are welcome to visit our website.

Shareholders' Rights

(i) Procedures by which Shareholders can Convene an EGM and Procedures for Putting Forward Proposals at the Meetings

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(ii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders may also make enquiries in writing to the principal place of business of the Company in Hong Kong.

Information Disclosure

Currently, the Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public, to make rational decisions that should result in the Company's securities trading at fair value over the long term.

Important Events

The Company's shares listed on the Hong Kong Stock Exchange were admitted to the following index and list:

(1) Hang Seng Composite Index Series
– Hang Seng Composite Size Index – MidCap Index

(2) List of SEHK Securities which are eligible for the Shanghai-Hong Kong Stock Connect (Southbound Trading)

(3) Hang Seng High Beta Index

Environmental, Social and Governance Report

A. Environment

Environmental protection is one of the basic for sustainable development of enterprises. We attach great importance to the protection of the ecological environment. Through careful planning of business, modern construction of operational facilities, as well as scientific implementation of sustainable modes of operation, we commit ourselves to energy-saving and emission reduction in all aspects of operation and various business processes, so as to strive to achieve the sustainable corporate development on the environmental friendly basis.

All the operating facilities of the Company are designed, constructed and scientifically used in accordance with the national energy-saving building standards. All construction projects and constructions have been reviewed by the third party on energy conservation and inspected by the relevant government authorities after the completion of the projects.

The company's all operating equipment are procured in accordance with national energy-saving requirements, and energy consumption of all equipment are in line with national energy-saving standards. For instance, electric vehicles are used inside the market.

1. Emissions

The Company's main business is the operation of agriculture products wholesale markets. As such, there is no industrial exhaust gas, waste water or solid waste emissions.

(1) Waste: As the main waste produced by the agricultural products trading markets is fruits and vegetables wastes, which can be naturally degraded and are recyclable. All the markets entrust professional companies to carry out regular disposal of wastes in the markets to keep the market clean and tidy.

(2) Waste water: Waste water in the agricultural trading market is mainly from domestic water use and a small amount of operational water use. There is no bulk waste water emission or disposal.

(3) Exhaust gases: There is mainly no emissions of a large amount of greenhouse gases or other exhaust gases.

2. Resource Usage

All the agricultural products wholesale markets were designed and planned in accordance with the energy-saving and water-saving requirements during the project approval and construction phases. During the daily operation, corresponding energy-saving and water management systems have been developed and implemented to improve resource efficiency and reduce resource consumption and environmental costs.

(1) Electricity-saving: Our major electricity consumptions are for the lighting in the wholesale markets and for the general office use. All our wholesale markets use LED energy-saving lighting to reduce electricity consumption. The storage facilities in the markets are also in line with the national energy-saving standards. The planning, design and construction of storage facilities including cool and temperature-controlled storage have reached the domestic advanced level with good energy-saving performance. We conduct power-saving campaigns among vendors on a regular basis to encourage vendors in the markets to save electricity.

(2) Water-saving: the main operational use of water in the wholesale markets are for cleaning purposes with a small proportion of domestic water use. Most of the floor surface in the wholesale markets have been paved with concrete, plus the advanced dustproof steel structure ceiling, leading to efficient operational water saving. We also organized water-saving campaigns in various markets.

(3) Others: The Company fully promotes electronic settlement system in the markets step by step, largely reducing paper consumption. In the meantime, we also promote digitalized office operation and implemented environmental friendly measures including energy-saving and paper-recycling policies in our offices.

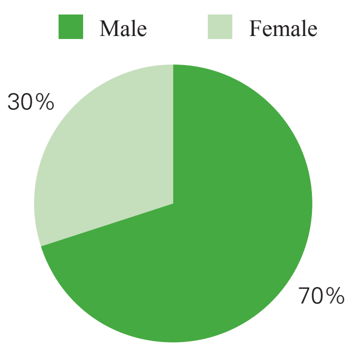
B. Society

1. Employment and Labor Practices

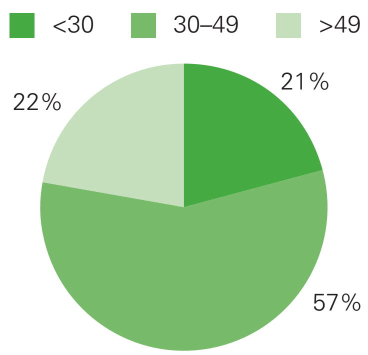
As of 31 December 2016, the Group has approximately 2,300 employees, and all the employments are all in line with the employment and labor laws and regulations. 99% of the employees are located in mainland China, among which the proportions of male and female workers are 70% and 30% respectively; and the proportions of employees aged under 30, aged 30 to 49 and aged above 49 are 21%, 57% and 22% respectively.

We recognize the diversity of employees' background, and do not have any discrimination against any potential employee on gender, age, family, marriage status of disability during recruitment.

Gender distribution



Age distribution



2. Employees' Health and Workplace Safety

We fix our office hours in strict accordance with the relevant employment ordinance and the Labor Law of the State. We also provide medical examinations for employees every year. Newly-employed staff is required to provide a medical examination report issued by authoritative third-party medical institutions upon entry, while the Company will contribute to various social and medical insurances and provident fund for the staff according to national standards and provide holiday allowances and bonuses for the staff.

The company's main business is the operation of agricultural products wholesale markets with no high-risk operations, and the work environment is free from dust, chemical or physical radiation or other pollutions.

3. Employee Development and Training

We recognize the value of providing personal and career development opportunities for employees, thereby increasing the attractiveness of jobs and enhancing job satisfaction. As a result, a wide range of trainings, including new employee induction training, managerial training, business training and professional training, are provided for management positions and general staff.

4. Guidelines for Employment of Labor

The Group, in full compliance with all labor regulations in all places of employment, strictly prohibits the employment of child labor and ensures that it contributes to social insurance and provident fund for the employees in accordance with the requirements of the relevant laws and regulations. The Group recruits staff according to the job requirements and strictly prohibits sexual discrimination.

5. Suppliers and Supply Chain Management

Procurement of most products and services used in the operation of the Group are carried out through tender, strictly following competitive bidding process and implementing a set of supplier management and assessment measures to ensure the quality of products and services, as well as the professionalism during the fulfilment process.

As all businesses of the Group only involve primary agricultural products, there is no risk of industrial pollution, and the Company conducted regular daily waste disposal for the markets. Therefore, there is no relevant environmental risks.

Products involved in the Group's operation are related to the daily life of the surrounding residents and the social function is relatively prominent, thus are free from big social risk. We receive strong support from the local government for operation of each markets.

6. Product Responsibility

The Company's main business is the operation of agricultural products wholesale markets, and suppliers in the markets are mainly engaged in vegetables, fruits and other primary agricultural products wholesale. So the first responsible person for all primary agricultural products are individual business owners. The agricultural wholesale market has a great impact on the daily life of residents in the corresponding cities, and is an important part of the national "vegetable basket" project. Therefore, we set up agricultural products testing centers in all our wholesale markets to conduct sampling inspection for all kinds of primary agricultural products daily on site to eliminate defective products such as those with pesticide residues, to ensure the safety of the "vegetable baskets".

7. Anti-Corruption

The Group strictly abides by all Hong Kong and China regulations on anti-corruption. The Group strictly prohibits any forms of bribery or corruption in the course of the its operation, and reminds the employees that they must avoid possible conflicts of interest and timely report to the company for related matters.

The Group conducts systematic induction trainings for new recruits and includes a non-competitive agreement and a confidentiality agreement in the labor contract to regulate employee behavior and avoid related risks.

8. Community Investment

The Group organizes a number of cultural and sports activities, including: monthly birthday celebrations for related employees, regular football and basketball games for employees, and regular football matches watching activities. A great variety of activities greatly enhanced the cohesiveness between employees and the Group.

Independent Auditor's Report

Independent auditor's report to the shareholders
of Renhe Commercial Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Renhe Commercial Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 48 to 123, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for a discontinued operation and the loss on disposal thereof

Refer to note 6 to the consolidated financial statements and the accounting policies on page 76-77.

The Key Audit Matter	How the matter was addressed in our audit
During the current year, after a public tender failed to attract any buyers, the Company entered into an agreement with its controlling shareholder to dispose of its shopping mall segment (the "Disposal"), which comprised 23 completed shopping malls, 11 shopping malls under construction and 10 shopping malls at the planning stage with relevant construction approvals obtained (collectively the "Disposal Group") for a consideration of RMB6.5 billion. The Disposal was completed on 8 July 2016 and the entire consideration had been received as at 31 December 2016. As the Disposal Group represented a separate major line of business of the Group, it has been presented in the consolidated financial statements as a discontinued operation. The loss on disposal has been calculated by management to be RMB13.7 billion. We identified accounting for the discontinued operation and the loss on disposal thereof as a key audit matter because of the significance of this transaction to the consolidated financial statements.	Our audit procedures to assess the accounting for the discontinued operation and the loss on disposal thereof included the following: • inspecting the documents relating to the Disposal including the tender documents for the tender conducted by a third party agent, the sales agreement, the approval of the independent shareholders and the relevant board minutes and announcements to identify any matters which may be of accounting significance; • comparing the receipt of the agreed consideration with bank statements and other relevant underlying documentations; • inspecting the relevant completion documents relating to the Disposal to identify the hand-over date comparing the list of disposed assets and liabilities with the Group's accounting records; • recalculating the loss arising from the Disposal and comparing our calculation with the loss calculated by management; and • considering the classification and the disclosures in the consolidated financial statements in respect of the Disposal with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Kwok Keung.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000 Re-presented *(Note 6)*
Continuing operation			
Revenue	*4(a)*	**1,001,765**	386,640
Gross profit		**1,001,765**	386,640
Other income	*5*	**127,409**	44,461
Administrative expenses		**(490,488)**	(412,036)
Goodwill impairment losses	*16*	**–**	(1,132,950)
Other operating expenses		**(591,135)**	(240,435)
Operating profit/(loss) from continuing operation		**47,551**	(1,354,320)
Finance income		**7,124**	19,822
Finance expenses		**(26,126)**	(2,190)
Net finance (expenses)/income	*7(b)*	**(19,002)**	17,632
Profit/(loss) from continuing operation before taxation	*7*	**28,549**	(1,336,688)
Income tax	*8*	**(116,827)**	(35,677)
Loss from continuing operation		**(88,278)**	(1,372,365)
Discontinued operation			
Loss from discontinued operation, net of tax	*6(a)*	**(14,513,350)**	(3,164,388)
Loss for the year		**(14,601,628)**	(4,536,753)
Attributable to:			
Equity shareholders of the Company		**(14,583,909)**	(4,435,683)
Non-controlling interests		**(17,719)**	(101,070)
Loss for the year		**(14,601,628)**	(4,536,753)

The notes on pages 56 to 123 form part of these financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	**2016 RMB'000**	2015 RMB'000 Re-presented *(Note 6)*
Loss attributable to:			
Equity shareholders of the Company			
— Continuing operation		**(88,278)**	(1,372,365)
— Discontinued operation		**(14,495,631)**	(3,063,318)
		(14,583,909)	(4,435,683)
Non-controlling interests			
— Discontinued operation		**(17,719)**	(101,070)
Loss for the year		**(14,601,628)**	(4,536,753)
Basic and diluted loss per share (RMB cents)	12	**(33.17)**	(11.99)
From continuing operation		**(0.20)**	(3.71)
From discontinued operation		**(32.97)**	(8.28)

The notes on pages 56 to 123 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	**2016** **RMB'000**	2015 RMB'000 Re-presented *(Note 6)*
Loss for the year		**(14,601,628)**	(4,536,753)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operation	*11*	**(46,327)**	(260,807)
Total comprehensive income for the year		**(14,647,955)**	(4,797,560)
Attributable to:			
Equity shareholders of the Company		**(14,630,236)**	(4,696,490)
Non-controlling interests		**(17,719)**	(101,070)
Total comprehensive income for the year		**(14,647,955)**	(4,797,560)
Total comprehensive income for the year arises from			
Continuing operation		**61,098**	(1,080,976)
Discontinued operation		**(14,709,053)**	(3,716,584)
Total comprehensive income for the year		**(14,647,955)**	(4,797,560)

The notes on pages 56 to 123 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2016
(Expressed in Renminbi)

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Non-current assets			
Property and equipment	*13*	**683,893**	535,719
Investment properties	*14*	**–**	23,001,104
Intangible assets	*15*	**6,034,550**	6,358,083
Goodwill	*16*	**386,380**	750,172
Other assets	*20*	**21,682**	1,077,057
Deferred tax assets	*24(b)*	**–**	137,332
Trade receivables and other assets	*19*	**–**	261,642
Total non-current assets		**7,126,505**	32,121,109
Current assets			
Inventories	*18*	**46,538**	4,770,016
Trade receivables and other assets	*19*	**1,852,670**	436,421
Cash at bank and on hand	*21*	**1,464,956**	908,400
Total current assets		**3,364,164**	6,114,837
Current liabilities			
Interest-bearing borrowings	*23(ii)*	**–**	4,681,113
Trade and other payables	*22*	**1,969,737**	5,157,236
Taxation	*24(a)*	**50,262**	46,821
Total current liabilities		**2,019,999**	9,885,170
Net current assets/(liabilities)		**1,344,165**	(3,770,333)
Total assets less current liabilities		**8,470,670**	28,350,776

The notes on pages 56 to 123 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2016
(Expressed in Renminbi)

	Note	**31 December 2016 RMB'000**	31 December 2015 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*23(i)*	**–**	2,067,480
Long-term rental deposits		**–**	17,282
Deferred tax liabilities	*24(b)*	**1,505,484**	4,609,915
Receipt-in-advance	*25*	**–**	21,867
Total non-current liabilities		**1,505,484**	6,716,544
Net assets		**6,965,186**	21,634,232
Capital and reserves			
Share capital	*26(c)*	**366,604**	366,604
Reserves	*26(d)*	**6,598,582**	21,228,818
Total equity attributable to equity shareholders of the Company		**6,965,186**	21,595,422
Non-controlling interests		**–**	38,810
Total equity		**6,965,186**	21,634,232

Approved and authorised for issue by the board of directors on 28 March 2017.

Dai Yongge
Chairman

Wang Hongfang
Director

The notes on pages 56 to 123 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Exchange reserves RMB'000	Merger reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company										
		26(c)	*26(d)(i)*	*26(d)(ii)*	*26(d)(iii)*	*26(d)(iv)*	*26(d)(v)*	*26(d)(vi)*				
Balance at 1 January 2015		186,376	6,179,085	7,508	129,488	635,443	(10,659)	128,704	11,172,519	18,428,464	139,880	18,568,344
Changes in equity for 2015												
Loss for the year		–	–	–	–	–	–	–	(4,435,683)	(4,435,683)	(101,070)	(4,536,753)
Other comprehensive income		–	–	–	–	–	(260,807)	–	–	(260,807)	–	(260,807)
Total comprehensive income		–	–	–	–	–	(260,807)	–	(4,435,683)	(4,696,490)	(101,070)	(4,797,560)
Issue of shares under rights issue		83,592	2,561,500	–	–	–	–	–	–	2,645,092	–	2,645,092
Issue of shares for acquisition of business		96,636	5,121,720	–	–	–	–	–	–	5,218,356	–	5,218,356
Transfer to reserve fund	*26(d)(iv)*	–	–	–	–	3,213	–	–	(3,213)	–	–	–
Balance at 31 December 2015		366,604	13,862,305	7,508	129,488	638,656	(271,466)	128,704	6,733,623	21,595,422	38,810	21,634,232

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Exchange reserves RMB'000	Merger reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company										
		26(c)	*26(d)(i)*	*26(d)(ii)*	*26(d)(iii)*	*26(d)(iv)*	*26(d)(v)*	*26(d)(vi)*				
Balance at 1 January 2016		366,604	13,862,305	7,508	129,488	638,656	(271,466)	128,704	6,733,623	21,595,422	38,810	21,634,232
Changes in equity for 2016												
Loss for the year		–	–	–	–	–	–	–	(14,583,909)	(14,583,909)	(17,719)	(14,601,628)
Other comprehensive income		–	–	–	–	–	(46,327)	–	–	(46,327)	–	(46,327)
Total comprehensive income		–	–	–	–	–	(46,327)	–	(14,583,909)	(14,630,236)	(17,719)	(14,647,955)
Disposal of discontinued operation		–	–	–	–	–	–	–	–	–	(21,091)	(21,091)
Transfer to reserve fund	*26(d)(iv)*	–	–	–	–	63,174	–	–	(63,174)	–	–	–
Balance at 31 December 2016		366,604	13,862,305	7,508	129,488	701,830	(317,793)	128,704	(7,913,460)	6,965,186	–	6,965,186

The notes on pages 56 to 123 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Loss for the year		**(14,601,628)**	(4,536,753)
Adjustments for:			
Depreciation	7(c)	**47,974**	44,014
Amortization	7(c)	**324,333**	140,397
Net finance expenses/(income)	7(b)	**296,750**	(173,509)
Net gain on disposal of property and equipment	5	**(1,115)**	(1,050)
Loss on disposal of investment properties		**–**	120
Net loss on disposal of discontinued operation	6(a)	**13,726,610**	–
Change in fair value of investment properties	14	**763,085**	4,441,711
Impairment loss on receivables	7(c)	**–**	135,420
Impairment loss on goodwill	16	**–**	1,132,950
Income tax	8	**(23,368)**	(1,000,628)
Operating profit before changes in working capital		**532,641**	182,672
Decrease in bank deposits		**59,673**	13,123
(Increase)/decrease in trade receivables and other assets		**(11,526)**	103,671
(Decrease)/increase in trade and other payables		**(59,215)**	309,483
Increase in inventories		**(19,543)**	(125,153)
Cash generated from operating activities		**502,030**	483,796
Income tax refund		**478**	12,153
Income tax paid	24(a)	**(198,830)**	(56,767)
Net cash generated from operating activities		**303,678**	439,182

The notes on pages 56 to 123 form part of these financial statements. Refer to Note 6(c) in respect of cash flows in connection with the discontinued operation.

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Investing activities			
Disposal of discontinued operation, net of cash disposed of	*6(b)*	**6,273,471**	–
Net proceeds from disposal of investment properties		**641**	3,572
Net proceeds from disposal of property and equipment		**1,415**	2,120
Interest received		**9,309**	42,599
Purchase of property and equipment		**(110,731)**	(6,777)
Additions to investment properties		**(52,334)**	(891,065)
Payment for purchase of loan receivables		**(252,087)**	(837,780)
Proceeds from disposal of loan receivables		**252,087**	837,780
Acquisition of business with cash acquired		**–**	7
Prepayment of deposits for acquisition of projects		**(773,000)**	–
Repayment of deposit for acquisition of a project		**300,000**	–
(Increase)/decrease in time deposits		**(50,000)**	51,552
Net cash generated from/(used in) investing activities		**5,598,771**	(797,992)
Financing activities			
Proceeds from new borrowings		**1,144,476**	3,936,682
Repayment of borrowings		**(4,043,521)**	(1,525,125)
Repayment of senior notes		**(1,053,051)**	(480,747)
Repayment by tender offer of senior notes		**–**	(3,471,671)
Advances from/(repayment to) a director	*31(b)*	**1,838,340**	(19,670)
Working capital received from related parties	*31(b)*	**–**	100,000
Repayment to related parties	*31(b)*	**(2,918,176)**	(100,000)
Prepayment of interest expense to a related party		**3,809**	(3,809)
Prepayment of rental expenses to related parties		**(45,273)**	(25,048)
Proceeds from issuance of shares under rights issue		**–**	2,645,092
Interest paid		**(343,587)**	(649,300)
Net cash (used in)/generated from financing activities		**(5,416,983)**	406,404
Net increase in cash and cash equivalents		**485,466**	47,594
Cash and cash equivalents at 1 January		**908,400**	832,941
Effect of foreign exchange rate changes		**21,090**	27,865
Cash and cash equivalents at 31 December	*21*	**1,414,956**	908,400

The notes on pages 56 to 123 form part of these financial statements. Refer to Note 6(c) in respect of cash flows in connection with the discontinued operation.

Notes to the Financial Statements

(Expressed in Renminbi)

1 General information

Renhe Commercial Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 20 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the "Group") are principally engaged in development, lease and management of shopping mall and operation of agriculture wholesale markets in the People's Republic of China (the "PRC"). On 27 July 2015, the Company has acquired the entire share capital of Yield Smart Limited, which indirectly holds 100% equity interest of seven subsidiaries which operate agriculture wholesale markets in PRC (the "Acquisition"). During the current year, after a public tender failed to attract any buyers, the Company entered into an agreement with its controlling shareholder to dispose of its shopping mall segment (the "Disposal"), which comprised 23 completed shopping malls, 11 shopping malls under construction and 10 shopping malls at the planning stage with relevant construction approvals obtained (collectively the "Disposal Group") for a consideration of RMB6.5 billion. The Disposal was completed on 8 July 2016 and the entire consideration had been received as at 31 December 2016. After the completion of the Disposal, the Group is principally engaged in operation of agriculture wholesale markets in the PRC.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations issued by the International Accounting Standards Board (IASB) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group. The measurement basis used in the preparation of the financial statements is the historical cost basis.

2 Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(v)).

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 33.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Group. The Company and its overseas subsidiaries' functional currency is Hong Kong dollar ("HKD"). Since the Group's operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

2 Significant accounting policies *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see Note 2(v)).

2 Significant accounting policies *(Continued)*

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(s)(i).

2 Significant accounting policies *(Continued)*

(f) Investment property *(Continued)*

Transfers to, or from, investment properties are made when, and only when, there is a change in use. For a transfer from investment property carried at fair value to inventories, the property's deemed cost shall be its fair value at the date of change in use. For a transfer from inventories to investment property that will be at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(i).

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses (see Note 2(j)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

2 Significant accounting policies *(Continued)*

(g) Property and equipment *(Continued)*

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

• Machinery equipment	5–10 years
• Office equipment	5–10 years
• Vehicles	5–20 years
• Leasehold improvements	3–20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

• Favourable term lease contract	20 years

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 Significant accounting policies *(Continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 2(f)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognized as property and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(j)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 Significant accounting policies *(Continued)*

(i) Leased assets *(Continued)*

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 2(f)) or is held for development for sale (see Note 2(k)(i)).

(j) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2 Significant accounting policies *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of other receivables (Continued)

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 Significant accounting policies *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property and equipment;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

2 Significant accounting policies *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 Significant accounting policies *(Continued)*

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Property development

Inventories in respect of property development activities represent units of shopping mall under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (Note 2(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operation right of units.

(ii) Trading goods

Cost is calculated using the specific identification of their individual costs and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any written-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment for doubtful debts (see Note 2(j)(i)).

2 Significant accounting policies *(Continued)*

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 Significant accounting policies *(Continued)*

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 Significant accounting policies *(Continued)*

(q) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies *(Continued)*

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset, where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(r)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(r)(iii).

2 Significant accounting policies *(Continued)*

(r) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 Significant accounting policies *(Continued)*

(s) Revenue recognition *(Continued)*

(ii) Revenue from transfer of operation rights

Revenue from transfer of operation rights in the ordinary course of business is recognised when all of the following criteria are satisfied:

— the significant risks and rewards of the operation rights have been transferred to the customers;

— neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Group; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

(iii) Commission income

Commission income from lease and management of agriculture wholesale market is recognised in profit or loss on a straight-line basis over the period in which the goods are traded in the agriculture wholesale market.

(iv) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or sales taxes and is after deduction of any trade discounts.

2 Significant accounting policies *(Continued)*

(s) Revenue recognition *(Continued)*

(v) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(vi) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(viii) Government grants

Government grants are recognised in the statement of financial position when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Significant accounting policies *(Continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 Significant accounting policies *(Continued)*

(v) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, financial assets (other than investments in subsidiaries) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2 Significant accounting policies *(Continued)*

(v) Non-current assets held for sale and discontinued operations *(Continued)*

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Comparative amounts are re-presented so that the disclosures for discontinued operation relate to all operations that have been discontinued by the end of the current reporting period.

2 Significant accounting policies *(Continued)*

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Dividends

Dividends are recognised as a liability in the period in which they are declared.

2 Significant accounting policies *(Continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. 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

	Continuing operation		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Operating lease	**243,473**	101,623	**239,313**	481,860	**482,786**	583,483
Transfer of operation rights	**–**	–	**–**	2,186	**–**	2,186
Commission income	**758,292**	285,017	**–**	–	**758,292**	285,017
	1,001,765	386,640	**239,313**	484,046	**1,241,078**	870,686

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the year (2015: Nil).

(b) Segment reporting

The Group manages its businesses based on its business line, which are divided into development, lease and management of shopping mall and operation of agriculture wholesale markets. Before July 2015, the Group only has one business line, development, lease and management of shopping mall. Operation of agriculture wholesale markets business was acquired by the Group in July 2015 (the "Acquisition").

Since the development, lease and management of shopping mall segment has been disposed on 8 July 2016 (see Note 6), the profit or loss, assets and liabilities of continuing operation represent the single segment of operation of agriculture wholesale markets segment.

All of the Group's operations are located in the PRC, therefore no geographical segment reporting is presented.

5 Other income

	Continuing operation		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Market service fee income	**126,606**	44,461	**–**	–	**126,606**	44,461
Revenue from property management and relevant service	**–**	–	**54,731**	97,916	**54,731**	97,916
Net gain on disposal of property and equipment	**148**	–	**967**	1,050	**1,115**	1,050
Government grants	**466**	–	**89**	–	**555**	–
Others	**189**	–	**8,255**	6,011	**8,444**	6,011
	127,409	44,461	**64,042**	104,977	**191,451**	149,438

6 Discontinued operation

During the year, the Company entered into a sale agreement to dispose of its shopping mall segment, which comprises 23 completed shopping malls, 11 shopping malls under construction and 10 shopping malls at the planning stage with relevant construction approvals obtained. The Disposal contemplated under the sale agreement was approved by the independent shareholders of the Company at the Extraordinary General Meeting held on 18 May 2016. The Disposal was completed on 8 July 2016, the controlling shareholder of the Company acquired the Disposal Group at a consideration of RMB6.5 billion. The Disposal Group represents a separate major line of business of the Group, it has been presented as a discontinued operation, and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operation.

6 Discontinued operation *(Continued)*

(a) Results of discontinued operation

	Note	2016 RMB'000	2015 RMB'000
Revenue	*4(a)*	239,313	484,046
Cost of sales		–	(1,231)
Gross profit		239,313	482,815
Other income	*5*	64,042	104,977
Administrative expenses		(84,601)	(289,965)
Other operating expenses		(103,490)	(211,953)
Net valuation loss on investment properties	*14*	(763,085)	(4,441,711)
Loss on disposal of investment properties		–	(120)
Operating loss		(647,821)	(4,355,957)
Finance income		5,632	708,992
Finance expenses		(284,746)	(553,728)
Net finance (expenses)/income	*7(b)*	(279,114)	155,264
Loss before taxation	*7*	(926,935)	(4,200,693)
Income tax	*8*	140,195	1,036,305
Net operating loss for the year from discontinued operation, net of tax		(786,740)	(3,164,388)
Loss on disposal of discontinued operation		(13,726,610)	–
Loss from discontinued operation, net of tax		(14,513,350)	(3,164,388)
Loss for the year from discontinued operation attributable to:			
Equity shareholders of the Company		(14,495,631)	(3,063,318)
Non-controlling interests		(17,719)	(101,070)
Loss for the year from discontinued operation		(14,513,350)	(3,164,388)

6 Discontinued operation *(Continued)*

(b) Effect of disposal on the financial position of the Group

	Note	8 July 2016 RMB'000
Assets		
Property and equipment		(12,212)
Investment properties at fair value	14	(22,267,390)
Goodwill	16	(363,792)
Inventories		(4,745,898)
Other assets		(1,079,350)
Deferred tax assets		(137,818)
Trade receivables and other assets		(637,190)
Cash at bank and on hand		(226,529)
		(29,470,179)
Liabilities		
Trade and other payables		3,412,503
Interest-bearing borrowings		2,930,219
Deferred tax liabilities		2,873,596
Taxation		6,160
		9,222,478
Net effect of assets and liabilities		(20,247,701)
Consideration received, satisfied in cash		6,500,000
Cash at bank and on hand disposed of		(226,529)
Net cash inflows		6,273,471

6 Discontinued operation *(Continued)*

(c) Cash flows used in discontinued operation

	2016 RMB'000	2015 RMB'000
Net cash (used in)/generated from operating cash flows	(30,725)	316,973
Net cash used in investing cash flows	(52,966)	(875,389)
Net cash (used in)/generated from financing cash flows	(72,985)	92,909
Net cash flows for the year	(156,676)	(465,507)

7 Profit/(loss) before taxation

(a) Personnel expenses

	Continuing operation		Discontinued operation		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Wages, salaries and other benefits	261,675	197,529	44,122	84,294	305,797	281,823
Contributions to defined contribution retirement plans	17,053	5,535	5,854	10,843	22,907	16,378
	278,728	203,064	49,976	95,137	328,704	298,201

7 Profit/(loss) before taxation *(Continued)*

(b) Net finance (expenses)/income

	Continuing operation		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Finance income						
— Interest income on bank deposits	**7,124**	191	**358**	16,820	**7,482**	17,011
— Income from loan receivable	**–**	–	**1,827**	25,588	**1,827**	25,588
— Gain on tender offers of senior notes	**–**	–	**–**	581,491	**–**	581,491
— Net foreign exchange gain	**–**	19,631	**–**	1,027	**–**	20,658
— Interest income on trade receivables	**–**	–	**3,447**	84,066	**3,447**	84,066
	7,124	19,822	**5,632**	708,992	**12,756**	728,814
Finance expenses						
— Interest on interest-bearing borrowings	**(19,068)**	(2,049)	**(289,782)**	(631,803)	**(308,850)**	(633,852)
Less: interest expenses capitalised into investment properties and inventories	**–**	–	**–**	96,540	**–**	96,540
	(19,068)	(2,049)	**(289,782)**	(535,263)	**(308,850)**	(537,312)
— Net foreign exchange (loss)/gain	**(5,979)**	–	**5,323**	–	**(656)**	–
— Discount effect of trade receivables	**–**	–	**–**	(17,993)	**–**	(17,993)
— Bank charges and others	**(1,079)**	(141)	**(287)**	(472)	**(1,366)**	(613)
	(26,126)	(2,190)	**(284,746)**	(553,728)	**(310,872)**	(555,918)
	(19,002)	17,632	**(279,114)**	155,264	**(298,116)**	172,896

7 Profit/(loss) before taxation *(Continued)*

(c) Other items

		Continuing operation		Discontinued operation		Total	
	Note	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Depreciation		**45,174**	36,603	**2,800**	7,411	**47,974**	44,014
Amortization	*15*	**324,333**	140,397	**–**	–	**324,333**	140,397
Advertisement expenses		**2,364**	2,112	**6,992**	11,811	**9,356**	13,923
Repairs and maintenance		**20,693**	17,214	**32,869**	78,061	**53,562**	95,275
Utility charges		**39,676**	11,622	**21,219**	42,096	**60,895**	53,718
Operating lease charges		**136,769**	60,455	**4,966**	11,052	**141,735**	71,507
Auditors' remuneration							
— audit services		**5,859**	12,738	**3,741**	9,906	**9,600**	22,644
— tax services		**–**	–	**78**	88	**78**	88
Rentals receivable less direct outgoings of RMB14,716,000 (2015: RMB37,081,000)		**–**	–	**(224,597)**	(531,068)	**(224,597)**	(531,068)
Impairment loss on receivables	*19(iii)*	**–**	–	**–**	135,420	**–**	135,420

8 Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	Continuing operation		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current tax — Provision for the year *(Note 24(a))*						
PRC Enterprise Income Tax						
Provision for the year	**197,659**	70,785	**6,797**	18,190	**204,456**	88,975
Under/(over)-provision in respect of prior years	**252**	(9)	**3,245**	(16,069)	**3,497**	(16,078)
	197,911	70,776	**10,042**	2,121	**207,953**	72,897
Deferred tax						
Reversal and origination of temporary difference *(Note 24(b))*	**(81,084)**	(35,099)	**(150,237)**	(1,038,426)	**(231,321)**	(1,073,525)
	116,827	35,677	**(140,195)**	(1,036,305)	**(23,368)**	(1,000,628)

(i) According to the Corporate Income Tax Law of the PRC, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% (2015: 25%).

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

8 Income tax *(Continued)*

(b) Reconciliation between tax expenses and accounting profit/(loss) at applicable tax rates:

	Continuing operation		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit/(loss) before income tax	**28,549**	(1,336,688)	**(14,653,545)**	(4,200,693)	**(14,624,996)**	(5,537,381)
Income tax calculated at the PRC statutory income tax rate	**7,137**	(334,172)	**(3,663,386)**	(1,050,173)	**(3,656,249)**	(1,384,345)
Tax effect of unused tax losses	**52,122**	34,855	**38,101**	58,778	**90,223**	93,633
Effect of non-taxable expenses	**57,568**	334,994	**3,484,808**	(45,415)	**3,542,376**	289,579
Others	**–**	–	**282**	505	**282**	505
	116,827	35,677	**(140,195)**	(1,036,305)	**(23,368)**	(1,000,628)

9 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2016					
Chair person					
Dai Yongge	–	22,081	–	14	22,095
Executive directors					
Wang Hongfang	–	13,955	–	–	13,955
Zhou Jun (resigned in October 2016)	–	3,165	–	–	3,165
Dai Bin	–	4,294	–	–	4,294
Hu Yuzhou (resigned in October 2016)	–	6,945	–	–	6,945
Non-executive directors					
Hawken Xiu Li	–	1,073	–	–	1,073
Jiang Mei	–	1,073	–	–	1,073
Zhang Xingmei	–	1,073	–	–	1,073
Zhang Dabin	–	1,073	–	–	1,073
Wang Chunrong	–	1,073	–	–	1,073
Independent non-executive directors					
Fan Ren-Da, Anthony	–	430	–	–	430
Wang Yifu	–	322	–	–	322
Wang Shengli	–	322	–	–	322
Leung Chung Ki	–	322	–	–	322
Tang Hon Man	–	322	–	–	322
	–	57,523	–	14	57,537

9 Directors' emoluments *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2015					
Chair person					
Dai Yongge	–	21,331	25,133	23	46,487
Executive directors					
Wang Hongfang	–	13,069	–	–	13,069
Zhou Jun	–	2,545	–	–	2,545
Dai Bin	–	2,262	–	–	2,262
Hu Yuzhou (appointed in January 2015)	–	9,558	–	–	9,558
Non-executive directors					
Hawken Xiu Li	–	1,005	–	–	1,005
Jiang Mei	–	1,005	–	–	1,005
Zhang Xingmei	–	1,005	–	–	1,005
Zhang Dabin	–	1,005	–	–	1,005
Wang Chunrong	–	1,005	–	–	1,005
Independent non-executive directors					
Fan Ren-Da, Anthony	–	402	–	–	402
Wang Yifu	–	302	–	–	302
Wang Shengli	–	302	–	–	302
Leung Chung Ki	–	302	–	–	302
Tang Hon Man	–	302	–	–	302
	–	55,400	25,133	23	80,556

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2015: three) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other two (2015: two) individual are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	**12,591**	11,793
Retirement scheme contributions	**32**	30
	12,623	11,823

The emoluments of the two (2015: two) individual with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HKD5,000,001–HKD6,500,000	**1**	1
HKD6,500,001–HKD8,000,000	**1**	1

11 Other comprehensive income

	2016 RMB'000	2015 RMB'000
Exchange differences on translation of financial statements of foreign operations — before tax amount and net of tax amount	**(46,327)**	(260,807)

12 Basic and diluted loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB14,583,909,000 (2015: loss of RMB4,435,683,000) and the weighted average of 43,966,100,000 ordinary shares (2015: 36,993,328,000 ordinary shares) in issue during the reporting period.

During the years ended 31 December 2016 and 2015, diluted loss per share is calculated on the same basis as basic loss per share.

12 Basic and diluted loss per share *(Continued)*

Loss attributable to ordinary shareholders of the Company used in the basic and diluted loss per share calculations:

	2016 RMB'000	2015 RMB'000 Re-presented
From continuing operation	(88,278)	(1,372,365)
From discontinued operation	(14,495,631)	(3,063,318)
Loss attributable to ordinary equity shareholders	(14,583,909)	(4,435,683)

13 Property and equipment

	Note	Machinery equipment RMB'000	Office equipment RMB'000	Vehicle RMB'000	Leasehold improvements RMB'000	Under construction RMB'000 (i)	Total RMB'000
Cost							
At 1 January 2015		–	47,720	602,233	–	–	649,953
Exchange reserve		–	583	35,100	–	–	35,683
Acquisition of business		33,312	34,380	4,444	–	–	72,136
Additions		–	5,542	1,235	–	–	6,777
Disposals		–	(1,612)	(3,151)	–	–	(4,763)
At 31 December 2015		33,312	86,613	639,861	–	–	759,786
At 1 January 2016		33,312	86,613	639,861	–	–	759,786
Exchange reserve		–	918	40,371	–	–	41,289
Additions		4,325	6,546	505	55,376	111,613	178,365
Disposals		–	(1,209)	(1,128)	–	–	(2,337)
Transfer from under construction		2,087	1,006	–	4,790	–	7,883
Transfer to property and equipment		–	–	–	–	(7,883)	(7,883)
Disposal of discontinued operation		–	(37,798)	(32,552)	–	–	(70,350)
At 31 December 2016		39,724	56,076	647,057	60,166	103,730	906,753

13 Property and equipment *(Continued)*

	Note	Machinery equipment RMB'000	Office equipment RMB'000	Vehicle RMB'000	Leasehold improvements RMB'000	Under construction RMB'000 (i)	Total RMB'000
Accumulated depreciation							
At 1 January 2015		–	31,603	144,135	–	–	175,738
Exchange reserve		–	384	7,291	–	–	7,675
Charge for the year		1,174	8,756	34,417	–	–	44,347
Written back on disposals		–	(1,390)	(2,303)	–	–	(3,693)
At 31 December 2015		1,174	39,353	183,540	–	–	224,067
At 1 January 2016		1,174	39,353	183,540	–	–	224,067
Exchange reserve		–	532	10,350	–	–	10,882
Charge for the year		4,689	9,005	33,562	830	–	48,086
Written back on disposals		–	(726)	(1,311)	–	–	(2,037)
Disposal of discontinued operation		–	(30,883)	(27,255)	–	–	(58,138)
At 31 December 2016		5,863	17,281	198,886	830	–	222,860
Net book value							
At 31 December 2015		32,138	47,260	456,321	–	–	535,719
At 31 December 2016		33,861	38,795	448,171	59,336	103,730	683,893

(i) RMB102,641,000 of under construction represents construction in relation to leasehold improvements.

14 Investment properties

	Note	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
At fair value:				
At 1 January 2015		16,083,700	10,114,346	26,198,046
Additions		1,169,269	76,432	1,245,701
Disposals		(932)	–	(932)
Fair value adjustments		(1,687,337)	(2,754,374)	(4,441,711)
At 31 December 2015		15,564,700	7,436,404	23,001,104
At 1 January 2016		**15,564,700**	**7,436,404**	**23,001,104**
Additions		**27,801**	**1,570**	**29,371**
Reclassification		**125,683**	**(125,683)**	**–**
Fair value adjustments		**(397,384)**	**(365,701)**	**(763,085)**
Disposal of discontinued operation	*6(b)*	**(15,320,800)**	**(6,946,590)**	**(22,267,390)**
At 31 December 2016		**–**	**–**	**–**

All of the investment properties were disposed of during the year (see Note 6(b)).

15 Intangible assets

	Favourable term lease contract RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2015	–	11,123	11,123
Exchange reserve	–	690	690
Addition from acquisition of business (i)	6,486,667	–	6,486,667
At 31 December 2015	6,486,667	11,813	6,498,480
At 1 January 2016	**6,486,667**	**11,813**	**6,498,480**
Exchange reserve	**–**	**800**	**800**
At 31 December 2016	**6,486,667**	**12,613**	**6,499,280**
Accumulated amortisation:			
At 1 January 2015	–	–	–
Charge for the year (i)	(140,397)	–	(140,397)
At 31 December 2015	(140,397)	–	(140,397)
At 1 January 2016	**(140,397)**	**–**	**(140,397)**
Charge for the year (i)	**(324,333)**	**–**	**(324,333)**
At 31 December 2016	**(464,730)**	**–**	**(464,730)**
Net book value:			
At 31 December 2015	6,346,270	11,813	6,358,083
At 31 December 2016	**6,021,937**	**12,613**	**6,034,550**

15 Intangible assets *(Continued)*

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

(i) In connection with the Acquisition, the Group (as lessee) entered into a 20 years lease agreement with market owners of the agriculture wholesale markets (as lessor), according to which the rent to be paid is favourable as compared with the fair value of market rent. As at the acquisition date on 27 July 2015, the Group recognized the favourable term lease contract as an intangible asset at its fair value amounting to RMB6,486,667,000 which is amortized on a straight-line basis over the contractual life of the lease agreements. The amortization charge for the year of RMB324,333,000 (2015: RMB140,397,000) is included in other operating expenses in the consolidated statement of profit or loss.

16 Goodwill

	RMB'000
Cost:	
At 1 January 2015	363,792
Addition acquired through the Acquisition (i)	1,519,330
At 31 December 2015	1,883,122
At 1 January 2016	**1,883,122**
Disposal of discontinued operation (Note 6(b))	**(363,792)**
At 31 December 2016	**1,519,330**
Accumulated impairment losses:	
At 1 January 2015	–
Impairment loss for 2015 (i)	(1,132,950)
At 31 December 2015 and 31 December 2016	**(1,132,950)**
Carrying amount:	
At 31 December 2015	750,172
At 31 December 2016	**386,380**

(Expressed in Renminbi)

16 Goodwill *(Continued)*

(i) Goodwill of RMB386,380,000 relates to the acquisition of agriculture wholesale markets business which was completed on 27 July 2015. The acquired business is identified to be a cash-generating unit, the recoverable amount of which is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. The longer period of the forecast used was because agriculture wholesale markets operate stably and could be projected based on management's best estimation. Cash flows beyond the 10-year period are extrapolated using an estimated weighted average growth rate of 2.5% which is consistent with the forecasts included in industry reports. The cash flows are discounted using a discount rate of 15.44%. The discount rate used is pre-tax and reflect specific risks relating to the business.

17 Interests in subsidiaries

As at 31 December 2016, the Company had direct or indirect interests in following subsidiaries. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Fine Genius Enterprises Limited	British Virgin Islands 25 October 2007	USD1	100%	–	Investment holding
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Yield Smart Limited	British Virgin Islands 30 March 2015	USD 2	100%	–	Investment holding
Shouguang Dili Agricultural Product Logistics Park Co., Ltd.	Shouguang, the PRC 18 December 2014	Registered capital of USD32,600 and paid-in capital of USD nil	–	100%	Lease and management agriculture wholesale market
Shenyang Shouguang Dili Agricultural By-Products Co., Ltd.	Shenyang, the PRC 14 November 2014	Registered capital of RMB200,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market

(Expressed in Renminbi)

17 Interests in subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Guiyang Juzhengrun Products Market Management Co., Ltd.	Guiyang, the PRC 23 December 2014	Registered capital of HKD200,000 and paid-in capital of HKD nil	–	100%	Lease and management agriculture wholesale market
Harbin Dili Agricultural By-Products Co., Ltd.	Harbin, the PRC 24 October 2014	Registered capital of RMB200,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market
Harbin Dalikai Agricultural By-Products Co., Ltd.	Harbin, the PRC 6 November 2014	Registered capital of RMB100,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market
Qiqihar Shouguang Dili Products Market Management Co., Ltd.	Qiqihar, the PRC 31 October 2014	Registered capital of USD20,000 and paid-in capital of USD nil	–	100%	Lease and management agriculture wholesale market
Mudanjiang Dili Agricultural By-Products Co., Ltd.	Mudanjiang, the PRC 18 November 2014	Registered capital of RMB100,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market

The English translation of the names of the PRC incorporated companies are for reference only and the official names of these entities are in Chinese.

As at 31 December 2016, no subsidiary of the Group had material non-controlling interests.

18 Inventories

	2016	2015
	RMB'000	RMB'000
Properties under construction	**–**	2,774,142
Completed properties	**–**	1,953,409
Trading goods	**46,538**	42,465
	46,538	4,770,016

Inventories in relation to discontinued operation were disposed of during the year (see Note 6(b)).

19 Trade receivables and other assets

		2016	2015
	Note	**RMB'000**	RMB'000
Trade receivables	*(i)/(ii)*	**–**	482,689
Bank deposits		**–**	65,616
Deposits for acquisition	*(iv)*	**400,000**	110,000
Amounts due from related parties	*31(c)*	**1,400,060**	32,024
Others		**52,610**	165,271
		1,852,670	855,600
Less: allowance for doubtful debts	*(iii)*	**–**	(157,537)
		1,852,670	698,063
Representing:			
— Non-current		**–**	261,642
— Current		**1,852,670**	436,421
		1,852,670	698,063

Trade receivables and other assets in relation to discontinued operation were disposed of during the year (see Note 6(b)).

19 Trade receivables and other assets *(Continued)*

(i) Trade receivables arose from the transfer of operation rights

	2016 **RMB'000**	2015 RMB'000
Within one year	–	68,584
Over one year	–	414,105
	–	482,689
Less: allowance for doubtful debts	–	(157,537)
	–	325,152

(ii) Ageing analysis

Included in trade receivables and other assets are trade receivables with the following ageing analysis as of the end of the reporting period:

	2016 **RMB'000**	2015 RMB'000
Within 6 months	–	390
6 months to 1 year	–	7,349
More than 3 years	–	474,950
	–	482,689

19 Trade receivables and other assets *(Continued)*

(iii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 2(j)(i)).

The movement in the allowance for doubtful debts is as follows:

	2016	2015
	RMB'000	RMB'000
At 1 January	**157,537**	22,117
Disposal of discontinued operation	**(157,537)**	–
Impairment losses recognised	**–**	135,420
At 31 December	**–**	157,537

(iv) Deposits for acquisition

The balance represents deposit for acquisition of new projects in the PRC. The balance as at 31 December 2015 was disposed of during the year (see Note 6(b)).

20 Other assets

	2016 RMB'000	2015 RMB'000
Bank deposits	–	50,841
Prepayments for construction	**21,682**	792,051
Prepayment for acquisition of non-controlling interests	–	234,165
	21,682	1,077,057

Other assets in relation to discontinued operation were disposed of during the year (see Note 6(b)).

21 Cash at bank and on hand

	2016 RMB'000	2015 RMB'000
Cash on hand	**23,150**	12,917
Cash at bank	**1,441,806**	895,483
	1,464,956	908,400
Representing:		
— Cash and cash equivalents	**1,414,956**	908,400
— Time deposits with original maturity over three months	**50,000**	–
	1,464,956	908,400

22 Trade and other payables

	Note	2016 RMB'000	2015 RMB'000
Receipts in advance		**141,639**	999,234
Construction payables	*(ii)*	**83,543**	1,638,699
Other taxes payable		**6,854**	142,940
Deposits	*(iii)*	**133,253**	805,312
Amounts due to related parties	*31(c)*	**1,560,243**	1,241,681
Salary and welfare expenses payable		**17,801**	26,137
Professional service fee payables		**12,061**	19,835
Interest payable		**–**	105,268
Others		**14,343**	178,130
		1,969,737	5,157,236

(i) Trade and other payables in relation to discontinued operation were disposed of during the year (see Note 6(b)).

(ii) The ageing analysis of construction payables at the end of the year is as follows:

	2016 RMB'000	2015 RMB'000
Due within one year or on demand	**83,543**	1,638,699

(iii) These mainly represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry, and deposits collected from customers to facilitate the payment process of agriculture wholesale markets while using the transaction settlement system.

23 Interest-bearing borrowings

(i) Non-current interest-bearing borrowings comprise:

	Note	2016 RMB'000	2015 RMB'000
Senior notes		–	1,045,045
Secured bank loans		–	5,198,548
Secured loans from other financial institutions		–	500,000
		–	6,743,593
Less: current portion of long-term bank loans	*23(ii)*	–	(3,131,068)
current portion of long term loans from other financial institutions	*23(ii)*	–	(500,000)
current portion of senior notes	*23(ii)*	–	(1,045,045)
		–	2,067,480

All interest-bearing borrowings were repaid or disposed of (see Note 6(b)) during the year.

(ii) The short-term loans and borrowings comprise of:

	Note	2016 RMB'000	2015 RMB'000
Unsecured government loan		–	5,000
Current portion of senior notes	*23(i)*	–	1,045,045
Current portion of long-term bank loans	*23(i)*	–	3,131,068
Current portion of long-term loans from other financial institutions	*23(i)*	–	500,000
		–	4,681,113

23 Interest-bearing borrowings *(Continued)*

(iii) The bank loans, loans from other financial institutions and government loan are repayable as follows:

	2016 RMB'000	2015 RMB'000
Within one year or repayable on demand	–	3,636,068
Between one and two years	–	716,980
Between two and five years	–	1,127,500
After five years	–	223,000
	–	5,703,548

24 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2016 RMB'000	2015 RMB'000
PRC Enterprise Income Tax and Land Appreciation Tax payable		
At the beginning of the year	46,821	18,538
Provision for the year	204,456	88,975
Tax paid	(198,830)	(56,767)
	52,447	50,746
Balance of profits tax provision relating to prior years	3,975	(3,925)
	56,422	46,821
Disposal of discontinued operation	(6,160)	–
	50,262	46,821

24 Income tax in the consolidated statement of financial position *(Continued)*

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses RMB'000	Revaluation of investment properties RMB'000	Deferred tax liabilities arising from business combination RMB'000	Discount effect of trade receivables RMB'000	Total RMB'000
At 1 January 2015	103,086	(3,357,736)	(701,967)	32,176	(3,924,441)
Acquisition of business	–	–	(1,621,667)	–	(1,621,667)
Credited/(charged) to profit or loss	18,588	1,014,124	57,331	(16,518)	1,073,525
At 31 December 2015	121,674	(2,343,612)	(2,266,303)	15,658	(4,472,583)
At 1 January 2016	**121,674**	**(2,343,612)**	**(2,266,303)**	**15,658**	**(4,472,583)**
Credited/(charged) to profit or loss	**1,348**	**138,635**	**92,200**	**(862)**	**231,321**
Disposal of discontinued operation *(Note 6(b))*	**(123,022)**	**2,204,977**	**668,619**	**(14,796)**	**2,735,778**
At 31 December 2016	**–**	**–**	**(1,505,484)**	**–**	**(1,505,484)**

(c) Deferred tax liabilities not recognised

As at 31 December 2016, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB3,206,749,000 (2015: RMB4,365,116,000). Deferred tax liabilities of RMB320,675,000 (2015: RMB373,488,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

25 Non-current receipt-in-advance

The amounts represent the payments received by the Group from tenants of agriculture wholesale markets.

26 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	186,376	6,179,085	7,508	92,168	(324,759)	(3,119,716)	3,020,662
Changes in equity for 2015:							
Total comprehensive income for the year	–	–	–	–	30,349	275,286	305,635
Shares issued under rights issue	83,592	2,561,500	–	–	–	–	2,645,092
Shares issued for acquisition of business	96,636	5,121,720	–	–	–	–	5,218,356
Balance at 31 December 2015 and 1 January 2016	**366,604**	**13,862,305**	**7,508**	**92,168**	**(294,410)**	**(2,844,430)**	**11,189,745**
Change in equity for 2016:							
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**307,649**	**(166,463)**	**141,186**
Balance at 31 December 2016	**366,604**	**13,862,305**	**7,508**	**92,168**	**13,239**	**(3,010,893)**	**11,330,931**

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2015: Nil).

26 Capital and reserves *(Continued)*

(c) Share capital

	2016 Number of shares '000	2016 RMB'000	2015 Number of shares '000	2015 RMB'000
Authorised:				
Ordinary shares of HKD0.01 each	**80,000,000**		80,000,000	
Issued and fully paid:				
At 1 January	**43,966,100**	**366,604**	21,148,132	186,376
Shares issued under rights issue (i)	**–**	**–**	10,574,066	83,592
Shares issued for acquisition of business (ii)	**–**	**–**	12,243,902	96,636
At 31 December	**43,966,100**	**366,604**	43,966,100	366,604

(i) Shares issued under rights issue

The Group proposed issuance of rights shares at a subscription price of HKD0.32 each on the basis of one rights share for every two existing shares on 9 December 2014. Total number of 10,574,066,000 ordinary shares with par value of HKD0.01 each, have been issued on 8 January 2015.

(ii) Shares issued for acquisition of business

On 27 July 2015, 12,243,902,439 consideration shares with par value of HKD0.01 per share were issued and allotted to Yield Smart Limited as part of the acquisition's consideration for the acquisition of the agriculture wholesale markets business in 2015.

26 Capital and reserves *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value and the proceeds from the issuance of the shares of the Company and the difference between the par value and the consideration paid on the repurchase of the shares of the Company. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital redemption reserve

Pursuant to section 37 Companies Law of the Cayman Islands, capital redemption reserve represents the par value of the shares of the Company cancelled and transferred from the retained earnings.

(iii) Capital surplus

Capital surplus mainly represents the book value of assets injected by the investors of the Company's subsidiaries in excess of their share of the registered capital, and the fair value of the estimated number of unexercised share options granted to employees of the Company.

(iv) Statutory reserve fund

Pursuant to the Articles of Association of the PRC subsidiaries comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From 1 January 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after tax to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

26 Capital and reserves *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(v) Exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(vi) Merger reserves

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of shopping malls and operation of agriculture wholesale markets, and provide returns for shareholders, by pricing rental and operation rights and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

The Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. As at 31 December 2016, the gearing ratio of the Group was 0% (31 December 2015: 17.65%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 Employee benefit plan

(a) Defined contribution retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the cities the PRC subsidiaries operate. The Group is required to make contributions to the Schemes at the rate ranging from 18% to 20% (2015: 14% to 20%) of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

28 Operating lease

(a) Leases as lessor

The future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 **RMB'000**	2015 RMB'000 Re-presented
Less than one year	**134,496**	148,387
Between one and two years	**–**	9,142
	134,496	157,529

28 Operating lease *(Continued)*

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	RMB'000	RMB'000
		Re-presented
Less than one year	**128,610**	126,292
Between one and five years	**496,593**	471,384
More than five years (i)	**1,749,877**	1,855,013
	2,375,080	2,452,689

(i) The balance mainly represents the rent to be paid for the 20 years lease agreements with market owners of the agriculture wholesale markets.

29 Capital commitments

As at 31 December 2016, the Group has the following commitments in respect of continuing operation not provided for in the financial statements:

	2016	2015
	RMB'000	RMB'000
		Re-presented
Contracted for	**11,679**	–
Authorised but not contracted for	**8,000**	–
	19,679	–

30 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Cash is deposited with financial institutions with acceptable credit quality. Except for cash of the Group's PRC subsidiaries deposited in the PRC banks, cash in the Group's subsidiaries outside PRC was deposited in Bank of China (Hong Kong) Limited, China Merchants Bank, China Minsheng Banking Corp., Ltd. (Hong Kong Branch), and Chong Hing Bank. Management does not expect any of these financial institutions will fail to meet their obligations.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. There was no unused bank facilities as at 31 December 2016 (31 December 2015: RMB165,000,000).

(Expressed in Renminbi)

30 Financial risk management and fair values *(Continued)*

(b) Liquidity risk *(Continued)*

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	2016 Contractual undiscounted cash outflow			2015 Contractual undiscounted cash outflow					
	Within 1 year or due on demand	Total	Carrying amount at 31 December	Within 1 year or due on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
The Group									
Trade and other payables	1,821,244	1,821,244	1,821,244	4,015,062	17,282	–	–	4,032,344	4,032,345
Interest-bearing borrowings	–	–	–	5,051,817	843,180	1,198,048	358,708	7,451,753	6,748,593
	1,821,244	1,821,244	1,821,244	9,066,879	860,462	1,198,048	358,708	11,484,097	10,780,938

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term interest-bearing borrowings in the year 2015.

As at 31 December 2016, the Group has no balance of interest-bearing borrowings.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

30 Financial risk management and fair values *(Continued)*

(d) Foreign currency risk *(Continued)*

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

The following table details the Group's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure foreign currencies (expressed in Renminbi)			
	2016		2015	
	United State Dollars RMB'000	**Hong Kong Dollars RMB'000**	United State Dollars RMB'000	Hong Kong Dollars RMB'000
Cash at bank and on hand	**38,822**	**206**	124,533	567
Interest-bearing borrowing	**–**	**–**	(3,273,801)	–
Net exposure arising from recognised assets and liabilities	**38,822**	**206**	(3,149,268)	567

30 Financial risk management and fair values *(Continued)*

(d) Foreign currency risk *(Continued)*

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2016		2015	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax (RMB'000)**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)
HKD	**0.4%**	**(19)**	0.4%	11,747
	(0.4)%	**19**	(0.4)%	(11,747)
RMB	**5%**	**(1,265)**	5%	(4,594)
	(5)%	**1,265**	(5)%	4,594

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.

30 Financial risk management and fair values *(Continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2016 and 2015, the Group has no financial instruments carried at fair value at the end of reporting period.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016.

31 Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9, is as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries and other emoluments	**87,584**	107,932
Retirement plan contributions	**170**	237
	87,754	108,169

(b) Material related party transactions

	2016 **RMB'000**	2015 RMB'000
Operating lease to		
— Directors	**12**	23
— Other related parties	**31**	64
Operating lease from		
— Other related parties	**380**	800
Rental charged to related parties	**100,000**	43,288
Interest charged to a related party	**18,024**	2,048
Acquisition of business	**–**	(6,383,950)
Disposal of discontinued operation *(Note 6(b))*	**6,500,000**	–
Guarantee (revoked)/received from directors (i)	**(5,118,495)**	3,606,775
Guarantee revoked from a key management personnel	**(127,500)**	(15,000)
Advances from/(repayment to) a director	**1,838,340**	(19,670)
Working capital received from related parties	**–**	100,000
Repayment to related parties	**(2,918,176)**	(100,000)

(i) Mr. Dai Yongge, the chairman of the Company, and Ms. Zhang Xingmei, the non-executive director of the Company provided guarantee for the bank loans obtained by certain subsidiaries. During this year, all the guarantees have been revoked due to repayment or due to disposal of discontinued operation.

31 Material related party transactions and balances *(Continued)*

(c) Related party balances

	Note	2016 RMB'000	2015 RMB'000
Amounts due to relate parties			
— Mr. Dai Yongge		**(1,487,800)**	(884)
— Entities under control of Ms. Zhang Xingmei		**(72,443)**	(1,240,797)
	22	**(1,560,243)**	(1,241,681)
Amounts due from related parties			
— Mr. Dai Yongge		**1,260,776**	–
— Entities under control of Ms. Zhang Xingmei		**139,284**	32,024
	19	**1,400,060**	32,024
		(160,183)	(1,209,657)

(d) The listing rules relating to connected transactions

The related party transactions in respect of the Acquisition and rental expenses charged to a related party, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, of which the disclosures required by Chapter 14A of the Listing Rules are provided in section connected transactions of the Reports of the Directors. Except for these transactions, other related party transactions mentioned in Note 31(b) are exempt from the disclosure requirements in Chapter 14 A of the Listing Rules.

32 Company-level statement of financial position

	Note	2016 RMB'000	2015 RMB'000
Non-current asset			
Interests in subsidiaries	*17*	**13,091,680**	13,208,355
Total non-current asset		**13,091,680**	13,208,355
Current assets			
Trade receivables and other assets		**1,063**	1,056
Cash at bank and on hand		**341**	336,065
Total current assets		**1,404**	337,121
Current liabilities			
Amounts due to related parties		**1,748,830**	1,233,424
Interest-bearing borrowings		**–**	1,045,045
Trade and other payables		**13,323**	77,262
Total current liabilities		**1,762,153**	2,355,731
Net current liabilities		**(1,760,749)**	(2,018,610)
Net assets		**11,330,931**	11,189,745
Capital and reserves			
Share capital	*26(c)*	**366,604**	366,604
Reserves	*26(d)*	**10,964,327**	10,823,141
Total equity		**11,330,931**	11,189,745

Approved and authorised for issue by the board of directors on 28 March 2017.

Dai Yongge
Chairman

Wang Hongfang
Director

(Expressed in Renminbi)

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows*: *Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 *(Continued)*

IFRS 16, Leases

As disclosed in note 2(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 28(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB2,375,080,000 for properties and plant, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

34 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2016 to be Shining Hill Investments Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

35 Accounting judgement and estimates

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Taxes

The Company and its subsidiaries file taxes in many tax authorities. Judgment is required in determining the amount of tax provisions. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the amount of tax provisions made in the financial statements.

Five Years Financial Summary

	Year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000 (Re-presented)	**2016** **RMB'000**
RESULTS					
Revenue	688,110	547,410	555,357	386,640	**1,001,765**
Cost of sales	(144,606)	(26,144)	(11,825)	–	**–**
Gross profit	543,504	521,266	543,532	386,640	**1,001,765**
Gross profit %	78.99%	95.22%	97.87%	100.00%	**100.00%**
Net valuation gain/(loss) on investment properties	2,162,772	(832,256)	(1,364,462)	–	**–**
Profit on disposal of investment properties	10,234	65,699	7,736	–	**–**
Other income	121,334	98,987	104,659	44,461	**127,409**
Administrative expenses	(450,312)	(1,003,951)	(409,490)	(412,036)	**(490,488)**
Goodwill impairment losses	–	–	–	(1,132,950)	**–**
Other operating expenses	(305,391)	(345,285)	(339,600)	(240,435)	**(591,135)**
Profit/(loss) from operations	2,082,141	(1,495,540)	(1,457,625)	(1,354,320)	**47,551**
Finance income	25,797	72,821	123,174	19,822	**7,124**
Finance expenses	(625,139)	(476,937)	(541,490)	(2,190)	**(26,126)**
Net finance (expense)/income	(599,342)	(404,116)	(418,316)	17,632	**(19,002)**
Profit/(loss) before income tax	1,482,799	(1,899,656)	(1,875,941)	(1,336,688)	**28,549**
Income tax	(538,243)	151,286	161,398	(35,677)	**(116,827)**
Loss from discontinued operation, net of tax	–	–	–	(3,164,388)	**(14,513,350)**
Profit/(loss) for the year	944,556	(1,748,370)	(1,714,543)	(4,536,753)	**(14,601,628)**

	As at 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	37,653,152	35,962,975	37,308,646	38,235,946	**10,490,669**
Total liabilities	(15,730,593)	(15,656,020)	(18,740,302)	(16,601,714)	**3,525,483**
Total equity	21,922,559	20,306,955	18,568,344	21,634,232	**6,965,186**
Total equity attributable to equity shareholders of the Company	21,685,883	20,119,045	18,428,464	21,595,422	**6,965,186**
Non-controlling interests	236,676	187,910	139,880	38,810	**–**
	21,922,559	20,306,955	18,568,344	21,634,232	**6,965,186**

RENHE

Renhe Commercial Holdings Company Limited