金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code: 3308

2013 Annual Report
年報

Spirit of Enterprise

Credible and Committed
Optimistic and Progressive
Dedicated and United
Diligent and Devoted

Contents

Corporate Profile

BUILD NATIONWIDE NETWORK FROM YANGTZE RIVER DELTA

Since the opening of our first department store, Nanjing Xinjiekou Store, nearly 18 years ago, the Group has successfully opened 26 self-owned stores, with a total gross floor area of 1,092,417 square meters and a total operating area of 784,668 square meters as at 31 December 2013. These stores span across four provinces and one municipality, namely Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai, covering 15 cities including Shanghai, Nanjing, Nantong, Yangzhou, Changzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Liyang, Hefei, Huaibei, Xi'an and Kunming.

Leveraging on our leading position in Jiangsu Province where the Group enjoys strong competitive advantages, the Group also placed strategic focus on its development in Anhui Province and is gradually expanding its market share to achieve a leading position. With respect to the western region of China, the Group positions itself strategically in Xi'an, Shaanxi Province and Kunming, Yunnan Province. The Group will devote more efforts to solidifying and expanding its market shares in these markets while gradually expanding into their neighboring cities. Meanwhile, the Group will gradually build up a nationwide retail chain network by actively exploring opportunities in the first- and second-tier cities and by tapping into the third-tier cities, which have immense potential for growth.

INSIST ON THE STRATEGY OF DEVELOPING AT SELF-OWNED PROPERTIES WITH ESTABLISHMENT OF LONG TERM LEASES AS ALTERNATIVE

The Group's department stores are situated at prime shopping districts in their respective cities and the Group always adheres to its core development strategies of developing in self-owned properties. As at 31 December 2013, approximately 59.5% of the total gross floor area of our stores are located in self-owned properties. In order to capture opportunities for development, the Group also secures high quality properties by entering into long-term leases for ten years or longer, hence minimising the impact of rental increase on our department stores' operation. We also procure landlords to charge rentals with reference to a percentage of the relevant store's sales proceeds.

PROMOTING COMPREHENSIVE LIFESTYLE-ONE-STOP SHOPPING CONCEPT

In order to keep abreast of the latest trends, especially the diverse developments in the retailing industry and to satisfying the various needs of our customers, the Group has been proactively developing a comprehensive lifestyle-one-stop shopping concept. The Group has introduced more functions and amenities, such as dining, entertainment, beauty and personal care, hair styling, cinemas and pre-school educations in our retailing complexes in addition to the core functions of department store, so as to enhance the attractiveness of our department stores to the target customers and to promote Golden Eagle's "Complete Lifestyle Experience (全心全意全生活)" concept.

DEVELOPING PROPRIETARY BRANDS TO ENHANCE "GOLDEN EAGLE" BRAND EQUITY

The Group develops our own proprietary brands through a team of professionals. Apart from offering a variety of consumer goods under a rich portfolio of brands with high cost-performance, the Group is also dedicated to boosting the competitiveness of our brands so as to meet the target customers' needs and enhancing the brand equity of "Golden Eagle".

Corporate Profile

MONITORING CONSUMPTION TREND OF TARGET CUSTOMERS, IMPLEMENTING THE O2O (ONLINE TO OFFLINE) BUSINESS MODEL

The Group fully utilises all the marketing channels such as the Group's websites, "goodee mobile App" (掌上金鷹) and WeChat to provide timely, direct and effective marketing information to our customers, so as to enhance customers' shopping experience, stimulate buying sentiments and generate further sales. As at 31 December 2013, the "goodee mobile App" application registered over 1 million downloads, had over 300,000 VIP members who bundled their VIP cards with the "goodee mobile App" application and had over 450,000 WeChat followers. The Group has also been actively developing electronicalised business model (商務電子化), through the installation of free full WIFI coverage at all our chain stores, the use of wireless POS cash register system and the launch of the "Electric VIP Card", the Group has developed an economical and effective marketing channel.

DEVOTED TO PROVIDEING MORE INNOVATIVE AND CROSS-INDUSTRY VALUE-ADDED VIP SERVICES

The Group is devoted to providing more innovative and value-added quality services for all G. Club VIP customers, including the new offering of hotel and food and beverage services, so as to enhance the loyalty and degree of satisfaction of VIP customers. Meanwhile, a new point award card (積點卡) was launched to offer the Group's quality services to potential VIP customers with no minimum spending requirement. This move was aimed at converting these customers into VIP customers. The Group successfully secured over 1,270,000 loyal VIP customers as at 31 December 2013, thus strengthening further the Group's position for long-term development and expansion. Spendings by VIP customers accounted for 56.2% of the total gross sales proceeds of the Group during the period under review.

INDUSTRY-LEADING INTELLIGENT E-PLATFORM MANAGEMENT SYSTEM

The Group manages every department store with a standardised management system which is connected to our industry leading intelligent e-platform. It is a customer-oriented platform built on an SAP system and is adopted by many companies under Fortune 500. Customer experience was improved and the individual needs of our target customers were adequately satisfied through core elements of business intelligence (BI), precision marketing (PM), supply chain management (SCM) and customer relationship management (CRM). Business value has also been created as the platform and system have raised operational efficiency and optimised the process and flow of the operations.

WORLDWIDE VISION OF MANAGEMENT AND LOCALISED OPERATING STRATEGIES

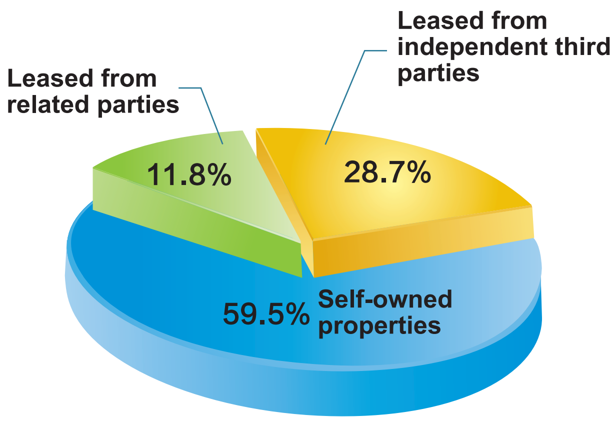
The Group appreciates the dedication and contributions of its employees, and fosters their capabilities, competence and worldwide perspectives by conducting regular professional training sessions and overseas study trips for both the management and employees. The Group also implements localised management systems for each local markets. For each of the stores, the Group recruits local talents to form a management team so that the Group can utilise their knowledge on the local market. As at the date of this report, the Group had approximately 5,300 employees.

Golden Eagle In China

Self-owned properties situated at prime shopping locations accounted for 59.5%* of total gross floor area.

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	33,447		33,447
Nantong Store	9,297		9,297
Yangzhou Store	37,562	3,450	41,012
Xuzhou Store	59,934		59,934
Xi'an Gaoxin Store	27,287		27,287
Taizhou Store	58,374		58,374
Kunming Store	116,817		116,817
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	55,768		55,768
Yancheng Store	95,026		95,026
Yangzhou Jinghua Store		29,598	29,598
Shanghai Store		21,306	21,306
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		42,795	42,795
Hefei Dadongmen Store		10,356	10,356
Hefei Baihuajing Store		12,294	12,294
Anhui Huaibei Store		34,714	34,714
Hefei Suzhou Road Store		59,906	59,906
Changzhou Jiahong Store		33,458	33,458
Xi'an Xiaozhai Store		19,000	19,000

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Suqian Store	65,410	539	65,949
Liyang Store	53,469	18,355	71,824
Xuzhou People's Square Store	37,768		37,768
Kunming Nanya Store		36,870	36,870
Changzhou Wujin Store		55,200	55,200
Yancheng Outlet Store		18,377	18,377
Total			1,092,417



* As a percentage of total gross floor area (square meters) as at 31 December 2013

Corporate Information

EXECUTIVE DIRECTOR

Mr. Wang Hung, Roger

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Liu Chi Husan, Jack

REGISTERED OFFICE

Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman KYI -1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor, Golden Eagle International Plaza
89 Hanzhong Road
Nanjing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1206, 12th Floor, Tower 2, Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY

Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUTHORISED REPRESENTATIVES

Mr. Wang Hung, Roger
Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUDIT COMMITTEE

Mr. Wong Chi Keung *(Chairman)*
Mr. Wang Yao
Mr. Liu Chi Husan, Jack

REMUNERATION COMMITTEE

Mr. Liu Chi Husan, Jack *(Chairman)*
Mr. Wang Hung, Roger
Mr. Wong Chi Keung

NOMINATION COMMITTEE

Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Liu Chi Husan, Jack

PRINCIPAL BANKERS IN THE PRC

Agricultural Bank of China
Bank of China
Bank of Communications
China CITIC Bank
China Construction Bank
China Minsheng Banking
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Bank of East Asia (China)

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
Bank of Communications
Citi Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
Taipei Fubon Commercial Bank
The Bank of East Asia
Wing Lung Bank

Corporate Information

AUDITOR

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISORS

F. Zimmern & Co.
Rooms 1002-3, 10th Floor, York House
The Landmark, 15 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

Gross Sales Proceeds (RMB Million)

16,833.1	2013
16,319.3	2012

+3.1%

Revenue (RMB Million)

3,659.6	2013
3,622.9	2012

+1.0%

Profit from Operations (RMB Million)

1,515.2	2013
1,556.5	2012

–2.7%

Profit Attributable to Owners of the Company (RMB Million)

1,235.0	2013
1,217.6	2012

+1.4%

Same Store Sales Growth[1]

2.9%	2013
6.1%	2012

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

Enrich life with styles!

Five Years Financial Summary

	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013 RMB'000**	**2012 vs 2013 %**
Consolidated Statement of Profit or Loss for the year ended 31 December						
Gross sales proceeds (note 1)	8,191,679	10,949,318	14,340,232	16,319,348	**16,833,053**	3.1
Revenue	1,850,093	2,450,358	3,216,892	3,622,917	**3,659,561**	1.0
Profit from operations	958,212	1,245,765	1,533,490	1,556,540	**1,515,216**	(2.7)
Profit for the year attributable to owners of the Company	250,910	959,202	1,212,057	1,217,642	**1,235,032**	1.4
Basic earnings per share RMB	0.137	0.494	0.623	0.629	**0.656**	4.3
Consolidated Statement of Financial Position as at 31 December						
Non-current assets (note 2)	3,415,231	4,787,647	6,959,206	7,773,201	**8,311,729**	6.9
Current assets	2,568,146	3,196,686	4,383,379	6,013,375	**6,762,792**	12.5
Total assets (note 2)	5,983,377	7,984,333	11,342,585	13,786,576	**15,074,521**	9.3
Current liabilities (note 2)	2,994,866	4,209,451	6,647,862	6,207,326	**5,203,466**	(16.2)
Non-current liabilities	69,960	94,706	124,961	2,281,611	**4,624,545**	102.7
Total liabilities (note 2)	3,064,826	4,304,157	6,772,823	8,488,937	**9,828,011**	15.8
Net Assets	2,918,551	3,680,176	4,569,762	5,297,639	**5,246,510**	(1.0)
Capital and reserves						
Equity attributable to owners of the Company	2,918,551	3,680,176	4,566,778	5,294,969	**5,244,321**	(1.0)
Non-controlling interest	—	—	2,984	2,670	**2,189**	(18.0)
	2,918,551	3,680,176	4,569,762	5,297,639	**5,246,510**	(1.0)
Net assets per share attributable to owners of the Company (RMB)	1.503	1.894	2.349	2.737	**2.850**	4.1
Number of shares in issued (in thousand)	1,941,967	1,942,824	1,943,846	1,934,607	**1,840,198**	

Notes:

(1) Gross sales proceeds represent the gross amount of direct sales, concessionaire sales, rental income and management service fees charged to customers.

(2) The consolidated statement of financial position as at 31 December 2010 has been restated to reflect an adjustment to the consideration for a business combination which was completed during the year ended 31 December 2010.

Chairman's Statement

INDUSTRY OVERVIEW

In 2013, global economic recovery, which was stimulated with expansionary monetary policies by governments around the world, was still fragile and slow. The United States economy showed signs of moderate economic recovery and its Federal Reserve System decided to gradually withdraw the quantitative easing policy. The Euro-zone's economy also rebounded with a slow recovery, driven by consumer spending. Meanwhile, the Japanese economy showed signs of a short-term recovery as a result of its government's economic stimulation policy. However, the country's long-term economic prospects remained unclear. Overall, the global economy continued to grow slowly, and the economic recovery of such developed countries as the United States and Japan were expected to give new impetus to it. China was influenced by the global economy and its macroeconomic control measures, but managed to maintain steady economic growth despite slowing demand in retail market.

Faced with the volatile and complicated economic conditions, the Chinese government continued to implement active fiscal policy and prudent monetary policy in 2013 in order to maintain economic stability. The new administration of the Chinese government advocated the revolutionary Anti-extravagance Rules, suppressing excessive public spending on officials' overseas business trips, vehicles for transportation and entertainment allowance. Overall, investments remained the driving force behind economic growth. The Chinese economy is currently in the transition of structural adjustments, which may restrict the economic recovery with its various related reform policies in the short term, but will benefit the country's long-term economic development.

China's gross domestic product ("GDP") growth rate climbed 7.7% in 2013 to RMB56.9 trillion. The growth was the slowest since 1999, but was still faster than other major economies. The country's total retail sales of consumer goods grew by 13.1% to RMB23.4 trillion in 2013. Yet, the pace of growth was 1.2 percentage points slower than that recorded in 2012. Urban disposable income per capita increased 9.7% to RMB26,955. Excluding the price factor, the country's GDP grew by 7.0% in real terms. Consumer price index was up by 2.6% over the same period.

Jiangsu Province, where the Group has already established a leading market position, achieved GDP growth by 9.6% in 2013 to RMB5.9 trillion. Total retail sales of consumer goods in the province grew by 13.4% to RMB2.1 trillion, while urban disposable income per capita increased by 9.6% to RMB32,538 over the same period. These economic indicators confirmed the Group's strong belief in pursuing further development in the Jiangsu Province.

BUSINESS OPERATION AND MANAGEMENT

Affected by the decelerating global economic growth, China's mid-to-high-end retailers saw their business slowdown in 2013. Meanwhile, the emerging e-commerce has been reshaping the consumption habit of Chinese consumers, affecting the operations of traditional department stores. However, with the joint efforts of our staff, the Group still managed to record steady improvement in its results. During 2013, the gross sales proceeds ("GSP") of the Group increased by 3.1% to RMB16.83 billion. Net profit grew by 1.4% to RMB1.23 billion. Same store sales growth ("SSSG") remained at a stable level of 2.9%.

Chairman's Statement

In order to capture the latest trends of diversified developments in the retailing industry and to satisfy the diversified consumption demands of our customers, the Group has been proactively developing a comprehensive lifestyle-one-stop shopping concept.

— Firstly, in terms of our new retail mix, the Group tried to further enrich the shopping experience and increase customer's loyalty and satisfaction by continuing to introduce more functions and amenities, such as food and beverage, leisure and entertainment, into majority of the chain stores. This strategy helped to increase the store's foot traffic and lengthen the customers' stay in time. These measures will lead to enhanced operating results. During the opening of the renovated Changzhou Jiahong Lifestyle Store in early 2014, Golden Eagle joined hands with world renowned Korean aquarium operator COEX to introduce the concept of aquarium in a department store for the first time in China. Together with cultural amenities like a 3D art gallery and robot exhibition, as well as premium supermarket and gourmet food and beverages facilities, the Group's Jiahong store brought customers a brand new consumer experience that would build momentum in sales growth. After years of operation, the Group's flagship lifestyle center, Yancheng Store, has effectively utilised the inherent advantages of comprehensive service functions of lifestyle multiple retail formats and the unified sophisticated department store management concept. Since its opening five years ago, Yancheng Store has fast become the city's leading retail store, generating annual sales over RMB1.2 billion. Yet in 2013, the store still managed to achieve a SSSG of 18.8%.

— Secondly, in terms of merchandise and brand mix, the Group understood the key role that unique merchandise and distinctive brands played in the development of lifestyle-one-stop shopping centers, and actively seeks potential business partners in food and beverage, leisure, entertainment, fashion or other similar industries, with an objective of building exclusive long-term partnerships. These partnerships formed one of the Group's long-term competitive advantages over its peers and helped to maintain the Group's leading position in the industry. During the year, the Group formed exclusive joint ventures with Mr. Pizza, South Korea's favourite Pizza brand, and iROO, Taiwan's most popular fast-high-fashion brand, to facilitate them to develop their businesses in China as well as gradually introducing these two brands into the Group's chain stores. Furthermore, in order to satisfy local consumers' demands for merchandise upgrade, the Group continued to take initiatives in introducing internationally renowned brands, particularly renowned international cosmetic brands, to major chain stores in the second- and third-tier cities. This strategy aimed to enhance the Group's brand image and expand its market share locally. For example, Taizhou Store and Huai'an Store introduced ESTEE LAUDER, Xuzhou Store introduced DIOR and BOBBI BROWN, while Yancheng Store introduced CHANEL and SISLEY.

Chairman's Statement

- Lastly, the Group also actively organised unique and innovative HOTSPOT promotion events (熱點營銷活動). These marketing events not only directly promoted the Group's comprehensive lifestyle-one-stop shopping concept, but also enriched VIP customers' shopping experience, effectively increased the stores' foot traffic, and boosted sales of the chain stores. For example, the Group's "Ice Age - Super Penguins Summer Roadshow"(「冰川紀」— Super Penguins 暑期巡展活動) attracted the attention and participation of a vast number of VIP customers from 11 chain stores in 9 cities.

In order to further enhance the Group's overall performance, the Group also actively implemented the O2O (Online to Offline) business model that is suitable to the Group's business development plans. On one hand, the Group fully utilised all marketing channels such as the Group's mobile phone application "goodee mobile App" (掌上金鷹), the WeChat social network platform, the online award points redemption platform and the integrated major customer database to provide timely, direct and effective marketing information to our customers, in order to enhance customers' shopping experience, achieve internet and "goodee mobile App" redemption of VIP award points and allow customers to enjoy various value-added VIP services more conveniently, thus stimulate buying sentiments and generate further sales. As at the end of 2013, the "goodee mobile App" application registered over 1 million downloads, had over 300,000 VIP members bundled their VIP cards with the "goodee mobile App" application and had over 450,000 WeChat followers. On the other hand, the Group has been actively developing electronicalised business model (商務電子化). By implementing a series of internet-related initiatives such as installing free full WIFI coverage at all our chain stores, the use of wireless POS cash register system, the launch of the "Electric VIP Card" and the use of a network of internet linked store digital display screens, the Group has developed an economical and effective marketing channel. More importantly, the Group used the information generated from its all-channel marketing and electronicalised business model to conduct in-depth and thorough analysis of each of its individual VIP customers. The analysis provided meaningful data for the Group to carry out precise "one-on-one" marketing services so as to enhance the Group's overall performance.

The Group actively promoted its cross-industry VIP loyalty services to provide more innovative and value-added quality services for all of its VIP customers. During the year, the existing VIP customer loyalty system was upgraded to the brand new G. Club Loyalty Programme, which provided more enhanced and premium services, including the new offering of hotel and food and beverage cross-industry VIP services to VIP customers. Besides, a new point award card (積點卡) was introduced to provide a loyalty programme with no minimum spending requirement for non-VIP customers. This programme offered more potential VIP customers the Group's quality services. By enhancing customer shopping experiences and building brand loyalty, it stimulated consumption desires and thus transforming these customers into VIP customers. Meanwhile, during the second half of the year, the Group also launched the "Online Award Points Redemption Mall" (網上積分兑換商城), offering its VIP customers special and practical gifts through convenient and quick redemption of accumulated award points. As at the end of 2013, the Group had approximately 1,270,000 VIP members, who accounted for approximately 56.2% of the Group's total GSP.

Chairman's Statement

CORPORATE DEVELOPMENT AND OPENING OF NEW STORES

In May 2013, the Group became the only China department store operator which have been awarded "investment grade" credit ratings from all of the world's three leading credit rating agencies. With enhanced creditworthiness, the Group successfully completed the issuance of USD400.0 million worth of 10-Year senior notes at an interest rate of 4.625%, which provided a low-cost and stable financial support for the Group's future long-term development.

After having its gross floor area ("GFA") expanded to approximately 46,800 square meters, Changzhou Jiahong Lifestyle Centre and its new commercial annex commenced operation on 24 January 2014. By introducing an interactive new aquarium concept, a premium supermarket and leisure dining facilities to its retail space, Changzhou Jiahong Store brought customers with a brand new shopping experience, creating new momentum for its performance growth. The expansion of the store improved the synergies among Changzhou Wujin Store and Changzhou Liyang Store, which laid a solid foundation for the Group to establish a leading position in the Changzhou market.

Even more exciting is the opening of the Block B commercial annex of the Group's flagship Nanjing Xinjiekou Store scheduled to be opened in April 2014. The building is integrated seamlessly into the existing Xinjiekou Store in Block A with a space corridor, adding approximately 81,000 square meters of GFA to the property. Block B commercial annex not only increases the overall floor area of the Xinjiekou Store but will also establish itself as an international landmark commercial complex that houses rich merchandise mix and full range of functional services which include international designer brands, leisure gourmet dining, early childhood education and an international class cinema. The building is expected to significantly boost the sales performance of the Xinjiekou Store, reinforcing the Group's leading position in the Xinjiekou area in Nanjing.

Based on the sites secured by the Group for its new store expansion, it is anticipated that these stores will increase the GFA of the Group's chain stores by over 1.4 million square meters in the next three years. This will further increase the proportion of the Group's department stores operating at self-owned properties. Besides, the Group will adopt flexible approaches, such as entrusted management, to optimise the ways of securing new store location based on the unique characteristics of each location so as to effectively reduce the preliminary operating risks of new stores. Furthermore, the Group will continue to focus on high-quality premises that are suitable for the comprehensive lifestyle-one-stop shopping concept, that the Group can operate steadily in a long term cost-effective manner with considerable scale and enriched service model. Meanwhile, the Group will continue to actively seek opportunities of investment, co-operation, merger and acquisition that can fulfill the Group's development and investment strategies and objectives, hence laying a solid foundation for the Group's business expansion.

Chairman's Statement

OUTLOOK

Since the beginning of 2014, the global economy has remained unbalanced and has shown a weak recovery. Major developed economies are showing signs of steady growth, but various emerging markets were slowing down due to the constraints of their own economic structures and the strengthening of US dollar. On the other hand, the Chinese government continued to put emphasis on the three main economic missions, namely "achieving steady growth, restructuring, and pressing ahead with the reform". It also strives to "achieve growth and quality improvement with steady progress". On one hand, the Chinese government will press ahead organisational reform to transform government functions, further liberalise the market and strengthen urban infrastructure. It will also seek to reap the dividends from reforms by allowing the market a larger and more significant role in order to effectively drive economic growth and stimulate domestic demand. It is anticipated that the economy will still achieve the objective of steady growth in 2014. On the other hand, the Chinese government will continue to restructure the economy as well as structural optimisation to foster new growth drivers in consumer demand so as to enhance the role of consumption in economic growth. It is believed that the Chinese government will roll out a series of measures such as increasing citizen's income, improving social security system and promoting domestic consumption, which will significantly stimulate the development of the retailing industry. In the long run, the country's accelerating urbanisation and fast expanding middle-class will benefit the long-term development of the Group in those second- and third-tier cities.

The management remains cautiously optimistic about China's economic development and growth in domestic consumption in the future. In 2014, the Group will implement more proactive and effective measures to concentrate its efforts on shortening the ramp-up and nurturing period of new stores, explore ways to enhance the sales performance of established stores in order to consolidate and reinforce the Group's leading position in the industry. These measures will primarily be reflected in the continuous optimisation of O2O (Online to Offline) business model and the implementation of omni-channel marketing and electronicalised business model which will enable the Group to fully utilise the mobile and internet network for precise marketing and to accelerate growth; further optimisation of chain store brand and merchandise mix; full efforts in upgrading and transforming into comprehensive lifestyle format that cater different needs of consumer societies; the strengthening of the Group's proprietary brand to lay a solid foundation for the Group's e-commerce development; the endeavour to nurture core senior management personnel to prepare for future business expansion and the enhancement of the overall customer satisfaction and loyalty through the provision of quality and unique merchandise mix, lifestyle shopping experience with multi-functions and amenities, innovative and interactive sales promotion activities as well as a variety of interesting gifts in relation to VIP membership award points programme.

Chairman's Statement

Meanwhile, the Group will also continue to maintain an established and steady pace of new chain stores development. We will remain persistent that each new store shall be managed by a pragmatic and efficient management team with strong brand resources, which will further shorten the ramp-up period of new stores. In the next three years, the Group will continue to expand and solidify its market presence in Jiangsu, Anhui, Shaanxi and Yunnan Provinces through various means such as self-owned properties, long-term leased premises or via mergers and acquisitions to further reinforce our leading position in the industry, and will proactively identify co-operation and collaboration opportunities with leading enterprises in related industries. The Group will also continue to explore market opportunities in those provincial capital cities with strong economic growth potential, so as to further expand the coverage of our chain store network.

The management believes that, by leveraging on its strong brand equity, prominent execution capability, sound financial position and loyal VIP customer base, the Group will be able to bring better returns to its shareholders.

Lastly, on behalf of the Board, I would like to express my sincere appreciation for the devoted hard work of the management and all our staff members, as well as the support from our shareholders, business partners and loyal customers. In the coming year, the Group's management and all staff members will continue to collaborate with each other, and will be prepared to capture new opportunities and tackle challenges, striving to achieve greater success for the Group.

Wang Hung, Roger
Chairman

17 March 2014

Management Discussion and Analysis

FINANCIAL REVIEW

GSP and Revenue

GSP of the Group grew to RMB16,833.1 million, representing a year-on-year growth of 3.1% or RMB513.7 million. The growth was mainly contributed by SSSG of 2.9% and the inclusion of full year sales proceeds of those stores or additional retail spaces opened or commenced operation in the year 2012.

Affected by the complicated and volatile economic situation, the increasing competitive market environment and the construction of Xinjiekou Store Phase II in the adjacent area, Nanjing Xinjiekou Store (the flagship store of the Group) recorded a moderate deceleration in SSSG of 4.2%, whilst Yangzhou Store and Xuzhou Store maintained SSSG of 2.8% and 3.3% respectively for the year 2013. Furthermore, younger stores such as Yangzhou Jinghua Store, Nanjing Xianlin Store, Huaibei Store and Suqian Store, the new growth drivers of the Group's sales, have achieved remarkable SSSG of 28.2%, 33.7%, 28.4% and 44.5% respectively.

With increasing GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP decreased from 22.6% to 21.0% while the aggregate contributions to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from 45.0% to 43.3%.

During the year 2013, concessionaire sales contributed 90.8% (2012: 91.0%) of the Group's GSP, representing an increase of 2.8% from RMB14,853.4 million in 2012 to RMB15,276.0 million in 2013, and direct sales contributed 8.7% (2012: 8.4%) of the Group's GSP, representing an increase of 6.2% from RMB1,371.6 million to RMB1,456.5 million.

Commission rate from concessionaire sales decreased to 17.8% (2012: 18.6%). The decrease was mainly due to (i) the relatively strong sales performance of certain product categories which carried lower commission rates such as gold and jewellery and (ii) the increase in sales contribution from younger stores which carried lower commission rates as compared to mature stores such as Nanjing Xinjiekou Store. Gross profit margin from direct sales remained stable at 18.3% (2012: 17.8%). Overall gross profit margin from concessionaire sales and direct sales decreased to 17.8% (2012: 18.5%).

In terms of GSP breakdown by merchandise categories, apparel and accessories contributed 52.1% (2012: 54.9%) of the GSP, gold, jewellery and timepieces contributed 21.6% (2012: 18.8%), cosmetics contributed 8.1% (2012: 7.9%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 18.2% (2012: 18.4%).

The Group's total revenue increased to RMB3,659.6 million, representing an increase of 1.0% from the same period last year. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income increased by RMB21.8 million or 10.3% to RMB233.0 million for the year 2013. Other operating income mainly included income from suppliers and customers, which amounted to RMB205.3 million (2012: RMB181.4 million), and government grants, which amounted to RMB25.8 million (2012: RMB25.6 million).

Management Discussion and Analysis

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. Changes in inventories of merchandise increased by RMB52.9 million or 5.5% to RMB1,016.8 million for the year 2013. The increase was generally in line with the increase in direct sales.

Employee benefits expense

Employee benefits expense increased by RMB23.0 million or 6.5% to RMB375.7 million for the year 2013. This was mainly contributed by the net effects of (i) the inclusion of full year employee benefits expense for those stores or additional retail spaces opened or commenced operation in the year 2012; (ii) the adjustment in staff number due to the continuous streamlining of roles and functions at all departments after the implementation of the SAP system; and (iii) the increase in staff number in preparation for the Group's future development and expansion, including recruitment of experienced staff and professionals for the preparation of the Group's upcoming mega stores with multi-functions and amenities to enrich the concept of "lifestyle one-stop shopping destination".

Employee benefits expense as a percentage to GSP increased by 0.1 percentage point to 2.6% as compared to 2.5% for the same period last year.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and investment property and release of prepaid lease payments on land use rights increased by RMB13.2 million or 6.6% to RMB214.4 million for the year 2013. The increase was primarily due to (i) the inclusion of full year depreciation and amortisation for those stores or additional retail spaces opened or commenced operation in the year 2012 and (ii) the additional depreciation and amortisation charges recognised for construction, renovation and expansion of the Group's existing stores during the year 2013.

Depreciation and amortisation expenses as a percentage to GSP increased by 0.1 percentage point to 1.5% as compared to 1.4% for the same period last year.

Rental expenses

Rental expenses increased by RMB3.6 million or 2.1% to RMB170.2 million for the year 2013. The increase was mainly due to (i) the inclusion of full year rental expenses for those stores or additional retail spaces operating in leased properties opened or commenced operation in the year 2012; (ii) the increase in sales contribution from stores which are operating in leased properties and paying rental expenses with reference to a percentage of GSP, such as Nanjing Zhujiang Store, Yangzhou Jinghua Store and Nanjing Xianlin Store; and (iii) the decrease in rental expenses for Suzhou Store by RMB8.0 million, as the store was closed in February 2013 upon the expiry of the lease.

Rental expenses as a percentage to GSP remained stable at 1.2%.

Management Discussion and Analysis

Other operating expenses

Other operating expenses increased by RMB7.1 million or 1.2% to RMB600.2 million for the year 2013. Other operating expenses mainly include water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fees. The slight increase in other operating expenses was primarily contributed by the management's continuous efforts of disciplined cost control during the period under review.

Other operating expenses as a percentage to GSP decreased by 0.1 percentage point to 4.2% as compared to 4.3% for the same period last year.

Profit from operations

Profit from operations, which is the earnings before interest and taxes, decreased by RMB41.3 million or 2.7% to RMB1,515.2 million for the year 2013.

Profit from operations as a percentage to GSP decreased to 10.5%, a 0.7 percentage point decrease as compared to 11.2% for the same period last year while profit from operations as a percentage to revenue decreased to 41.4%, a 1.6 percentage points decrease as compared to 43.0% for the same period last year, which was mainly due to the decrease in gross profit margin for the period under review and the overall increase in operating expenses.

Finance income

Finance income comprised income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group in banks when the Group has surplus capital. Finance income increased by RMB98.8 million or 68.7% to RMB242.6 million for the year which was primarily due to more capital being placed in various short-term bank related deposits during the period under review.

Finance costs

Finance costs comprised interest expenses on the Group's bank loans and senior notes. Finance costs increased by RMB87.4 million or 1.2 times to RMB163.0 million for the year 2013. The increase was primarily due to the issue of Notes in the aggregate principal amount of USD400.0 million which will mature in May 2023.

Other gains and losses

Other gains and losses mainly comprised (i) net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB; (ii) gains and losses arising from the Group's securities investments; and (iii) the changes in fair value of the conversion and redemption options attached to zero coupon convertible bonds subscribed by the Group in August 2011 from a trade supplier during the period under review.

Management Discussion and Analysis

Other gains and losses increased by RMB79.8 million or 4.0 times to RMB99.9 million for the year 2013. Such increase was primarily due to the net effects of (i) the increase in net foreign exchange gains by RMB96.6 million as a result of the fluctuations of RMB exchange rates during the period under review; (ii) a loss of RMB10.6 million was noted for the fair value changes of the conversion and redemption options attached to the zero coupon convertible bonds subscribed by the Group as compared to a loss of RMB2.0 million reported in the same period last year; and (iii) a net gain of RMB11.0 million on deemed disposal of the Group's interests in one of its associates, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司) was recorded in the year 2012 where no such gain was recorded in this year.

Share of profit of associates

Share of profit of associates represented the Group's share of net results of its (i) 38.4% (2012: 49.0%) owned associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司); (ii) 30.0% (2012: 30.0%) owned associate, Anhui Sanxin Watch Co., Ltd. (安徽三新鐘表有限公司); and (iii) 41.0% (newly established during the period under review) owned associate, Mr. Pizza Golden Eagle Restaurant Management (Shanghai) Co., Ltd. (米斯特比薩金鷹餐飲管理(上海)有限公司).

Income tax expense

Income tax expense of the Group increased by RMB42.8 million or 9.9% to RMB473.2 million. The effective tax rate for the period under review was 27.7% (2012: 26.1%).

Profit for the year

Owing to the decrease in profit from operations and increase in non-core operating profits, profit for the year increased by RMB17.2 million or 1.4% to RMB1,234.6 million, net profit margin to GSP was 8.6% (2012: 8.7%).

Had the Group's stores opened in the year 2011 and 2012 been excluded from the calculation, which represented the aggregate net operating losses generated by 9 (2012: 9) loss making stores of approximately RMB90.3 million (2012: RMB114.9 million), on a comparable basis, profit for the year would remain stable at RMB1,324.8 million for the year 2013. Net profit margin to GSP decreased to 10.3%, representing a 0.1 percentage point decrease as compared to 10.4% for the same period last year.

Capital expenditure

Capital expenditure of the Group for the year 2013 amounted to RMB329.3 million (2012: RMB1,033.7 million). The amount mainly comprised contractual payments made for acquisition of property, plant and equipment, construction of greenfield projects for department chain store expansion and the upgrade and/or expansion of the Group's existing retail spaces in order to further enhance the shopping environment and the Group's competitiveness in its local markets.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's cash and near cash (including bank balances and cash, restricted cash, structured bank deposits and investments in interest bearing instruments) amounted to RMB5,929.8 million (2012: RMB4,964.5 million) whereas the Group's total borrowings (including bank borrowings and senior notes) amounted to RMB4,494.3 million (2012: RMB3,210.7 million). For the year ended 31 December 2013, the Group's net cash generated from operating activities amounted to RMB1,250.3 million (2012: RMB1,488.3 million), the Group's net cash used in investing activities amounted to RMB2,378.1 million (2012: RMB1,720.0 million) and the Group's net cash used in financing activities amounted to RMB58.4 million (2012: generated from financing activities amounted to RMB1,118.6 million).

As at 31 December 2013, the Group's bank borrowings amounted to RMB2,086.6 million (2012: RMB3,210.7 million) which comprised a 3-year dual-currency syndicated loan of RMB2,086.6 million (2012: RMB2,131.7 million), due for full repayment on 17 April 2015. The Group also borrowed short-term bank loans, the aggregate outstanding amount of which was RMB1,079.0 million as at 31 December 2012 and were fully repaid during the year ended 2013. On 21 May 2013, the Company issued 10-year senior notes in the aggregate principal amount of USD400.0 million (equivalent to approximately RMB2,476.2 million). The Notes carry fixed coupon rate of 4.625% per annum and will mature on 21 May 2023. The Notes amounted to RMB2,407.7 million as at 31 December 2013 (2012: nil). The proceeds of the Notes were used to refinance the Group's short-term bank loans and for other general corporate purposes, including capital expenditures.

As at 31 December 2013, total assets of the Group amounted to RMB15,074.5 million (2012: RMB13,786.5 million) whereas total liabilities of the Group amounted to RMB9,828.0 million (2012: RMB8,488.9 million), resulting in net assets position of RMB5,246.5 million (2012: RMB5,297.6 million). The gearing ratio, calculated by dividing total borrowings over total assets of the Group, increased to 29.8% as at 31 December 2013 (2012: 23.3%).

The capital commitments of the Group as at 31 December 2013 amounted to RMB1,175.5 million (2012: RMB1,570.7 million), which were contracted for but not provided in the consolidated financial statements for the contractual payments for the acquisition of property, plant and equipment and land use rights and the acquisition of an associate and a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group has no material contingent liabilities.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2013, the Group has pledged equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the term loan facility granted to the Group.

Assets with the following carrying amounts have been pledged to secure the term loan facility:

	2013	2012
	RMB'000	RMB'000
Available-for-sale investments	**75,268**	91,790
Trade and other receivables	**28,539**	17,898
Restricted cash	**15,554**	18,038
Bank balances and cash	**354,731**	286,078
	474,092	413,804

FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash, available-for-sale investments, bank loans and senior notes are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between HKD/USD and RMB. During the year ended 31 December 2013, the Group recorded a net foreign exchange gains of RMB103.2 million (2012: RMB6.5 million). The Group's operating cashflows are not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2013, the Group employed a total of 5,300 employees (2012: 5,100) with remuneration in the aggregate sum of RMB375.7 million (2012: RMB352.7 million). The Group's remuneration policies are formulated with reference to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. The Group has made donations for community services institutions and encourages its employees to participate in charitable events and social services.

Directors and Management Profiles

DIRECTORS

Executive Director

Mr. Wang Hung, Roger (王恒), aged 65, chairman of the Company, is responsible for the overall management, strategic planning and major decision-making of the Group. Mr. Wang obtained a bachelor degree in Economics from Chinese Culture University of Taiwan and a master degree in business administration ("MBA") from Southeastern Louisiana University of the United States in 1969 and 1973 respectively. Mr. Wang established Transpacific Management Inc. in the United States in 1978 and is the president of the company. He established Golden Eagle International Group in 1992 and has been its chairman since then. Mr. Wang was awarded the Honorary Citizen of Nanjing in 1994. He is now the honorary chairperson of The Association of Overseas Affairs of Nanjing (南京市海外聯誼會). Mr. Wang was also awarded Entrepreneur of the Year 2011 China by Ernst & Young. He has over 35 years of experience in the development and management of real estate and department store retailing.

Non-executive Director

Mr. Han Xiang Li (韓相禮), aged 48, non-executive Director of the Company. Mr. Han has been the executive Director during the period from 26 February 2006 to 14 April 2009 and has been re-designated as the non-executive Director with effect from 15 April 2009. Mr. Han obtained a bachelor degree from Nanjing University of Finance and Economics (南京財經大學) in July 1986 and a MBA degree from the Nanjing University - Cornell University EMBA program in December 2007. He is also a member of the Chinese Institute of Certified Public Accountants. Mr. Han has over 27 years of experience in financial management. Mr. Han resigned as the non-executive Director of the Company on 17 March 2014.

Independent non-executive Directors

Mr. Wong Chi Keung (黃之強), aged 59, holds a MBA degree from University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an the executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited), a company listed on the Stock Exchange for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited and Zhuguang Holding

Group Company Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has resigned as an independent non-executive director of First Natural Foods Holdings Limited and FU JI Food and Catering Services Holdings Limited, both of which are companies listed on the Stock Exchange, with effect from 21 November 2013 and 24 June 2011 respectively. Mr. Wong has over 37 years of experience in finance, accounting and management.

Mr. Wang Yao (王耀), aged 55, who obtained a PhD degree in engineering from Harbin Institute of Technology (哈爾濱工業大學) in March 1989. Mr. Wang is the vice-chairman of China General Chamber of Commerce (中國商業聯合會). Mr. Wang is also the officer (主任) of Information Centre of Commerce of the PRC (中華全國商業信息中心). He is primarily dedicated to the research on the PRC retail market, macroeconomy and retail data statistics and analysis. He provides retail market consulting services to the government. He also published periodic monitoring and forecastic reports on China consumables retail market from 1997 to 2013. Mr. Wang is also an independent non-executive director of Bosideng International Holdings Limited, a company listed on the Stock Exchange.

Mr. Liu Chi Husan, Jack (劉積瑄), aged 55, obtained a bachelor degree in Laws from National Taiwan University (國立台灣大學) in 1981, and obtained Master of law degrees from the University of Pennsylvania (美團賓州大學) and the University of Chicago (美國芝加哥大學) in the United States in 1984 and 1985 respectively. Mr. Liu was admitted to practice the laws of the State of California and Washington, D.C, in the United States and as a foreign lawyer permitted to practice the laws of Taiwan. Mr. Liu is now a director and the chairman of the Risk Oversight Committee of East West Bancorp (a company listed on the NASDAQ). Mr. Liu is also an independent director of Usun Technology Co., Ltd. (陽程科技有限公司) (a company listed on the Taiwan Stock Exchange), an independent director of Lung Yen Co., Ltd. (龍巖股份有限公司) (a company listed on the Taiwan Stock Exchange), a director of Transglobe Life Insurance Co., Ltd. (全球人壽股份有限公司) and a senior lawyer of Alliance International Law Offices (台灣康德國際法律事務所). Mr. Liu has over 28 years of experience in legal practice and has over 16 years of experience in financial and investment area.

SENIOR MANAGEMENT (MEMBERS FROM THE OFFICE OF THE PRESIDENT)

Mr. Chen Hongjie (陳宏杰), aged 46, senior vice president of the Group. Mr. Chen obtained a bachelor degree in Mathematics from University of New South Wales, Australia in 1990, and obtained a MBA degree from the University of Sydney in 1992. Mr. Chen served various senior positions in several international luxury and cosmetic groups. He joined the Group for the current position in March 2013, and is responsible for the operation and management of the Group's merchandising center of the Group. Mr. Chen has over 22 years of experience in merchandising management.

Mr. Wang Ming Yuan (王明遠), aged 43, vice president and Chief Information Officer of the Group. Mr. Wang obtained a bachelor degree in Materials Science from Jiangsu University (江蘇大學) in July 1993 and a master degree in Applied Computer Science from Xidian University (西安電子科技大學) in July 2003. Mr. Wang has years of experience in the information management and business optimisation processes for fast moving consumer goods industry, retailing industry and the real estate industry. He joined the Group for the current position in December 2011, and is responsible for the Group's information technology, e-commerce and business intelligence projects. Mr. Wang has over 19 years of experience in information technology and business optimisation processes.

Directors and Management Profiles

Mr. Shao Yong (邵勇), aged 49, vice president of the Group. Mr. Shao obtained a bachelor degree in Economics from Anhui Institute of Finance & Trade (安徽財貿學院) in 1991. He joined the Group in December 2002. He has been the general manager of Xuzhou Store, Yancheng Store and Huaibei Store and was promoted to the vice president of the Group in November 2006. He is responsible for the Group's integrated management in the northern part of Jiangsu Province region since January 2013. He participates in the Group's overall operational management through regional management as well as the Group's chain development in the northern part of Jiangsu Province. Mr. Shao has over 22 years of experience in retail management.

Mr. Li Pei (李培), aged 50, vice president of the Group. Mr. Li obtained a bachelor degree in Animal Husbandry and Veterinary Medicine from Yangzhou University (揚州大學) in 1986. He joined the Group in October 2001 and served as the deputy director of merchandising department of Yangzhou Store, director of operational department of Xuzhou Store, assistant general manager and deputy general manager of Xi'an Store, general manager of Huai'an Store, general manager of Yancheng Store and assistant president of the Group. He was promoted to the current position in January 2014. He is responsible for the Group's integrated management in the central part of Jiangsu Province, as well as daily operational management of Yancheng Store. Mr. Li has over 21 years of experience in retail management.

Ms. Tai Ping, Patricia (戴苹), aged 41, Chief Financial Officer of the Group. Ms. Tai obtained a double bachelor degree in Accounting and Information System from Monash University, Australia in 1995. Ms. Tai is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. She has over 18 years of experience in auditing and financial management. Ms. Tai joined the Group in September 2008 as assistant president of the Group and was promoted to Chief Financial Officer in April 2009. She has also served as the Company Secretary of the Company from December 2010 onwards.

Ms. Liu Meng Jie (劉夢婕), aged 34, assistant president of the Group. Ms. Liu graduated from Jinling Institute of Technology (南京金陵科技學院) in 2001, majoring in International Business Management. She joined the Group in 2001 and served as the deputy manager of the Group's promotion planning department, manager of promotion planning department of Nanjing Store, and manager, deputy director and director of the Group's promotion planning department. She was promoted to the current position in January 2013. She is responsible for the Group's promotion planning. Ms. Liu has over 12 years of experience in promotion planning and management.

Mr. Tang Xiaochun (唐小春), aged 38, assistant president of the Group. Mr. Tang graduated from Nanjing University of Finance in 1999, majoring in Business Management. He joined the Group in 2010, and served as the deputy director and director of Human Resources Department. He was promoted to the current position in January 2014. He is responsible for the human resources management of the Group. Mr. Tang has over 14 years of experience in human resources management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") and management of the Company are committed to achieving and maintaining high standards of corporate governance to enhance corporate performance, transparency and accountability through a set of corporate governance principles and practices.

The Directors are of the opinion that save for the deviation from code provision A.2.1, details of which are set out in the paragraph headed "Chairman and Chief Executive Officer" below, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which were in force at the material time for the year ended 31 December 2013.

The Company's corporate governance structure includes the Board and three board committees under the Board, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). The Board stipulates the terms of reference of all board committees and specifies therein clearly the powers and responsibilities of the board committees.

THE BOARD

The Board plays a central supporting and supervisory role in the Company and is responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner.

The Board oversees the management of the Company. Decisions on important matters, including but not limited to the approval of the overall business strategies and policies, business development, risk management, annual budgets, financial results, investment proposals, major acquisition, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. The Board has to make decision in the best interests of the Company and its shareholders as a whole.

Decisions on the Group's day-to-day management and operations of the Company are delegated to the management of the Group. This delegation of authority includes responsibility for operating the Group's businesses within the parameters set by the Board, keeping the Board informed of material developments of the Group's businesses, identifying and managing operation and other risks and implementing the policies and processes approved by the Board.

Corporate Governance Report

BOARD COMPOSITION

As at the date of this report, the Board comprised 4 members, including one executive Director, Mr. Wang Hung, Roger (Chairman) and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Liu Chi Husan, Jack. Other than being members of the Board, there is no other relationship between the members of the Board. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to provide sufficient checks and balances that serve to safeguard the interests of the Company and its shareholders as a whole.

Each Director has different professional qualifications, knowledge, skills, industry experience and expertise, which enable them to make valuable and diversified contribution and guidance to the Group's business development and operations. The Directors' biographical details are set out in the section headed "Directors and Management Profiles" to this annual report.

During the year ended 31 December 2013, the Board had at all times met the relevant requirements under the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing not less than one-third of the Board), with at least one independent non-executive Director possessing appropriate accounting and related financial management expertise. The independence of the independent non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. 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 and the Company is of the view that all independent non-executive Directors meet the independence guidelines and are independent in accordance with the relevant rules and requirements.

The Nomination Committee has reviewed the Board's structure, size and composition to ensure that it has a balance of expertise, skills, independence and experience appropriate to the requirements of the Group's business development and operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the year under review, the Chairman of the Board takes a leading role in day-to-day management and is responsible for the effective functioning of the Board. With the support of the senior management, the Chairman is also responsible for the overall strategic development of the Company. Ms. Zheng Shu Yun (from 1 January 2013 to 22 March 2013) and Mr. Ko Younchoul (from 22 March 2013 to 31 December 2013) were the Chief Operating Officer ("COO") of the Company and Ms. Tai Ping, Patricia was the chief financial officer (the "CFO") of the Company during the year under review. The COO and the CFO are responsible for implementation of business strategy and management of the day-to-day operations of the Company's business. Having considered the current business operations and the aforesaid organisation structure, the Directors consider that it is not necessary to appoint a chief executive officer.

Corporate Governance Report

APPOINTMENT, RE-ELECTION AND REMOVAL

The appointment, re-election and removal of Directors are governed by the Articles of Association of the Company. The Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board.

The Nomination Committee will make recommendations to the Board on the appointment of Directors and senior management. Potential new directors are selected on the basis of their qualifications, skills and experience that the Directors consider will make a positive contribution to the performance of the Board.

At each annual general meeting, 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 by rotation in accordance with the Company's Articles of Association.

Each of the non-executive Directors was appointed for a term of one year subject to retirement by rotation at the annual general meeting of the Company.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the year ended 31 December 2013, seven Board meetings were held and two sets of unanimous written resolutions of the Directors were made. Notice of regular Board meetings is given to all Directors at least 14 days before each meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials, including relevant background information and supporting analysis, are normally sent to all Directors at least three days before the regular Board meeting (and so far as practicable for such other Board meetings) to ensure that the Directors would have sufficient time and attention to the affairs of the Company. Their individual attendance of the seven Board meetings was as follows:-

Mr. Wang Hung, Roger (6/7)
Ms. Zheng Shu Yun (4/7) (retired on 23 May 2013)
Mr. Han Xiang Li (7/7) (resigned on 17 March 2014)
Mr. Wong Chi Keung (7/7)
Mr. Wang Yao (7/7)
Mr. Liu Chi Husan, Jack (7/7)

During the year ended 31 December 2013, one general meeting was held. The individual attendance of each of the Directors at the general meeting was as follows:-

Mr. Wang Hung, Roger (1/1)
Ms. Zheng Shu Yun (0/1) (retired on 23 May 2013)
Mr. Han Xiang Li (0/1) (resigned on 17 March 2014)
Mr. Wong Chi Keung (1/1)
Mr. Wang Yao (0/1)
Mr. Liu Chi Husan, Jack (1/1)

Corporate Governance Report

PRACTICES AND CONDUCT OF MEETINGS OF THE BOARD AND BOARD COMMITTEES

The Company Secretary is responsible for ensuring the proper convening and conducting of the Board and board committee meetings, with relevant notices, agenda and all relevant Board and board committee papers being provided to the Directors and board committee members in a timely manner before the meetings.

The Company Secretary is responsible for keeping minutes of all meetings of the Board and board committees. Board and board committee minutes are available for inspection by Directors and board committee members. All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues.

Each Director is required to make disclosure of his interests or potential conflicts of interests, if any, in any proposed transactions or issues discussed by Directors at the Board and board committees' meetings. Any Director shall not vote on any resolution of the Board and board committees approving any contract or arrangement or any other proposal in which he (or his associates) is materially interested nor shall he be counted in the quorum present at the meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the year ended 31 December 2013, except that Mr. Wang acquired 34,000 shares on 31 January 2013 and 50,000 shares on 1 February 2013 respectively. These shares were subsequently disposed of on 1 February 2013. The Company will from time to time reiterate and provide reminders to the Directors regarding the procedures, rules and requirements to be complied with by them in relation to Directors' dealings in securities.

ACCOUNTABILITY AND AUDIT AND AUDITOR'S REMUNERATION

The Directors acknowledge their responsibility for the preparation of the financial statements which give a true and fair presentation of the state of affairs of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013. This responsibility has also been mentioned in the Independent Auditor's Report on page 56 of this annual report.

In preparing the financial statements for the year ended 31 December 2013, the Board (a) adopted all applicable accounting and financial reporting standards, including but not limited to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; (b) selected suitable accounting policies and applied them consistently; (c) made prudent and reasonable judgements and estimates; and (d) ensured that the financial statements were prepared on a going concern basis.

Corporate Governance Report

The Directors are also responsible for ensuring timely publication of the Group's financial statements. The Company aims to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public and is aware of the requirements under the applicable rules and regulations about timely disclosure of inside information. The annual results of the Group for the year ended 31 December 2013 and interim results of the Group for the six months ended 30 June 2013 were published within 3 months and 2 months respectively after the end of the relevant periods to provide stakeholders with transparent and timely financial information of the Group.

The statement by the auditors of the Company about their reporting responsibilities is set out on page 56 of this annual report. The auditors of the Company received approximately RMB1.95 million for the provision of audit services and approximately RMB0.55 million for the provision of non-audit services rendered during the year ended 31 December 2013.

INTERNAL CONTROL AND THEIR EFFECTIVENESS

The Board has the overall responsibility for maintaining sound and effective internal controls for the Group to safeguard the interests of its stakeholders and the assets of the Group at all times. In this connection, an internal control and risk management system has been established to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage or mitigate rather than eliminate risks of failure to achieve the Group's business objectives.

The internal audit department is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management system, reporting regularly the results to the Board through the Audit Committee and making recommendations to the relevant department management for necessary actions.

During the year ended 31 December 2013, the internal audit department had conducted reviews on the effectiveness of the internal control system covering all material factors related to financial, operational, compliance controls, various functions for risk management and physical and information security. Two semi-annual internal control reports containing its findings and results were reported to the Audit Committee during the Audit Committee meetings and had been delivered to all Directors for review.

The Audit Committee had reported during the Audit Committee meetings the key findings identified by the Company's external auditors in respect of the Group's internal controls and discussed findings and actions or measures taken in addressing those findings. No material issues on the Group's internal control system have been identified by the Company's internal audit department and the Company's external auditors during the year ended 31 December 2013 which required significant rectification works.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under the code provision A.6.5 of the CG Code regarding the continuous professional development. A summary of the trainings received by each of the Directors during the year ended 31 December 2013 is as follows:

	Reading	Attending training programs
Mr. Wang Hung, Roger	✓	✓
Ms. Zheng Shu Yun (retired on 23 May 2013)	✓	✓
Mr. Han Xiang Li (resigned on 17 March 2014)	✓	✓
Mr. Wong Chi Keung	✓	✓
Mr. Wang Yao	✓	✓
Mr. Liu Chi Husan, Jack	✓	✓

BOARD COMMITTEES

As at the date of this report, there were three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with specific terms of references to assist the Board in discharging its responsibilities.

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Liu Chi Husan, Jack. The Audit Committee is chaired by Mr. Wong Chi Keung, who is a certified public accountant. The principal functions of the Audit Committee are to review and supervise the Group's financial reporting processes and internal control procedures.

During the year ended 31 December 2013, the Audit Committee reviewed the Group's interim and annual accounts and the effectiveness of internal control procedures. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30 June 2013 and for the year ended 31 December 2013;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewed the effectiveness of the internal control and risk management system;

(d) reviewed the findings and recommendations of the internal control department and the Company's external auditor on the operations of the Group; and

(e) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31 December 2013.

During the year ended 31 December 2013, two Audit Committee meetings were held. The individual attendance of its members is as follows:-

Mr. Wong Chi Keung (2/2), Mr. Wang Yao (2/2), and Mr. Liu Chi Husan, Jack (2/2).

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Liu Chi Husan, Jack. The Remuneration Committee is chaired by Mr. Liu Chi Husan, Jack.

The principal functions of the Remuneration Committee are (i) to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management in order to retain and attract talent to manage the Group effectively; (ii) to determine, with the delegated responsibility, the specific remuneration packages of all executive Directors and senior management; (iii) to assess the performance of the executive Directors; and (iv) to approve the terms of the service contracts of the executive Directors. For the avoidance of doubt, the Directors and their associates do not participate in the decisions in relation to their own remuneration.

During the year ended 31 December 2013, the Remuneration Committee had reviewed the Group's policy on the remuneration of all Directors and senior management and one Remuneration Committee meeting was held. The individual attendance of its members is as follows:-

Mr. Liu Chi Husan, Jack (1/1), Mr. Wang Hung, Roger (1/1) and Mr. Wong Chi Keung (1/1).

Nomination Committee

As at the date of this report, the Nomination Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Liu Chi Husan, Jack. The Nomination Committee is chaired by Mr. Wang Hung, Roger. Mr. Wang is also the chairman of the Board.

The principal functions of the Nomination Committee are to determine the policy for the nomination of Directors, to review the structure of the Board, to assess the independence of the independent non-executive Directors and to make recommendations on relevant matters relating to the appointment or re-appointment of Directors.

During the year ended 31 December 2013, no new Director had been appointed and no meeting was held by the Nomination Committee. The Nomination Committee will meet as and when required.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance matters of the Company. The Board has established its terms of reference, pursuant to which the duties of the Board include, inter alia, (i) to develop, review and implement the policies and practices of the Company on corporate governance; (ii) to review, monitor and implement the policies and practices of the Company on compliance with legal and regulatory requirements; (iii) to review, monitor and implement the training and continuous professional development of the Directors and senior management of the Group; (iv) to develop, review, monitor and implement the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review and implement the compliance with the CG Code and disclosure in the Corporate Governance Report.

COMPANY SECRETARY

The Company Secretary is Ms. Tai Ping, Patricia. Her biographical details are set out in the section headed "Directors and Management Profiles" of this annual report. The Company Secretary took no less than 15 hours of relevant professional training during the year ended 31 December 2013 as required by the Listing Rules.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") executed by Mr. Wang Hung, Roger, GEICO Holdings Limited and Golden Eagle International Retail Group Limited, the controlling shareholders of the Company (collectively referred to as the "Covenantors") in favour of the Company, the Covenantors have given certain undertakings and granted certain rights to the Company (including but not limited to the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal) (as defined in the prospectus of the Company dated 8 March 2006) (collectively, the "Undertakings"). Details of the Undertakings are set out in the paragraph headed "Deed of Non-Competition" of the Directors' Report on page 53 of this annual report.

The Covenantors have made an annual declaration confirming that they have fully complied with the Undertakings. The independent non-executive Directors have also reviewed whether the Covenantors have fully complied with the Undertakings and they are satisfied that the Covenantors have been in full compliance of the same.

Corporate Governance Report

COMMITMENT TO TRANSPARENCY

The Board puts emphasis on creating and maintaining a high level of transparency through timely disclosure of relevant information on the Group's business and activities to shareholders, investors, media and investment public through various channels including the Company's annual general meeting, analysts' briefings, press conferences following the announcements of interim and annual results, regular press releases, timely update of the Company's website as well as the availability of designated investor relationship agent to handle enquiries. The executive Directors and senior management, who together oversee our business operations, are committed to responding to enquiries from regulators, shareholders, investors and business partners.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always seeks to provide relevant information to existing and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. The Company is committed to ensuring that all shareholders and potential investors have equal opportunities to receive and obtain publicly available information that is released by the Group. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and the management of risk are made through various channels such as:

- the Company's annual general meeting
- analysts' briefings and press conferences following the announcements of interim and annual results
- timely update the websites of the Company and the Stock Exchange
- meeting with shareholders and the investing public
- prompt press releases and announcements regarding major corporate actions and business initiatives

The Company has established a shareholders communication policy to ensure that the shareholders will be provided with ready, equal and timely access to balanced and understandable information about the Company at all times. The Company will regularly review the effectiveness of such policy.

The Company maintains a website at www.geretail.com where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted. Shareholders are encouraged to access corporate communication from the Company through its website.

The Group also participated in various investor conferences and forums during the year in order to enhance among the investing public their awareness of the Group's vision and strategies.

The Company did not amend its Articles of Association during the year ended 31 December 2013.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Any one or more shareholder(s) of the Company 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 secretary of the Company at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, to require an extraordinary general meeting to be called by the Board for the 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.

Enquiries to the Board

We always welcome Shareholders' view and input. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary, Ms. Tai Ping, Patricia by mail, facsimile or email. The contact details are as follows:

Address:	Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong
Facsimile no.:	(852) 2529 8618
Email:	ir@jinying.com

Directors' Report

The Directors are pleased to present the 2013 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in the People's Republic of China (the "PRC"). The principal activities of the subsidiaries and associates of the Company are set out in notes 45 and 23 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 58.

The Directors now recommend the payment of a final dividend of RMB0.203 (2012: RMB0.188) per share to the shareholders appeared on the register of members of the Company on Wednesday, 28 May 2014. The final dividend (if approved) will be paid on or before Friday, 27 June 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years ended 31 December 2013 is set out on page 9.

PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INVESTMENT PROPERTY

Details of movements in property, plant and equipment, land use rights and investment property of the Group during the year are set out in notes 18, 19 and 20 respectively to the consolidated financial statements.

SHARE CAPITAL AND PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2013, pursuant to the general mandate given to the Directors of the Company, the Company repurchased an aggregate of 97,571,000 shares of its own ordinary share capital through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HKD1,183.1 million (equivalent to approximately RMB943.7 million).

The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase. 94,904,000 shares were cancelled during the period under review and the remaining shares were cancelled in January 2014.

Directors' Report

Details of the share repurchase and other movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution to shareholders amounted to approximately RMB380.2 million (2012: RMB365.9 million).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Director

Mr. Wang Hung, Roger *(Chairman)*
Ms. Zheng Shu Yun (retired on 23 May 2013)

Non-executive Director

Mr. Han Xiang Li (resigned on 17 March 2014)

Independent non-executive Directors

Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Liu Chi Husan, Jack

Biographical details of the Directors are set out in the section headed "Directors and Management Profiles" of this annual report.

According to Article 87 of the Articles of Association of the Company, Mr. Wong Chi Keung and Mr. Liu Chi Husan, Jack will retire by rotation. Mr. Wong Chi Keung has, being eligible, offered himself for re-election at the forthcoming annual general meeting. Resolutions will also be proposed to elect Mr. Lay Danny J as a Director of the Company.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election or election at the forthcoming annual general meeting has a contract of service which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of HKD0.10 each of the Company ("Shares")

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Mr. Wang Hung, Roger ("Mr. Wang") *(Note)*	Interest in controlled corporation	1,339,344,000	72.89%

Note: These 1,339,344,000 Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Mr. Wang is deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,339,344,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2013, none of the Directors, chief executive nor their associates had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

Directors' Report

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2013, the register of substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and the chief executive of the Company, the following shareholders had notified the Company of their relevant interests and positions in the shares and underlying shares of the Company:

Long position in Shares

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited *(Note)*	Interest in controlled corporation	1,335,344,000	72.67%
Golden Eagle International Retail Group Limited *(Note)*	Beneficial owner	1,335,344,000	72.67%

Note: These Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang.

Save as disclosed above, as at 31 December 2013, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by written resolutions of the sole shareholder of the Company on 26 February 2006 (the "Scheme"), the Company's board of Directors (the "Board") may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Board have contributed to the Group, to subscribe for Shares for a consideration of HKD1.00 for each lot of share options granted for the primary purpose of providing incentives to directors and eligible employees, consultants and advisors. The Scheme will remain effective for a period of ten years commencing from 26 February 2006.

During the year ended 31 December 2013, 495,000 share options were exercised and 635,000 share options were forfeited. Details of the Scheme are set out in note 37 to the consolidated financial statements.

As at 31 December 2013, there were a total of 22,097,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 1.2 per cent. of the entire issued share capital of the Company as at the date of this report.

Movements of the Company's share options during the year and outstanding as at 31 December 2013 were as follows:

	Number of share options									
	Outstanding at 1 January 2013	Reclassification	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2013	Date of Grant	Exercise period (Note1)	Exercise price	Price of the Company's Share immediately before the grant date	Price of the Company's Shares on the date immediately before the exercise date (Note 2)
								HKD	HKD	HKD
Key management	680,000	555,000	(111,000)	–	1,124,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	12.94
	3,200,000	700,000	–	–	3,900,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	13,797,000	(555,000)	(384,000)	(35,000)	12,823,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	13.59
	5,550,000	(700,000)	–	(600,000)	4,250,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	23,227,000	–	(495,000)	(635,000)	22,097,000					
Exercisable at 31 December 2013					9,792,000					

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The prices of the Company's shares on the dates immediately before the exercise dates are the weighted average of the closing prices as quoted on the Stock Exchange immediately before the dates on which the share options were exercised.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme as disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "Annual Review of Continuing Connected Transactions" and "Connected Transactions" below, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Lease of office premise from Golden Eagle International Group by Nanjing Xinjiekou Store

On 16 November 2010, a lease agreement (the "Xinjiekou Tenancy Agreement") in respect of the lease of the entire 8th floor of Golden Eagle International Plaza with a gross floor area of approximately 5,420 square meters ("Xinjiekou Office Premises") was entered into between 金鷹國際商貿集團(中國)有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.*) ("Golden Eagle (China)", or where the context so requires, the department store operated by such company ("Nanjing Xinjiekou Store")) and 南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.*) ("Golden Eagle International Group") for a term of 3 years commencing from 1 January 2011. Golden Eagle International Group is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang. The entering into of this agreement enables the Group to secure tenancy of office premises which are in close proximity to Nanjing Xinjiekou Store, the flagship store of the Group.

Under the Xinjiekou Tenancy Agreement, the annual rent in respect of the Xinjiekou Office Premises is approximately RMB7.6 million. The annual rent was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for the year ended 31 December 2013 amounted to approximately RMB7,528,000.

On 19 December 2013, Golden Eagle (China) and Golden Eagle International Group entered into another lease agreement in respect of the lease of the Xinjiekou Office Premises for a term of 3 years commencing from 1 January 2014. The rental payable by Golden Eagle (China) shall be RMB3.8 per square metre per day.

Lease of property for department store operation from Nanjing Zhujiang No. 1 by Nanjing Zhujiang Store

On 28 August 2007, 南京金鷹天地購物中心有限公司 (Nanjing Golden Eagle G-City Shopping Centre Co., Ltd.*, or where the context so requires, the department store operated by such company ("Nanjing Zhujiang Store")) entered into a tenancy agreement in respect of the lease of 1st to 5th floors of Zhujiang No.1 Plaza (the "Zhujiang Tenancy Agreement") with 南京珠江壹號實業有限公司 (Nanjing Zhujiang No. 1 Industry Co., Ltd.*) ("Nanjing Zhujiang No.1"). Nanjing Zhujiang No. 1 is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 20 years commencing from 28 December 2007. The aforesaid parties have entered into a supplemental agreement (the "First Supplemental Agreement") on 4 June 2008 amending the area of the property to be leased from approximately 22,780 square meters to approximately 24,545 square meters in order to provide additional area for department store operation.

Directors' Report

On 29 December 2008, the aforesaid parties entered into a second supplemental agreement (the "Second Supplemental Agreement"), pursuant to which Nanjing Zhujiang No. 1 shall lease to Nanjing Zhujiang Store units B1F-B2F of the south wing (collectively the "South Additional Units") and units 2F-4F of the north wing of Zhujiang No.1 Plaza (collectively the "North Additional Units") for a period between the date on which the South Additional Units and North Additional Units commence operation to 27 December 2027. The South Additional Units commenced operations in phases at around February 2009 and the North Additional Units commenced operations on 16 May 2009. The entering into of the Zhujiang Tenancy Agreement, the First Supplemental Agreement and the Second Supplemental Agreement (collectively referred to as the "Amended Zhujiang Tenancy Agreement") allows the Group to secure tenancy for a department store which is located at a prime location in Nanjing.

The annual consideration for the lease shall be equivalent to 5% of the gross sales proceeds derived from the operations of Nanjing Zhujiang Store less relevant value-added tax, subject to the use of the minimum guaranteed gross sales proceeds of the sub-lessees of the South Additional Units (if any) in the calculation of consideration if the gross sales proceeds derived from the relevant area are lower than the minimum guaranteed gross sales proceeds. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Amended Zhujiang Tenancy Agreement for the year ended 31 December 2013 amounted to approximately RMB26,977,000.

Lease of property for department store operation and exhibition centre from Shanghai Golden Eagle Tiandi by Shanghai Store and Golden Eagle (China) respectively

On 29 December 2008, 上海金鷹國際購物中心有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.*, or where the context so requires, the department store operated by such company ("Shanghai Store")) entered into a tenancy agreement (the "Shanghai Tenancy Agreement") in respect of the lease of the entire 1st to 5th floors, a portion of the 6th floor and the relevant accessory room of Golden Eagle Shopping Plaza (the "Shanghai Properties") with 上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited*) ("Shanghai Golden Eagle Tiandi"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang for a term of 20 years commencing from the date on which the Shanghai Store commences operation which was 28 May 2009.

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Shanghai Additional Tenancy Agreement") with Shanghai Golden Eagle Tiandi in respect of the lease of the entire 9th floor of Golden Eagle Shopping Plaza (the "Additional Shanghai Properties") as exhibition centre for a period of 2 years commencing from 1 July 2009. On 16 November 2010, a supplemental agreement to the Shanghai Additional Tenancy Agreement was entered into between Golden Eagle (China) and Shanghai Golden Eagle Tiandi to extend the lease for another $2^1/_2$ years commencing from 1 July 2011.

Directors' Report

The purpose of entering into the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement is to use the Shanghai Properties and the Additional Shanghai Properties, which are located at a prime location in Shanghai, for the Group to commence its own business operations in Shanghai. The Shanghai Store is a platform for the Group to cooperate with international brands.

On 19 December 2013, Shanghai Store entered into a supplemental agreement to the Shanghai Tenancy Agreement with Shanghai Golden Eagle Tiandi, pursuant to which Shanghai Store and Shanghai Golden Eagle Tiandi agreed that the rental payable by Shanghai Store to Shanghai Golden Eagle Tiandi would be amended as:

(a) the rental payable by Shanghai Store for the period from 1 January 2013 to 31 December 2013 would be adjusted to 2.5% of the gross sales proceeds derived from the operation of Shanghai Store less the relevant value-added tax; and

(b) save for the period as referred to in paragraph (a) above:

    (i) for those concessionaries which the Group charges 10% or more commission rate on their concessionaries sales, the rental payable by Shanghai Store would remain at 5% of the gross sales proceeds derived from the operation of Shanghai Store less the relevant value-added tax;

    (ii) for those concessionaries which the Group charges less than 10% commission rate on their concessionaries sales, the amount to be calculated in accordance with the following formula:

Gross sales proceeds derived from the operation of those concessionaries (less the relevant value-added tax)	X	Commission rate charged by the Group	X	50%

(c) 50% of the proceeds derived from sub-letting the units in Shanghai Properties (less property tax, business tax and other relevant taxes).

The considerations were arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement for the year ended 31 December 2013 amounted to approximately RMB6,454,000 and RMB958,000 respectively while the property management fee paid by the Group under the Shanghai Additional Tenancy Agreement amounted to approximately RMB246,000.

On 19 December 2013, Golden Eagle (China) and Shanghai Golden Eagle Tiandi entered into a termination agreement in respect of the Shanghai Additional Tenancy Agreement, pursuant to which (i) the aforesaid parties agreed to terminate the Shanghai Additional Tenancy Agreement and release from each other of any liabilities arising from such termination and (ii) Shanghai Golden Eagle Tiandi agreed that Golden Eagle (China) would not be required to pay any rental for the period commencing from 1 April 2013 up to the date of the termination agreement.

Directors' Report

Lease of property and ancillary facilities for department store operation from Golden Eagle International Group by Golden Eagle (China)

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Hanzhong Plaza Tenancy Agreement") in respect of the lease of a 5-storey shopping plaza with an underground accessory room (the "Hanzhong Plaza") with 南京金紀業投資管理有限公司 (Nanjing Jinjiye Investment Management Co., Ltd. *), ("Nanjing Jinjiye") for a term of 10 years in order to facilitate the Group to expand its business operations and increase its market share in Nanjing.

The annual consideration for the lease of Hanzhong Plaza shall be equivalent to the aggregate of (a) 5% of the annual gross sales proceeds derived from the operations of Hanzhong Plaza less relevant value-added tax for the portion of annual gross sales proceeds not exceeding RMB160,000,000; (b) 4% of the annual gross sales proceeds derived from the operations of Hanzhong Plaza less relevant value-added tax for the portion of annual gross sales proceeds exceeding RMB160,000,000; and (c) 25% of the proceeds derived from sub-letting the units in Hanzhong Plaza less property tax, business tax and other relevant taxes. The minimum guaranteed rental payable under the Hanzhong Plaza Tenancy Agreement was RMB6,100,000 per calendar year. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Hanzhong Plaza Tenancy Agreement for the year ended 31 December 2013 amounted to approximately RMB10,352,000.

The aforesaid parties have entered into a facilities leasing agreement (the "Facilities Leasing Agreement") on 3 June 2009 in relation to the lease of ancillary facilities located on the 1st to 5th floors of Hanzhong Plaza (the "Ancillary Facilities") for a term of 10 years commencing from the date on which Hanzhong Plaza commences operation.

The consideration for the lease of Ancillary Facilities was RMB1,900,000 per calendar year. The consideration was arrived at after arm's length negotiation between the parties and with reference to the prevailing market rate.

Subsequently, (i) pursuant to a supplemental agreement dated 13 July 2009 entered into between Nanjing Jinjiye, Golden Eagle (China) and 南京金鷹商貿特惠中心有限公司 (Nanjing Golden Eagle Retail Outlet Co., Ltd. *) ("Nanjing Golden Eagle Retail"), Golden Eagle (China) subsequently transferred all its rights and obligations under the Hanzhong Plaza Tenancy Agreement and the Facilities Leasing Agreement to Nanjing Golden Eagle Retail and (ii) Nanjing Jinjiye was merged into Golden Eagle International Group after a series of group reorganisation and Golden Eagle International Group has assumed all the rights and obligations of Nanjing Jinjiye under the Hanzhong Plaza Tenancy Agreement and the Facilities Leasing Agreement.

On 19 December 2013, Nanjing Golden Eagle Retail entered into the second supplemental agreement to the Hanzhong Plaza Tenancy Agreement and the Facilities Leasing Agreement with Golden Eagle International Group, pursuant to which (a) the minimum guaranteed rental for the lease of Hanzhong Plaza and the rental for the lease of the Ancillary Facilities was abolished with effect from 1 January 2013; (b) the annual rental payable by Nanjing Golden Eagle Retail to Golden Eagle International Group for the lease of Hanzhong Plaza would be calculated solely based on the percentage of the annual gross sales proceeds and the proceeds derived from sub-letting of units in the Hanzhong Plaza; and (c) the rental as referred to in paragraph (b) would also be deemed as part of the rental for the lease of the Ancillary Facilities under the Facilities Leasing Agreement. Subject to the aforesaid, all other major terms remain unchanged and in full force and effect. In light of the said second supplemental agreement, the rental expenses paid by the Group under the Hanzhong Plaza Tenancy Agreement for the year ended 31 December 2013 in the sum of approximately RMB10,352,000 included the rental expenses for the lease of the Ancillary Facilities.

Lease of property for department store operation from Xianlin Golden Eagle Properties by Xianlin Store

On 9 November 2009, 南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.* or where the context so requires, the department store operated by such company ("Nanjing Xianlin Store")) entered into a tenancy agreement in respect of the lease of 1st to 5th floors of Block 1 of Xianlin Golden Eagle Tiandi (the "Xianlin Tenancy Agreement") with 南京仙林金鷹置業有限公司 (Nanjing Xianlin Golden Eagle Properties Co., Ltd.*) ("Xianlin Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 20 years commencing from 18 December 2009.

On 10 November 2010, the aforesaid parties entered into another lease agreement (the "Xianlin Additional Tenancy Agreement") in respect of the lease of 1st and 2nd floors of Blocks 3 and 5 and the 1st floor of Blocks 4 and 5 of Xianlin Golden Eagle Tiandi (the "Xianlin Additional Retail Area"), pursuant to which Xianlin Golden Eagle Properties shall lease to Nanjing Xianlin Store the Xianlin Additional Retail Area for a period between the date on which the Xianlin Additional Retail Area commences operation to 17 December 2029.

On 20 January 2012, the aforesaid parties entered into (a) a supplemental agreement to the Xianlin Tenancy Agreement (the "Xianlin Supplemental Agreement") to amend certain terms of the Xianlin Tenancy Agreement and (b) a supplemental agreement to the Xianlin Additional Tenancy Agreement (the "Xianlin Additional Supplemental Agreement") (i) to amend certain terms of the Xianlin Additional Tenancy Agreement and (ii) to lease 1st floor of Block 2, 1st and 2nd floors of Block 5 and the 1st floor of Block 6 of Xianlin Golden Eagle Tiandi (the "Xianlin Further Additional Retail Area"). The amended terms on rental payable under the supplemental agreements shall be effective from 1 July 2011 while the terms in respect of the lease of the Xianlin Further Additional Retail Area commences from the date of delivery of the said area to 17 December 2029. The entering into of the Xianlin Tenancy Agreement, the Xianlin Supplemental Agreement, the Xianlin Additional Tenancy Agreement and the Xianlin Additional Supplemental Agreement (collectively referred to as the "Total Xianlin Tenancy Agreement") allow the Group to increase its presence and market share in Nanjing.

Pursuant to the Total Xianlin Tenancy Agreement, the annual consideration for the leases shall be equivalent to the higher of:

(a) the aggregate of:

(i) for those concessionaires which the Group charges 10% or more commission rate on their concessionaire sales, 5% of the annual gross sales proceeds derived from the operations of those concessionaires less relevant value-added tax;

(ii) for those concessionaires which the Group charges less than 10% commission rate on their concessionaire sales, 50% of the gross sale proceeds derived from the operations of those concessionaires (less relevant value-added tax) multiplied by the commission rate charged by the Group; and

(iii) 50% of the proceeds derived from sub-letting the units in Nanjing Xianlin Store less property tax, business tax and other relevant taxes; or

(b) RMB9,500,000.

The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate.

The rental expenses paid by the Group under the Total Xianlin Tenancy Agreement for the year ended 31 December 2013 amounted to approximately RMB26,851,000.

On 19 December 2013, the aforesaid parties entered into the second supplemental agreement, pursuant to which the minimum guaranteed rental under the Total Xianlin Tenancy Agreement in the aggregate sum of RMB9,500,000 per calendar year was abolished with effect from 1 January 2013.

Lease of ancillary supporting area for storage of ancillary supporting facilities from Suqian Golden Eagle Properties by Suqian Store

On 20 January 2012, 宿遷金鷹國際購物中心有限公司 (Suqian Golden Eagle International Shopping Plaza Co., Ltd.*, or where the context so requires, the department store operated by such company ("Suqian Store")) entered into a tenancy agreement in respect of the lease of certain area located at basement floor 1 of land lot C of Suqian Golden Eagle Tiandi Project with an aggregate gross floor area of 539 square meters (the "Suqian Tenancy Agreement") with 宿遷金鷹置業有限公司 (Suqian Golden Eagle Properties Co., Ltd.*)("Suqian Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, from the date on which vacant possession is delivered to the Group and ending on 31 December 2014.

Directors' Report

The purpose of entering into the Suqian Tenancy Agreement is to facilitate the Group to free up more space in the existing Suqian Store such that the Group is able to introduce more varieties of products and in turn enhance the competitiveness of the Suqian Store.

Under the Suqian Tenancy Agreement, the annual rent is RMB150,000 per year. The annual rent was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for the year ended 31 December 2013 amounted to RMB150,000.

Lease of property for outlet store operation from Yancheng Jinguolian Properties by Yancheng Outlet Store

On 20 January 2012, 鹽城金鷹國際購物中心有限公司 (Yancheng Golden Eagle International Shopping Centre Co., Ltd.* or where the context so requires, the department store operated by such company ("Yancheng Outlet Store")) entered into a tenancy agreement in respect of the lease of Blocks D, E, F, G, H and M of Golden Eagle Longhu No. 1 with an aggregate gross floor area of approximately 18,376.65 square meters (the "Yancheng Outlet Tenancy Agreement") with 鹽城金國聯置業有限公司 (Yancheng Jinguolian Properties Co., Ltd.*), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 10 years commencing from 18 May 2012. The purpose of entering into the Yancheng Outlet Tenancy Agreement is to facilitate the Group to further enhance its presence, market share and competitiveness in Yancheng in which the Group is already enjoying a leading position.

Pursuant to the Yancheng Outlet Tenancy Agreement, the annual consideration for the leases shall be equivalent to the higher of:

(a) the aggregate of:

   (i) during the first three years commencing from the soft opening date (aa) for those concessionaires which the Group charges 6% or more commission rate on their concessionaire sales, 3% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax) and (bb) for those concessionaires which the Group charges less than 6% commission rate on their concessionaire sales, the amount to be calculated in accordance with the following formula:

Gross sale proceeds derived from the operation of those concessionaire (less the relevant value-added tax)	X	Commission rate charged by the Group	X	50%

(ii) from the date falling the fourth anniversary of the soft opening date (aa) for those concessionaires which the Group charges 10% or more commission rate on their concessionaire sales, 5% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax) and (bb) for those concessionaires which the Group charges less than 10% commission rate on their concessionaire sales, the amount to be calculated in accordance with the following formula:

Gross sale proceeds derived from the operation of those concessionaire (less the relevant value-added tax)	X	Commission rate charged by the Group	X	50%

(iii) 50% of the proceeds derived from sub-letting the units in Yancheng Golden Eagle Outlet (less property tax, business tax and other relevant taxes), provided that the aggregate gross floor area of the units to be subleased shall not exceed 10% of the aggregate gross floor area of Yancheng Golden Eagle Outlet; or

(b) RMB2,000,000.

The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate.

The rental expenses paid by the Group under the Yancheng Outlet Tenancy Agreement for the year ended 31 December 2013 amounted to approximately RMB2,796,000.

On 19 December 2013, the aforesaid parties entered into a supplemental agreement, pursuant to which the minimum guaranteed rental of RMB2,000,000 per calendar year was abolished with effect from 1 January 2013.

Property Management Services Agreements

On 16 November 2010, Golden Eagle (China) and 南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Asset Management Co., Ltd.*) ("Nanjing Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, entered into a property management services agreement, pursuant to which Nanjing Golden Eagle Properties shall provide property management services to Nanjing Xinjiekou Store and those stores under its control, including, as at 31 December 2013, Nantong Store, Yangzhou Store, Xuzhou Store, Xi'an Gaoxin Store, Taizhou Store, Kunming Store, Huai'an Store, Yancheng Store, Shanghai Store, Yangzhou Jinghua Store, Nanjing Hanzhong Store, Nanjing Xianlin Store, Hefei Dadongmen Store, Hefei Baihuajing Store, Anhui Huaibei Store, Hefei Suzhou Road Store, Changzhou Jiahong Store, Xi'an Xiaozhai Store, Suqian Store, Liyang Store, Xuzhou People's Square Store, Kunming Nanya Store, Changzhou Wujin Store and Yancheng Outlet Store for a term of three years commencing from 1 January 2011.

On 16 November 2010, Nanjing Zhujiang Store and Nanjing Zhujiang No. 1 entered into an additional property management services agreement, pursuant to which Nanjing Zhujiang No. 1 shall provide property management services to Nanjing Zhujiang Store for a term of three years commencing from 1 January 2011.

Directors' Report

The entering into of the aforesaid property management services agreements enables the Group to focus on the development and operations of department store chain in the PRC. The property management services shall include but not limited to the provision of property (interior) maintenance, cleaning, environmental and greenery services and a fee equivalent to the actual cost incurred plus a mark-up of 10% will be charged. These fees were arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of property management services fees paid by the Group under the aforesaid property management services agreements for the year ended 31 December 2013 amounted to approximately RMB64,523,000.

On 19 December 2013, Golden Eagle (China) and Nanjing Golden Eagle Properties, Nanjing Zhujiang Store and Nanjing Zhujiang No. 1, 泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd. * or where the context so requires, the department store operated by such company ("Taizhou Store")) and 泰州金鷹天地投資管理有限公司 (Taizhou Golden Eagle Tiandi Investment Management Co., Ltd. *) ("Taizhou Golden Eagle Tiandi"), Nanjing Xianlin Store and Xianlin Golden Eagle Properties have entered into the master property management services agreement, pursuant to which:

- Golden Eagle (China) agreed to engage Nanjing Golden Eagle Properties to provide property management services to Nanjing Xinjiekou Store and those stores under its control;
- Nanjing Zhujiang Store agreed to engage Nanjing Zhujiang No. 1 to provide property management services to Nanjing Zhujiang Store;
- Taizhou Store agreed to engage Taizhou Golden Eagle Tiandi to provide property management services to Taizhou Store; and
- Nanjing Xianlin Store agreed to engage Xianlin Golden Eagle Properties to provide property management services to Nanjing Xianlin Store

for a term of 3 years commencing from 1 January 2014 to 31 December 2016. Taizhou Golden Eagle Tiandi is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang. Each of Golden Eagle (China), Nanjing Zhujiang Store, Taizhou Store and Nanjing Xianlin Store shall pay a fee equivalent to the actual costs incurred plus a mark-up of 10%.

Directors' Report

Carpark Management Services Agreements

On 16 November 2010, each of (i) Nanjing Xinjiekou Store and Golden Eagle International Group; (ii) Nanjing Zhujiang Store and Nanjing Zhujiang No. 1; and (iii) 徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Co., Ltd.*, or where the context so requires, the department store operated by such company ("Xuzhou Store")) and 徐州金鷹國際置業有限公司 (Xuzhou Golden Eagle International Properties Co., Ltd.*) ("Xuzhou Golden Eagle Properties") entered into a carpark management services agreement (collectively referred to as the "Carpark Management Services Agreements") for a term of three years commencing from 1 January 2011. Xuzhou Golden Eagle Properties is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang.

Pursuant to the Carpark Management Services Agreements, Golden Eagle International Group, Nanjing Zhujiang No. 1 and Xuzhou Golden Eagle Properties shall provide free carparks to the customers of Nanjing Xinjiekou Store, Nanjing Zhujiang Store and Xuzhou Store respectively. Nanjing Xinjiekou Store and Nanjing Zhujiang Store shall pay carpark fees at a rate of RMB4.0 per hour during the term of the relevant carpark management services agreement. Xuzhou Store shall pay carpark fees at a rate of RMB2.6 per hour for the period from 1 January 2011 to 31 December 2011 and RMB3.0 per hour for the period from 1 January 2012 to 31 December 2013. The carpark fees which have been incurred by the respective stores for their customers are part of the value-added services provided. The entering into of the Carpark Management Services Agreements enables the Group to provide better services to its customers in order to enhance sales performance.

These fees were arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of carpark management services fees paid by the Group under the Carpark Management Services Agreements for the year ended 31 December 2013 amounted to approximately RMB2,143,000.

On 19 December 2013, each of:

- Nanjing Zhujiang Store and Nanjing Zhujiang No. 1; and
- Xuzhou Store and Xuzhou Golden Eagle Properties

entered into carpark management services agreements for a term of 3 years commencing from 1 January 2014, pursuant to which Nanjing Zhujiang No. 1 and Xuzhou Golden Eagle Properties shall provide free carparks to the customers of Nanjing Zhujiang Store and Xuzhou Store respectively. Nanjing Zhujiang Store shall pay the carpark fees at a rate of RMB4.0 per hour while Xuzhou Store shall pay the carpark fees at a rate of RMB3.0 per hour.

Directors' Report

Project Management Services Agreement

On 16 November 2010, Golden Eagle (China) and Golden Eagle International Group entered into a project management services agreement (the "Project Management Services Agreement") for a term of three years commencing from 1 January 2011, pursuant to which Golden Eagle International Group shall provide project management services including design, purchase of building materials and construction of the Group's new stores to Golden Eagle (China).

The entering into of the Project Management Services Agreement enables the Group to focus on the development and operation of department store chain in the PRC. Golden Eagle International Group shall provide project management services to the Group at a fee of no more than 5% of the total estimated costs to be agreed by both parties (the "Estimated Costs") and in the event that the actual costs are lower than the Estimated costs, an incentive fee equivalent to no more than 10% of the costs saved will be paid to Golden Eagle International Group. These fees were arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate and on terms no less favorable than (i) the Group can obtain from third party suppliers in the market and (ii) the terms offered by Golden Eagle International Group to other Independent third parties.

No service fees has been paid by the Group to Golden Eagle International Group under the Project Management Services Agreement for the year ended 31 December 2013.

On 19 December 2013, Golden Eagle (China) and Golden Eagle International Group entered into another project management services agreement for a term of 3 years commencing from 1 January 2014. The fee shall be no more than 5% of the Estimated Costs and in the event that the actual costs are lower than the Estimated Costs, an incentive fee equivalent to no more than 10% of the costs saved will be paid to Golden Eagle International Group.

Decoration Services Agreement

On 16 November 2010, Golden Eagle (China) entered into a supplemental agreement to the decoration services agreement dated 26 February 2006 (as supplemented by the supplemental agreement dated 18 December 2007) (collectively referred to as the "Decoration Services Agreement") with 南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction Work Co., Ltd.*) ("Golden Eagle Construction Work"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, to extend the service period for a term of three years commencing from 1 January 2011. The entering into of the Decoration Services Agreement enables the Group to focus on the development and operation of department store chain in the PRC.

Pursuant to the Decoration Services Agreement, Golden Eagle Construction Work shall provide decoration services to the existing and new department stores of the Group at the fee to be determined after arm's length negotiations from time to time with reference to the specific decoration works to be done and on terms no less favourable than (i) the Group can obtain from third party suppliers in the market and (ii) the terms offered by Golden Eagle Construction Work to other independent third parties.

Directors' Report

The service fees paid by the Group under the Decoration Services Agreement for the year ended 31 December 2013 amounted to approximately RMB54,840,000.

On 19 December 2013, the aforesaid parties entered into the second supplemental agreement to extend the service period for a term of three years commencing from 1 January 2014 to 31 December 2016. The fees shall be determined after arm's length negotiations from time to time with reference to the specific decoration works to be done and on terms no less favourable than (i) the Group can obtain from third party suppliers in the market and (ii) the terms offered by Golden Eagle Construction Work to other independent third parties.

Views of the auditors and independent non-executive Directors

The auditors of the Company have provided a letter to the Board pursuant to Rule 14A.38 of the Listing Rules confirming that, for the year ended 31 December 2013, the continuing connected transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the relevant announcements made by the Company.

Each of the independent non-executive Directors has confirmed that all the above continuing connected transactions have been entered into by the Group in the ordinary and usual course of its business, either on normal commercial terms or on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties, and in accordance with the terms of the relevant agreements governing the above continuing connected transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The related party transactions with fellow subsidiaries of the Group as disclosed in note 44 to the consolidated financial statements constituted continuing connected transactions of the Group. Those transactions have complied with the requirements for connected transactions under Chapter 14A of the Listing Rules.

The related party transactions regarding the purchase of merchandise from the associates of the Group as disclosed in note 44 to the consolidated financial statements do not constitute continuing connected transaction of the Group.

STATUS OF CONNECTED TRANSACTIONS PENDING COMPLETION

The following were the status of the Group's non-exempt connected transactions which are pending completion:

Framework Agreement

On 9 November 2009, Golden Eagle International Group and the Group entered into a framework agreement (the "Framework Agreement"), pursuant to which Golden Eagle International Group agreed to develop and sell, and the Group agreed to acquire, the whole of 1st to 6th floors and portion of second level of basement of Golden Eagle Phase III (the "Xinjiekou Store Phase II"), a 42-storey building with 5 levels of basement to be located adjacent to Nanjing Xinjiekou Store and to be developed by Golden Eagle International Group.

* *For identification purpose only*

Directors' Report

The consideration of RMB875.0 million (subject to adjustment) for the acquisition of Xinjiekou Store Phase II was calculated based on RMB17,500 per square metre and the estimated aggregate gross floor area of approximately 50,000 square metres and may be adjusted depending on the actual gross floor area of Xinjiekou Store Phase II actually to be delivered to the Group upon completion. In the event that the actual gross floor area is less than 50,000 square metres, the remaining balance of the outstanding consideration will be adjusted downward. If the amount to be deducted exceeds the balance of the consideration, Golden Eagle International Group shall pay such shortfall to the Group within 5 Business Days after the transfer of the title of Xinjiekou Store Phase II to the Group.

The purpose of the acquisition of Xinjiekou Store Phase II with an estimated aggregate gross floor area of 50,000 square meters is to increase the operating area of Nanjing Xinjiekou Store and the consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction of Xinjiekou Store phase II is expected to complete and commence soft opening in April 2014. It is expected that the gross floor area to be delivered to the Group will be approximately 51,856 square metres and the outstanding consideration will be adjusted upward by approximately RMB32.5 million, resulting an adjusted total consideration of RMB907.5 million.

Details of the transaction have been disclosed in the Company's announcement and circular dated 11 November 2009 and 2 December 2009 respectively.

Cooperation Framework Agreement

On 28 March 2011, the Group entered into a cooperation framework agreement with 昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.*) ("Kunshan Golden Eagle Properties"), being a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for the acquisition of a property which is situated at Kunshan City, Jiangsu Province. Completion of the acquisition is expected to take place in 2014.

The property comprises the whole of 1st to 8th floors and basements B1 and B2 of Kunshan Tiandi Project with an aggregate gross floor area of approximately 118,500 square meters (the "Kunshan Property"). Kunshan Tiandi Project is a commercial complex comprising retail, hotel, office and residential area located at the south side of Dongxin Street and the east side of Zhujiang Road, Kunshan Development Zone at Kunshan city with an estimated aggregate gross floor area of approximately 400,000 square meters and to be developed by Kunshan Golden Eagle Properties.

The consideration of RMB1,125.8 million (subject to adjustment) for the acquisition of Kunshan Property was calculated based on RMB9,500 per square meter and the estimated aggregate gross floor area of approximately 118,500 square meters and may be adjusted depending on the actual gross floor area of Kunshan Property actually to be delivered to the Group upon completion. The consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction of the Kunshan Property is expected to complete and commence operation in 2014.

* *For identification purpose only*

Directors' Report

The Board believes that the acquisition of the Kunshan Property and its development into a mega department store will facilitate the Group to further enhance its presence, market share and competitiveness in Jiangsu Province in which the Group is already enjoying a leading position.

Details of the transaction have been disclosed in the Company's announcement and circular dated 28 March 2011 and 21 April 2011 respectively.

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

On 18 April 2012, the Group entered into a dual-currency three-year term loan facility agreement in the principal amounts of up to USD259.5 million and HKD665.0 million (in aggregate equivalent to approximately RMB2,172.9 million) with a group of financial institutions which will be due for full repayment on 17 April 2015 (the "Term Loan Facility Agreement").

Pursuant to the terms of the Term Loan Facility Agreement, it will constitute, among others, an event of default if at any time when the entire or part of the Term Loan Facility remains outstanding, Mr. Wang ceases to (i) hold directly or indirectly not less than 51% of the beneficial interest in the Company; (ii) be the single largest shareholder of the Company; (iii) be the Chairman and executive Director of the Company; or (iv) maintain the management control of the Company or have the right to determine the composition of majority of the Board. Upon occurrence of an event of default, all outstanding loans together with accrued interest and any other amounts accrued under the Term Loan Facility Agreement may become immediately due and payable. The facility was fully utilised and remained outstanding as at 31 December 2013.

DEED OF NON-COMPETITION

In July 2011, it was resolved in the general meeting of the Company that it would not exercise its right of first refusal to acquire the approximately 17% of the entire issued share capital of 南京新街口百貨商店股份有限公司 (Nanjing Xinjiekou Department Store Co., Ltd.*) ("Xinbai Shopping"), details of which are set out in the announcement of the Company dated 6 June 2011 and the circular of the Company dated 11 July 2011. Save for the aforesaid, the independent non-executive Directors believe that the exercise or non-exercise of each of the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal (all as defined in the prospectus of the Company dated 8 March 2006 (the "Prospectus")) is yet to conclude, on the basis that:

(a) Mr. Wang and the companies controlled by him will not dispose all or part of the equity interest in Shanghai Shopping and Xinbai Shopping to third parties;

(b) the Group entered into the Shanghai Tenancy Agreement with Shanghai Golden Eagle Tiandi for the lease of the Shanghai Properties for a term of 20 years commencing from the date on which Shanghai Store commences operation. Details of the Shanghai Tenancy Agreement are disclosed under the sub-section headed "Lease of property for department store operation and exhibition centre from Shanghai Golden Eagle Tiandi by Shanghai Store and Golden Eagle (China) respectively" in the section headed "Annual Review of Continuing Connected Transactions" of this report; and

* *For identification purpose only*

(c) the reason for not including Xinbai Shopping as part of the Group as disclosed in the Prospectus has not been changed, and the Directors are of the view that exercising the option for Xinbai Shopping is not in the interest of the Group as a whole.

Accordingly, the independent non-executive Directors do not consider that it is necessary for the Company to decide to exercise or not to exercise the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal for the time being.

The Covenantors have made an annual declaration confirming that they have fully complied with the Undertakings (as defined in the Prospectus). The independent non-executive Directors have also reviewed as to whether the Covenantors have fully complied with the Undertakings during the year under review and they are satisfied that the Covenantors were in full compliance with the same.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is stipulated by the Directors on the basis of the employees' individual performance, qualifications and competence.

The emoluments of the Directors are determined by the remuneration committee of the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers taken together were less than 30% of the Group's total sales for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules throughout the year ended 31 December 2013.

* *For identification purpose only*

Directors' Report

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wang Hung, Roger
Chairman

17 March 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF GOLDEN EAGLE RETAIL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 152, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	7	**3,659,561**	3,622,917
Other operating income	9	**232,972**	211,207
Changes in inventories of merchandise		**(1,016,814)**	(963,885)
Employee benefits expense		**(375,655)**	(352,693)
Depreciation and amortisation of property, plant and equipment and investment property		**(194,464)**	(181,264)
Release of prepaid lease payments on land use rights		**(19,974)**	(19,974)
Rental expenses		**(170,231)**	(166,675)
Other operating expenses		**(600,179)**	(593,093)
Profit from operations		**1,515,216**	1,556,540
Finance income	10	**242,593**	143,838
Finance costs	11	**(163,018)**	(75,611)
Other gains and losses	12	**99,851**	20,052
Share of profit of associates		**13,150**	2,973
Profit before tax		**1,707,792**	1,647,792
Income tax expense	13	**(473,241)**	(430,464)
Profit for the year	14	**1,234,551**	1,217,328
Profit (loss) attributable to:			
Owners of the Company		**1,235,032**	1,217,642
Non-controlling interest		**(481)**	(314)
		1,234,551	1,217,328
Earnings per share			
– Basic (RMB per share)	17	**0.656**	0.629
– Diluted (RMB per share)	17	**0.653**	0.625

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Profit for the year	**1,234,551**	1,217,328
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Net gain on fair value changes of available-for-sale investments	**9,334**	47,190
Reclassified to profit or loss on impairment of available-for-sale investments	**3,000**	—
Reclassified to profit or loss on disposal of available-for-sale investments	**2,268**	(524)
Share of exchange difference of an associate	**(8,875)**	(7,487)
Release of exchange reserve upon deemed disposal of an associate	**—**	1,625
Income tax relating to items that may be reclassified subsequently	**(5,850)**	(2,057)
Other comprehensive (expense) income for the year, net of income tax	**(123)**	38,747
Total comprehensive income for the year	**1,234,428**	1,256,075
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,234,909**	1,256,389
Non-controlling interest	**(481)**	(314)
	1,234,428	1,256,075

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	31.12.2013 RMB'000	31.12.2012 RMB'000
Non-current assets			
Property, plant and equipment	18	**4,033,910**	4,024,938
Land use rights - non-current portion	19	**1,909,689**	1,296,779
Investment property	20	**88,564**	90,651
Deposits and prepayments	21	**1,254,389**	1,320,263
Goodwill	22	**256,908**	256,908
Interests in associates	23	**255,255**	416,410
Available-for-sale investments	24	**356,575**	226,429
Investment in convertible bonds	25	**56,049**	60,858
Deferred tax assets	26	**100,390**	79,965
		8,311,729	7,773,201
Current assets			
Inventories		**354,404**	398,536
Trade and other receivables	27	**403,054**	387,046
Land use rights - current portion	19	**36,535**	22,103
Amounts due from fellow subsidiaries	28	**15,740**	12,998
Available-for-sale investments	24	**—**	228,194
Tax asset		**23,298**	—
Investments in interest bearing instruments	29	**3,005,573**	607,140
Structured bank deposits	29	**1,244,221**	1,489,919
Restricted cash	29	**25,908**	27,118
Bank balances and cash	29	**1,654,059**	2,840,321
		6,762,792	6,013,375

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	31.12.2013 RMB'000	31.12.2012 RMB'000
Current liabilities			
Trade and other payables	30	**2,054,688**	2,084,983
Amounts due to related companies	31	**69,972**	51,214
Short-term bank loans	32	**—**	1,078,986
Tax liabilities		**157,967**	85,207
Deferred revenue	33	**2,920,839**	2,906,936
		5,203,466	6,207,326
Net current assets (liabilities)		**1,559,326**	(193,951)
Total assets less current liabilities		**9,871,055**	7,579,250
Non-current liabilities			
Bank loans	32	**2,086,638**	2,131,735
Senior notes	34	**2,407,642**	—
Deferred tax liabilities	26	**130,265**	149,876
		4,624,545	2,281,611
Net assets		**5,246,510**	5,297,639
Capital and reserves			
Share capital	35	**189,294**	196,822
Reserves		**5,055,027**	5,098,147
Equity attributable to owners of the Company		**5,244,321**	5,294,969
Non-controlling interest		**2,189**	2,670
Total equity		**5,246,510**	5,297,639

The consolidated financial statements on pages 58 to 152 were approved and authorised for issue by the board of directors on 17 March 2014 and are signed on its behalf by:

WANG HUNG, ROGER
DIRECTOR

WONG CHI KEUNG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 36)	Investment revaluation reserve RMB'000 (note 36)	Exchange reserve RMB'000 (note 36)	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 36)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interest RMB'000	Total RMB'000
At 1 January 2012	197,577	–	1,632,174	5,279	217,228	(32,293)	–	50,834	662,733	1,833,246	4,566,778	2,984	4,569,762
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	1,217,642	1,217,642	(314)	1,217,328
Other comprehensive income (expense) for the year	–	–	–	–	–	44,609	(5,862)	–	–	–	38,747	–	38,747
Total comprehensive income (expense) for the year	–	–	–	–	–	44,609	(5,862)	–	–	1,217,642	1,256,389	(314)	1,256,075
Shares repurchased and cancelled	(1,265)	–	(194,913)	1,265	–	–	–	–	–	(1,265)	(196,178)	–	(196,178)
Exercise of share options	510	–	35,697	–	–	–	–	(12,054)	–	–	24,153	–	24,153
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	10,440	–	–	10,440	–	10,440
Appropriation	–	–	–	–	–	–	–	–	110,883	(110,883)	–	–	–
Dividends recognised as distribution (note 16)	–	–	–	–	–	–	–	–	–	(366,613)	(366,613)	–	(366,613)
At 31 December 2012	196,822	–	1,472,958	6,544	217,228	12,316	(5,862)	49,220	773,616	2,572,127	5,294,969	2,670	5,297,639
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,235,032**	**1,235,032**	**(481)**	**1,234,551**
Other comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**8,752**	**(8,875)**	**–**	**–**	**–**	**(123)**	**–**	**(123)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**8,752**	**(8,875)**	**–**	**–**	**1,235,032**	**1,234,909**	**(481)**	**1,234,428**
Shares repurchased and cancelled	**(7,568)**	**–**	**(914,976)**	**7,568**	**–**	**–**	**–**	**–**	**–**	**(7,568)**	**(922,544)**	**–**	**(922,544)**
Shares repurchased but not cancelled	**–**	**(210)**	**(20,911)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,121)**	**–**	**(21,121)**
Exercise of share options	**40**	**–**	**2,436**	**–**	**–**	**–**	**–**	**(810)**	**–**	**–**	**1,666**	**–**	**1,666**
Transfer of share option reserve upon forfeiture or expiry of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,953)**	**–**	**13,953**	**–**	**–**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,200**	**–**	**–**	**9,200**	**–**	**9,200**
Appropriation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**135,871**	**(135,871)**	**–**	**–**	**–**
Dividends recognised as distribution (note 16)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(352,758)**	**(352,758)**	**–**	**(352,758)**
At 31 December 2013	**189,294**	**(210)**	**539,507**	**14,112**	**217,228**	**21,068**	**(14,737)**	**43,657**	**909,487**	**3,324,915**	**5,244,321**	**2,189**	**5,246,510**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Operating activities		
Profit before tax	**1,707,792**	1,647,792
Adjustments for:		
Depreciation and amortisation of property, plant and equipment and investment property	**194,464**	181,264
Interest expenses	**163,018**	75,611
Release of prepared lease payments on land use rights	**19,974**	19,974
Changes in fair value of derivative financial instruments	**10,609**	2,000
Equity-settled share-based payments	**9,200**	10,440
Investment revaluation reserve reclassified to profit or loss on impairment of available-for-sale investments	**3,000**	—
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**2,268**	(524)
Loss on disposal of property, plant and equipment	**277**	132
Income from investments in interest bearing instruments	**(130,657)**	(53,976)
Net foreign exchange gains	**(103,150)**	(6,530)
Income from structured bank deposits	**(87,828)**	(63,839)
Interest income	**(17,662)**	(19,336)
Share of profit of associates	**(13,150)**	(2,973)
Effective interest income on investment in convertible bonds	**(5,800)**	(4,989)
Effective interest income on amount due from a former shareholder of a subsidiary	**(646)**	(1,698)
Gain on deemed disposal of an associate, net of release of exchange reserve	**—**	(10,975)
Operating cash flows before movements in working capital	**1,751,709**	1,772,373
Increase in long-term rental deposits	**—**	(14,200)
Decrease (increase) in inventories	**44,132**	(94,170)
Increase in trade and other receivables	**(36,497)**	(138,748)
Increase in amounts due from fellow subsidiaries	**(4,725)**	(6)
(Decrease) increase in trade and other payables	**(45,587)**	54,569
Decrease in amounts due to related companies	**(3,003)**	(2,608)
Increase in deferred revenue	**13,903**	388,340
Net cash generated from operations	**1,719,932**	1,965,550
PRC income tax paid	**(469,665)**	(477,283)
Net cash generated from operating activities	**1,250,267**	1,488,267

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	NOTE	2013 RMB'000	2012 RMB'000
Investing activities			
Investments in interest bearing instruments		**(12,651,522)**	(5,749,000)
Investments in structured bank deposits		**(2,845,000)**	(2,417,251)
Placement of restricted cash		**(266,225)**	(60,604)
Purchase of a subsidiary (net of cash and cash equivalent acquired)	38	**(239,562)**	—
Purchase of available-for-sale investments		**(216,451)**	(378,587)
Additions to property, plant and equipment		**(184,425)**	(733,572)
Prepayments for acquisition of property, plant and equipment and land use rights		**(131,626)**	(300,113)
Investments in associates		**(21,000)**	(316,623)
Payment on lease payment of land use right		**(13,260)**	—
Deposits paid for acquisition of an associate and a subsidiary		**(2,500)**	(13,150)
Redemption of investments in interest bearing instruments		**10,255,522**	6,019,000
Redemption of structured bank deposits		**3,067,104**	1,802,898
Proceeds from disposal of available-for-sale investments		**323,833**	141,821
Withdrawal of restricted cash		**267,435**	33,486
Income received from investments in interest bearing instruments		**128,224**	49,330
Income received from structured bank deposits		**111,422**	51,321
Repayment from a former shareholder of a subsidiary		**21,453**	21,454
Interest received from bank deposits		**17,662**	19,336
Proceeds from disposal of property, plant and equipment		**819**	251
Withdrawal of pledged bank deposit		**—**	110,000
Net cash used in investing activities		**(2,378,097)**	(1,720,003)
Financing activities			
Repayment of bank loans		**(1,056,345)**	(1,203,711)
Repurchase of own shares		**(943,665)**	(196,178)
Dividends paid to owners of the Company		**(352,758)**	(366,613)
Interest paid		**(150,384)**	(114,145)
Expenses on issuance of senior notes		**(23,010)**	—
Issuance of senior notes		**2,466,064**	—
Proceeds on exercise of share options		**1,666**	24,153
New bank loans raised		**—**	2,975,125
Net cash (used in) generated from financing activities		**(58,432)**	1,118,631
Net (decrease) increase in cash and cash equivalents		**(1,186,262)**	886,895
Cash and cash equivalents at beginning of the year		**2,840,321**	1,953,426
Cash and cash equivalents at end of the year		**1,654,059**	2,840,321

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger ("Mr. Wang"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands and Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in The People's Republic of China (the "PRC"). The principal activities of the subsidiaries and associates of the Company are set out in notes 45 and 23 respectively.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009 – 2011 Cycle*
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
HKAS 19 (as revised in 2011)	*Employee Benefits*
HKAS 27 (as revised in 2011)	*Separate Financial Statements*
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Application of new and revised HKFRSs (Continued)

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 6 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Application of new and revised HKFRSs (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income.* Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[2]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[3]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*[2]
HKFRS 9	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HK(IFRIC)-Int 21	*Levies*[1]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs in issue but not yet effective (Continued)

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

With regards to financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The Directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets. The Group is still in the process of assessing the impact and such impact will be disclosed in the future consolidated financial statements upon the completion of a detailed review.

Other than disclosed above, the Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, plant and equipment

Property, plant and equipment, including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL or (b) loans and receivables.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debt receivable component in investment in convertible bonds, trade and other receivables, amounts due from fellow subsidiaries, investments in interest bearing instruments, structured bank deposits, restricted cash and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from fellow subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable or amount due from a fellow subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Investment in convertible bonds

The Group's investment in convertible bonds that contain both a debt receivable component and derivative component are classified separately into the respective items on initial recognition and initially recognised at their fair values. In subsequent periods, the debt receivable component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies, bank loans and senior notes are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Income from concessionaire sales is recognised upon the sale of goods by the relevant concessionaires.

Sales of goods (including sale of goods by the relevant concessionaires) that result in award credits for customers, under the Group's customer loyalty program, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits that are earned by the customers. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations under the customer loyalty program have been fulfilled. Under the Group's customer loyalty program, customers are entitled to convert their award credits into cash vouchers upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program.

Service income, including management service fee, is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment income is recognised when the Group's rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals are credited to profit or loss in the period in which they actually arise.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

For partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Hong Kong's Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Company are required to make various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences, expectation of the future and other information/factors that are considered to be relevant. Actual results may differ from these estimates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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. The key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of the Group's goodwill was RMB256,908,000 (2012: RMB256,908,000), and no impairment loss was recognised during both years. Details of the recoverable amount calculation are disclosed in note 22.

Income taxes

As at 31 December 2013, a deferred tax asset of RMB82,626,000 (2012: RMB59,140,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB61,233,000 (2012: RMB49,535,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The Group has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company every half a year to explain the cause of fluctuations in the fair value of the assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value measurements and valuation processes (Continued)

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net cash, which includes the bank borrowings and senior notes disclosed in note 32 and note 34, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Company review the capital structure on an on-going basis. As part of this review, the management consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6A. Categories of financial instruments

	31.12.2013	31.12.2012
	RMB'000	RMB'000
Financial assets		
Available-for-sale investments	**356,575**	454,623
Derivative component in investment in convertible bonds	**15,506**	26,115
Loans and receivables (including bank balances and cash, restricted cash, structured bank deposits and investments in interest bearing instruments)	**6,127,673**	5,169,976
Financial liabilities		
Amortised cost	**6,434,707**	5,153,613

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, investment in convertible bonds, trade and other receivables, investments in interest bearing instruments, structured bank deposits, restricted cash, bank balances and cash, amounts due from fellow subsidiaries, amounts due to related companies, trade and other payables, bank loans and senior notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6B.1. Market risk

Foreign currency risk

Certain of the Group's bank balances and cash, restricted cash, available-for-sale investments, bank loans and senior notes are denominated in Hong Kong dollar ("HKD"), United States dollar ("USD") or Taiwan dollar ("TWD") which expose the Group to foreign currency risk attributable to the fluctuations in the exchange rates of USD/HKD/TWD against RMB, the functional currency of the respective group entities.

The Group currently has not entered into any contracts to hedge its foreign currency risk exposure. The management monitors foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**3,989,323**	1,791,046	**23,174**	166,858
HKD	**517,781**	1,419,675	**94,205**	230,257
TWD	**—**	—	**—**	228,194

Foreign currency risk arising from structured bank deposits as disclosed in note 29 would be minimal as the principals are denominated in RMB and guaranteed and the impact of the changes in foreign exchange rates to the changes in expected returns is minimal.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Foreign currency risk - Sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rates of USD/HKD/TWD against RMB.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates.

	USD Impact		**HKD Impact**		**TWD Impact**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in post-tax profit for the year:						
if RMB weakens against foreign currency	**(198,308)**	(81,209)	**(24,942)**	(64,060)	**–**	–
if RMB strengthens against foreign currency	**198,308**	81,209	**24,942**	64,060	**–**	–
Increase (decrease) in investment revaluation reserve for the year:						
if RMB weakens against foreign currency	**–**	–	**3,763**	4,590	**–**	–
if RMB strengthens against foreign currency	**–**	–	**(3,763)**	(4,590)	**–**	–

The sensitivity analysis above only analysed the Group's year end inherent foreign exchange risk exposure and does not represent the exposure during the year as the value of the monetary items and the exchange rates fluctuate during the year.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Interest rate risk

(i) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk for its interest bearing financial liabilities and certain of its interest bearing financial assets, including bank loans, investments in interest bearing instruments, structured bank deposits and bank balances, which carried interests at prevailing market rates.

No interest rate swap arrangement has been entered into by the Group during the year ended 31 December 2013 (2012: the Group entered into interest rate swap arrangements to hedge against the floating interest rate risk of certain short-term bank loans as disclosed in note 32 although hedge accounting was not applied).

(ii) Fair value interest rate risk

The Group is also exposed to fair value interest rate risk for certain financial assets and financial liabilities, including investment in convertible bonds, fixed-rate bank deposits and fixed rate senior notes.

The Group currently does not have an interest rate hedging policy. The management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's exposures to interest rates on investments in interest bearing instruments, structured bank deposits, restricted cash, cash and cash equivalents and financial liabilities are detailed in the liquidity and interest risk table of this note.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Interest rate risk - Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank loans outstanding at the end of the reporting period. Structured bank deposits and investments in interest bearing instruments (2012: structured bank deposits, investments in interest bearing instruments and interest rate swap arrangements that result in economic hedge of cash flow rate risk) are not included as the impact is insignificant at the end of the reporting period. The analysis is prepared assuming the variable-rate bank loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease/increase by RMB10,433,000 (2012: decrease/increase by RMB16,246,000).

Other price risks

(i) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analyses purposes, the sensitivity rates are 15% and 30% (2012: 15% and 30%) respectively in the current year as a result of the volatile financial market.

- If equity prices had been 15% (2012: 15%) higher/lower, investment revaluation reserve would increase/decrease by RMB42,937,000 (2012: RMB28,919,000), as a result of changes in fair value of available-for-sale investments.
- If equity prices had been 30% (2012: 30%) higher/lower, investment revaluation reserve would increase/decrease by RMB85,874,000 (2012: RMB57,837,000), as a result of changes in fair value of available-for-sale investments.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Other price risks (Continued)

The sensitivity analyses above only analysed the Group's year end equity price risk exposure and do not represent the exposure during the year as the fair value of the equity securities fluctuate during the year.

(ii) Fair value risk on derivatives

The derivative component of the Group's investment in convertible bonds is required to be measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. The Group's exposure to fair value risk on derivatives is detailed in note 6C (i).

6B.2. Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual other receivables, amounts due from fellow subsidiaries and investment in convertible bonds to ensure that follow up action is taken to recover overdue debts and adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on investments in interest bearing instruments, structured bank deposits, restricted cash, bank balances and trade receivables, which are attributable to credit card sales, is limited because the counterparties are state-owned banks and/or financial institutions with good reputation.

The Group has no significant concentration of credit risk on trade and other receivables and amounts due from fellow subsidiaries, with exposure spread over a large number of counterparties and customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices (Continued)

6B.3. Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants, if any. The Group relies principally on cash flows generated from its operating activities as a primary source of liquidity, and bank borrowings and senior notes as additional sources of liquidity. As at 31 December 2013, the Group has available unutilised banking facilities of RMB12,000 million (2012: RMB7,000 million).

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on undiscounted cash flows on the earliest date on which the Group can be required to pay as well as investments in interest bearing instruments, structured bank deposits, restricted cash and cash and cash equivalents. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from applicable interest rate at the end of the reporting period. As at 31 December 2012, the Group's monthly net settled interest rate swaps contracts as detailed in note 32 had not been presented in the following liquidity table as in the opinion of the Directors of the Company, the undiscounted cash flows of such contracts are not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices (Continued)

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average effective interest rate %	Within 1 year RMB'000	1-5 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2013					
Investments in interest bearing instruments	6.24	3,048,412	—	3,048,412	3,005,573
Structured bank deposits	5.03	1,293,691	—	1,293,691	1,244,221
Restricted cash	0.14	25,944	—	25,944	25,908
Cash and cash equivalents	0.83	1,667,788	—	1,667,788	1,654,059
		6,035,835	—	6,035,835	5,929,761
Non-derivative financial liabilities:					
Trade and other payables	—	1,870,455	—	1,870,455	1,870,455
Amounts due to related companies	—	69,972	—	69,972	69,972
Bank loans	3.76	55,342	2,126,633	2,181,975	2,086,638
Senior notes	4.63	112,793	3,397,498	3,510,291	2,407,642
		2,108,562	5,524,131	7,632,693	6,434,707
Net		3,927,273	(5,524,131)	(1,596,858)	(504,946)

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and polices (Continued)

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

	Weighted average effective interest rate	Within 1 year	1-5 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012					
Investments in interest bearing instruments	5.97	629,767	—	629,767	607,140
Structured bank deposits	4.70	1,520,957	—	1,520,957	1,489,919
Restricted cash	0.12	27,151	—	27,151	27,118
Cash and cash equivalents	0.41	2,851,966	—	2,851,966	2,840,321
		5,029,841	—	5,029,841	4,964,498
Non-derivative financial liabilities:					
Trade and other payables	—	1,891,678	—	1,891,678	1,891,678
Amounts due to related companies	—	51,214	—	51,214	51,214
Bank loans	2.57	1,175,881	2,283,551	3,459,432	3,210,721
		3,118,773	2,283,551	5,402,324	5,153,613
Net		1,911,068	(2,283,551)	(372,483)	(189,115)

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of certain financial assets.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31.12.13 RMB'000	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs	Significant unobservable inputs
1) Available-for-sale listed equity securities	356,575	Level 1	Quoted prices in active markets	N/A
2) Derivative component of the convertible bonds	15,506	Level 3	Binomial model. The key inputs are: expected volatility and the market value of the issuer, which is determined using discounted cash flow model.	Expected volatility of 47.1%, determined by reference to the average of the historical weekly share price volatility of comparable companies. (Note 1)

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. Fair value measurement of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31.12.13 RMB'000	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs	Significant unobservable inputs
			The key inputs of discounted cash flow model are: weighted average cost of capital, long-term revenue growth rate and a discount for lack of marketability.	Weighted average cost of capital ("WACC") of 22.3%, determined using a Capital Asset Pricing Model. (Note 2)
				Long-term revenue growth rate of 3.0%, taking into account management's experience and knowledge of market conditions of the specific industry. (Note 3)
				Discount for lack of marketability of 25%, by reference to the share price of listed entities in similar industry.

Note 1: An increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the derivative component of convertible bonds, and vice versa. A 10% increase/ decrease in the expected volatility holding all other variables constant would increase/decrease the carrying amount of derivative component of convertible bonds by RMB968,000 and RMB957,000, respectively.

Note 2: An increase in the WACC used in isolation would result in a decrease in the fair value measurement of derivative component of convertible bonds, and vice versa. A 100 basis points increase/decrease in the WACC holding all other variables constant would decrease/increase the carrying amount of derivative component of convertible bonds by RMB1,703,000 and RMB2,360,000, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. Fair value measurement of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Note 3: An increase in the long-term revenue growth rate used in isolation would result in an increase in the fair value measurement of derivative component of convertible bonds, and vice versa. A 1.0 percentage point increase/decrease in the long-term revenue growth rate holding all other variables constant would increase/decrease the carrying amount of the shares by RMB773,000 and RMB669,000, respectively.

There were no transfers between Level 1 and 2 in the period.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Fair value hierarchy as at 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
Derivative component in investment in convertible bonds	**—**	**—**	**15,506**	**15,506**
Available-for-sale financial assets				
Listed equity securities	**356,575**	**—**	**—**	**356,575**
Total	**356,575**	**—**	**15,506**	**372,081**

The fair value of the financial asset included in the level 3 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparty.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. Fair value measurement of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Derivative component of the convertible bonds RMB'000
1 January 2012	28,115
Loss included in other gains and losses (note 12)	(2,000)
31 December 2012	26,115
Loss included in other gains and losses (note 12)	(10,609)
31 December 2013	15,506

7. REVENUE

The Group's revenue generated from the department store operations in the PRC represents the net amount received and receivable for goods sold, less returns and allowances, income from concessionaire sales, rental income and management service fees. An analysis of the Group's revenue for the year is as follows:

	2013 **RMB'000**	2012 RMB'000
Revenue from department store operations		
– direct sales	**1,244,904**	1,172,228
– income from concessionaire sales	**2,319,810**	2,363,166
– rental income	**80,119**	72,742
– management service fees	**14,728**	14,781
	3,659,561	3,622,917

7. REVENUE (CONTINUED)

Gross sales proceeds represent the gross amount of direct sales, concessionaire sales, rental income and management service fees charged to customers.

Gross sales proceeds	**2013**	2012
	RMB'000	RMB'000
From department store operations		
– direct sales	**1,456,540**	1,371,552
– concessionaire sales	**15,276,000**	14,853,349
– rental income	**84,872**	77,057
– management service fees	**15,641**	17,390
	16,833,053	16,319,348

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to chief operating decision makers, the Group's executive directors, for the purposes of resource allocation and performance assessment are as follows:

- Southern Jiangsu Province, including stores at Nanjing, Suzhou, Changzhou and Liyang
- Northern Jiangsu Province, including stores at Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng and Suqian
- Western region of the PRC, including stores at Xi'an and Kunming
- Others represent the total of other operating segments that are not reportable

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

8. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2013						
Gross sales proceeds	5,633,626	7,556,492	2,190,047	15,380,165	1,452,888	16,833,053
Segment revenue	1,338,707	1,546,660	383,106	3,268,473	391,088	3,659,561
Segment results	668,000	769,429	143,633	1,581,062	18,594	1,599,656
Central administration costs and Directors' salaries						(84,440)
Finance income						242,593
Finance costs						(163,018)
Other gains and losses						99,851
Share of profit of associates						13,150
Profit before tax						1,707,792
Income tax expense						(473,241)
Profit for the year						1,234,551

8. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2012						
Gross sales proceeds	5,691,936	6,986,178	2,038,825	14,716,939	1,602,409	16,319,348
Segment revenue	1,394,033	1,483,810	356,778	3,234,621	388,296	3,622,917
Segment results	724,565	737,580	129,239	1,591,384	35,064	1,626,448
Central administration costs and Directors' salaries						(69,908)
Finance income						143,838
Finance costs						(75,611)
Other gains and losses						20,052
Share of profit of associates						2,973
Profit before tax						1,647,792
Income tax expense						(430,464)
Profit for the year						1,217,328

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of central administration costs, Directors' salaries, finance income, finance costs, other gains and losses and share of profit of associates.

8. SEGMENT INFORMATION (CONTINUED)

Segment assets

The following is an analysis of the Group's assets by reportable and operating segment.

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
At 31 December 2013						
Segment assets	2,313,375	2,779,188	1,551,927	6,644,490	362,083	7,006,573
Interests in associates						255,255
Investment in convertible bonds						56,049
Deferred tax assets						100,390
Investments in interest bearing instruments						3,005,573
Structured bank deposits						1,244,221
Restricted cash						25,908
Bank balances and cash						1,654,059
Other corporate assets						1,726,493
Consolidated total assets						15,074,521

8. SEGMENT INFORMATION (CONTINUED)

Segment assets (Continued)

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
At 31 December 2012						
Segment assets	1,776,897	2,577,687	1,463,195	5,817,779	370,695	6,188,474
Interests in associates						416,410
Investment in convertible bonds						60,858
Deferred tax assets						79,965
Investments in interest bearing instruments						607,140
Structured bank deposits						1,489,919
Restricted cash						27,118
Bank balances and cash						2,840,321
Other corporate assets						2,076,371
Consolidated total assets						13,786,576

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than interests in associates, investment in convertible bonds, deferred tax assets, investments in interest bearing instruments, structured bank deposits, restricted cash, bank balances and cash and other corporate assets.

8. SEGMENT INFORMATION (CONTINUED)

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2013						
Addition to non-current assets (Note)	**66,289**	**66,525**	**47,296**	**180,110**	**16,195**	**196,305**
Depreciation and amortisation of property, plant and equipment and investment property	**36,484**	**90,764**	**35,535**	**162,783**	**18,954**	**181,737**
Release of prepaid lease payments on land use rights	**4,523**	**7,058**	**12,932**	**24,513**	**—**	**24,513**
Less: amounts capitalised	**(2,405)**	**(2,134)**	**—**	**(4,539)**	**—**	**(4,539)**
For the year ended 31 December 2012						
Addition to non-current assets (Note)	122,375	130,824	8,237	261,436	9,729	271,165
Depreciation and amortisation of property, plant and equipment and investment property	34,758	81,660	37,671	154,089	18,521	172,610
Release of prepaid lease payments on land use rights	2,118	7,058	12,932	22,108	—	22,108
Less: amounts capitalised	—	(2,134)	—	(2,134)	—	(2,134)

Note: Non-current assets excluded financial instruments and deferred tax assets.

9. OTHER OPERATING INCOME

	2013 RMB'000	2012 RMB'000
Income from suppliers and customers	**205,301**	181,353
Government grants	**25,817**	25,646
Others	**1,854**	4,208
	232,972	211,207

10. FINANCE INCOME

	2013 RMB'000	2012 RMB'000
Income from investments in interest bearing instruments	**130,657**	53,976
Income from structured bank deposits	**87,828**	63,839
Interest income on bank deposits	**17,662**	17,658
Interest income on pledged bank deposit	**—**	1,678
Effective interest income on:		
Investment in convertible bonds (note 25)	**5,800**	4,989
Amount due from a former shareholder of a subsidiary	**646**	1,698
	242,593	143,838

11. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest expenses on:		
Bank loans wholly repayable within five years	**90,915**	75,611
Senior notes wholly repayable after five years	**72,103**	—
	163,018	75,611

12. OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Net foreign exchange gains	103,150	6,530
Gain on deemed disposal of an associate, net of release of exchange reserve (note 23)	—	10,975
Changes in fair value of:		
Held-for-trading investments	12,578	4,023
Derivative component of investment in convertible bonds (note 25)	(10,609)	(2,000)
Investment revaluation reserve reclassified to profit or loss on impairment of available-for-sale investments	(3,000)	—
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	(2,268)	524
	99,851	20,052

13. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax:		
Current year	426,391	423,747
Under (over) provision in prior years	26,736	(763)
	453,127	422,984
Withholding tax on distribution of earnings from the PRC subsidiaries	66,000	13,000
Deferred tax credit:		
Current year	(45,886)	(5,520)
	473,241	430,464

Hong Kong Profits Tax has not been provided as the Group had a tax loss in Hong Kong during the years ended 31 December 2013 and 2012.

Subsidiaries of the Company located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2012: 25%) pursuant to the relevant PRC Enterprise Income Tax laws.

13. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2013	2012
	RMB'000	RMB'000
Profit before tax	**1,707,792**	1,647,792
Tax at the applicable tax rate of 25% (2012: 25%)	**426,948**	411,948
Tax effect of share of profit of associates	**(3,287)**	(743)
Tax effect of expenses not deductible for tax purpose	**49,802**	25,356
Tax effect of income not taxable for tax purpose	**(32,503)**	(11,615)
Tax effect of tax losses not recognised	**2,925**	1,719
Under (over) provision in prior years	**26,736**	(763)
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**18,700**	18,500
Others	**(16,080)**	(13,938)
Tax charge for the year	**473,241**	430,464

14. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**545**	602
Other staff:		
Salaries and other benefits	**326,594**	303,003
Retirement benefits schemes contributions	**39,316**	38,648
Equity-settled share-based payments	**9,200**	10,440
	375,655	352,693
Auditor's remuneration	**1,950**	1,950
Release of prepaid lease payments on land use rights	**24,513**	22,108
Less: amounts capitalised	**(4,539)**	(2,134)
	19,974	19,974
Loss on disposal of property, plant and equipment	**277**	132
Gross rental income from investment property	**(13,446)**	(11,745)
Less: direct operating expenses incurred for investment property	**2,662**	2,003
	(10,784)	(9,742)

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For the year ended 31 December 2013

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors of the Company were as follows:

	2013					2012				
		Other emoluments					Other emoluments			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payments	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors										
Mr. Wang Hung, Roger	–	–	–	–	–	–	–	–	–	–
Ms. Zheng Shu Yun (Note)	–	142	–	–	142	–	192	–	–	192
Sub-total	–	142	–	–	142	–	192	–	–	192
Non-executive Director										
Mr. Han Xiang Li	–	–	–	–	–	–	–	–	–	–
Independent non-executive Directors										
Mr. Wong Chi Keung	173	–	–	–	173	176	–	–	–	176
Mr. Wang Yao	115	–	–	–	115	117	–	–	–	117
Mr. Liu Chi Husan, Jack	115	–	–	–	115	117	–	–	–	117
Sub-total	403	–	–	–	403	410	–	–	–	410
Total	403	142	–	–	545	410	192	–	–	602

Note: Ms. Zheng Shu Yun was retired as an executive Director of the Company with effect from 23 May 2013.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The emoluments of the five individuals with highest emoluments in the Group, none of whom is director, were as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries and other benefits	**2,760**	1,813
Retirement benefits schemes contributions	**155**	204
Equity-settled share-based payments	**1,528**	2,613
	4,443	4,630

Their emoluments were within the following bands:

	2013 **No. of employees**	2012 No. of employees
Nil to HKD1,000,000 (Equivalent to Nil to RMB786,000)	**3**	—
HKD1,000,001 to HKD1,500,000 (Equivalent to RMB786,001 to RMB1,179,000)	**1**	4
HKD1,500,001 to HKD2,000,000 (Equivalent to RMB1,179,001 to RMB1,572,000)	**1**	1
	5	5

During the year, no emoluments were paid by the Group to the five highest paid individuals (including director and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

16. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2012 of RMB0.188 (year ended 31 December 2011: RMB0.188) per share	**352,758**	366,613

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of RMB0.203 (2012: RMB0.188) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the year after taking into account the effect of dilutive share options of the Company.

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,235,032**	1,217,642

17. EARNINGS PER SHARE (CONTINUED)

	2013	2012
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,883,513**	1,936,417
Effect of dilutive potential ordinary shares attributable to share options	**8,868**	12,427
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,892,381**	1,948,844

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Company's earnings per share during the years ended 31 December 2013 and 31 December 2012 because the exercise price of these options were higher than the average market prices of the Company's shares during both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2012	3,109,288	695,782	100,264	72,332	7,688	614,894	4,600,248
Additions	1,727	37,096	843	19,785	313	238,441	298,205
Transfers	689,853	98,129	4,380	46,435	—	(838,797)	—
Disposals	—	(23,880)	—	(2,066)	(560)	—	(26,506)
At 31 December 2012	3,800,868	807,127	105,487	136,486	7,441	14,538	4,871,947
Acquired on acquisition of a subsidiary (note 38)	—	—	—	—	—	7,240	7,240
Additions	191	5,613	296	20,183	223	168,699	195,205
Transfers	55,980	69,159	—	5,124	—	(130,263)	—
Disposals	—	(2,449)	(2,230)	(3,949)	(262)	—	(8,890)
At 31 December 2013	3,857,039	879,450	103,553	157,844	7,402	60,214	5,065,502
DEPRECIATION AND AMORTISATION							
At 1 January 2012	318,750	292,133	41,078	37,888	4,106	—	693,955
Provided for the year	84,817	76,617	4,651	12,201	891	—	179,177
Eliminated on disposals	—	(23,752)	—	(1,867)	(504)	—	(26,123)
At 31 December 2012	403,567	344,998	45,729	48,222	4,493	—	847,009
Provided for the year	82,825	84,209	7,003	17,547	793	—	192,377
Eliminated on disposals	—	(2,071)	(2,001)	(3,473)	(249)	—	(7,794)
At 31 December 2013	486,392	427,136	50,731	62,296	5,037	—	1,031,592
CARRYING VALUES							
At 31 December 2013	3,370,647	452,314	52,822	95,548	2,365	60,214	4,033,910
At 31 December 2012	3,397,301	462,129	59,758	88,264	2,948	14,538	4,024,938

For land use rights and buildings in the PRC where the cost of land use rights cannot be reliably separated, the entire lease is classified as a finance lease and is depreciated and amortised over the term of the land use right ranged from 40 to 63 years using the straight-line method.

Other than land and buildings mentioned in the immediate preceding paragraph, the cost of other buildings is depreciated over 40 years using the straight-line method.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The cost of leasehold improvements is depreciated on a straight-line basis over the period of the respective leases or 10 years, whichever is shorter.

Other items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account the estimated residual value on a straight-line basis, at the following rates per annum:

Plant and machinery	10%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	20%

	2013 **RMB'000**	2012 RMB'000
The carrying value of the Group's property interests situated in the PRC comprises land and buildings held under:		
Medium-term land use rights	**2,939,256**	2,958,213
Long-term land use rights	**431,391**	439,088
	3,370,647	3,397,301

As at the end of the reporting period, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB247,622,000 (2012: RMB531,630,000).

19. LAND USE RIGHTS

	2013 **RMB'000**	2012 RMB'000
CARRYING VALUE		
At beginning of the year	**1,318,882**	1,340,990
Acquired on acquisition of a subsidiary (note 38)	**448,595**	—
Additions	**203,260**	—
Released during the year	**(24,513)**	(22,108)
At end of the year	**1,946,224**	1,318,882

19. LAND USE RIGHTS (CONTINUED)

	2013	2012
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Non-current assets	**1,909,689**	1,296,779
Current assets	**36,535**	22,103
	1,946,224	1,318,882

The amount represents prepaid lease payments on land use rights situated in the PRC for a period ranged from 37 to 50 years.

As at the end of the reporting period, the Group is in the process of obtaining land use right certificates in respect of medium-term land use rights with a carrying value of approximately RMB747,010,000 (2012: RMB543,750,000).

20. INVESTMENT PROPERTY

	Amount
	RMB'000
COST	
At 1 January 2012, 31 December 2012 and 31 December 2013	92,738
DEPRECIATION	
At 1 January 2012	—
Provided for the year	2,087
At 31 December 2012	2,087
Provided for the year	2,087
At 31 December 2013	4,174
CARRYING VALUES	
At 31 December 2013	88,564
At 31 December 2012	90,651

The investment property includes the building element of the property only as the land element is included in "land use rights" in the consolidated statement of financial position.

20. INVESTMENT PROPERTY (CONTINUED)

The fair value of the Group's investment property at 31 December 2013 was RMB246,147,000 (2012: RMB256,090,000), including land element of RMB152,877,000 (2012: RMB153,897,000) and building element of RMB93,270,000 (2012: RMB102,193,000). The fair value has been arrived at based on a valuation carried out by RHL Appraisal Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 are as follows:

		Fair value
		as at
	Level 3	**31/12/2013**
	RMB'000	RMB'000
Commercial property units located in the PRC	93,270	93,270

The investment property is depreciated over 37 years using the straight-line method, and is held under a medium-term land use right in the PRC.

21. DEPOSITS AND PREPAYMENTS

	2013 RMB'000	2012 RMB'000
Prepayments for acquisition of property, plant and equipment and land use rights (Note 1)	1,234,539	1,292,913
Deposit for acquisition of an associate	5,650	3,150
Deposit for acquisition of a subsidiary (Note 2)	—	10,000
Rental deposits	14,200	14,200
	1,254,389	1,320,263

Notes:

1. Included in the balance is prepayments of RMB1,002,913,000 (2012: RMB1,002,913,000) paid to fellow subsidiaries of the Group for construction of properties to be delivered to the Group in the future.

2. The balance at 31 December 2012 was paid for acquisition of a subsidiary which owns a piece of land and the Group intends to develop a department store on that piece of land. During the year ended 31 December 2013, the acquisition has been completed. Details of the acquisition are set out in note 38.

22. GOODWILL

	Amount RMB'000
COST AND CARRYING VALUE	
At 1 January 2012, 31 December 2012 and 31 December 2013	256,908

22. GOODWILL (CONTINUED)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units (CGUs) and groups of CGUs which are principally engaged in the operation of department stores in respective cities. The carrying amount of goodwill as at 31 December 2013 allocated to these units is as follows:

	31.12.2013 and 31.12.2012 RMB'000
Operation of department stores:	
Nantong Golden Eagle International Shopping Centre Co., Ltd.	9,735
Yangzhou Golden Eagle International Industry Co., Ltd.	481
Xuzhou Golden Eagle International Industry Co., Ltd.	731
Xi'an Golden Eagle International Shopping Centre Co., Ltd.	6,717
Xi'an Golden Eagle Yanta Shopping Centre Co., Ltd.	8,371
Anhui Golden Eagle Retail Co., Ltd. and Hefei Golden Eagle International Shopping Centre Co., Ltd	230,873
	256,908

During the year ended 31 December 2013, management of the Group determines that there is no impairment of any of its CGUs containing goodwill. The recoverable amounts of these CGUs have been determined based on a value in use calculation of the respective CGUs which containing similar key assumptions. For the purpose of determining the value in use, cash flow projections based on financial budgets approved by management covering a five year period has been used. Nil growth rate has been projected beyond that period. The discount rate applied to the cash flow projections is 10% (2012: 10%) per annum.

22. GOODWILL (CONTINUED)

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections:

Store revenue:	The bases used to determine future earning potential are historical sales, the average and expected organic growth rates for stores operated by the Group and the average and expected growth rates of the retail market in the PRC.
Gross margins:	Gross margins are determined based on average gross margins achieved in the previous years.
Cost of sales and operating expenses:	The bases used to determine the values are cost of merchandise purchased for resale, staff costs, rental expenses, marketing and promotion expenses and other operating expenses. Value assigned to the key assumption reflects past experience and management's commitment to maintain its cost of sales and operating expenses at an acceptable level.
Discount rate:	Discount rate reflects management's estimate on the risks specific to these entities. A consideration has been given to the effective borrowing rate of the Group while determining the discount rate.

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of a particular CGU to exceed the aggregate recoverable amount.

23. INTERESTS IN ASSOCIATES

	2013	2012
	RMB'000	RMB'000
Cost of investments in associates		
Listed	**228,560**	228,560
Unlisted	**33,057**	198,487
Share of post-acquisition loss and other comprehensive expenses	**(6,362)**	(10,637)
	255,255	416,410
Fair value of listed investments	**304,404**	545,048

23. INTERESTS IN ASSOCIATES (CONTINUED)

As at the end of the reporting period, the Group had interests in the following associates:

Name of associate	Place of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/registered capital held by the Company		Principal activity
			2013	2012	
安徽三新鐘錶有限公司 (Anhui Sanxin Watch Co., Ltd.) ("Anhui Sanxin")	PRC	Registered capital – RMB20,000,000	**30%**	30%	Trading
中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) (Note 1)	Taiwan	Share capital – TWD2,000,000,000	**38.4%**	38.4%	Manufacture and trading of disperse dyestuffs and investment holding
蘇州高新金鷹商業廣場有限公司 (Suzhou Gaoxin Golden Eagle Plaza Co., Ltd.) ("Suzhou Golden Eagle")	PRC	Registered capital – RMB621,430,000	**– (Note 2)**	30%	Inactive
米斯特比薩金鷹餐飲管理(上海)有限公司 (Mr Pizza Golden Eagle Restaurant Management (Shanghai) Co., Ltd.)	PRC	Registered capital – RMB51,000,000	**41%**	–	Operation of pizza restaurant

Notes:

1. 中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) ("Allied") is a company incorporated in the Republic of China ("Taiwan") in 1964 with its shares listed on the Taiwan's GreTai Securities Market (證券櫃臺買賣中心). Allied is engaged in the manufacture and trading of disperse dyestuffs and investment holding.

   In October 2012, Allied issued a total of 123,590,000 shares at a price of TWD15.352 per share, in which the Group subscribed 39,351,000 shares (the "Subscription"). After the Subscription, the Group's equity interest in Allied reduced from 49.0% to 38.4%. The reduction in the Group's equity interest in Allied is treated as a deemed disposal, with the impact of the change, net of release of exchange reserve, amounting to RMB10,975,000 recognised in profit or loss (note 12).

2. During the year ended 31 December 2013, the Group acquired additional 70% equity interest in Suzhou Golden Eagle and Suzhou Golden Eagle became a wholly-owned subsidiary of the Group thereafter. Details of the acquisition are set out in note 38.

23. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate, which represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs, is set out below. The associate is accounted for using the equity method in these consolidated financial statements.

Allied

	2013 RMB'000	2012 RMB'000
Current assets	**138,859**	499,405
Non-current assets	**649,795**	78,087
Current liabilities	**58,717**	39,745
Non-current liabilities	**198,329**	12,602

	2013 RMB'000	2012 RMB'000
Revenue	**134,314**	127,444
Profit (loss) for the year	**29,575**	(3,290)
Other comprehensive expense for the year	**(23,112)**	(15,255)
Total comprehensive income (expense) for the year	**6,463**	(18,545)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Net assets of Allied	**531,608**	525,145
Proportion of the Group's ownership interest in Allied	**38.4%**	38.4%
Effect of fair value adjustments at acquisition	**6,327**	6,327
Carrying amount of the Group's interest in Allied	**210,465**	207,983

23. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2013 RMB'000	2012 RMB'000
The Group's share of profit	**2,391**	5,021
The Group's share of post-tax profit and total comprehensive income	**1,793**	3,766
Aggregate carrying amount of the Group's interest in these associates	**44,790**	208,427

24. AVAILABLE-FOR-SALE INVESTMENTS

	2013 RMB'000	2012 RMB'000
Equity securities stated at fair value		
– listed in the PRC	**281,307**	134,639
– listed in Hong Kong	**75,268**	91,790
	356,575	226,429
Unlisted equity securities	**—**	228,194
Total	**356,575**	454,623
Analysed for reporting purpose as:		
– Current assets	**—**	228,194
– Non-current assets	**356,575**	226,429
	356,575	454,623

24. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Fair values of equity securities listed in the PRC and Hong Kong are derived from quoted prices in active market.

During the year ended 31 December 2012, the Group entered into a sale and purchase agreement with Loyal Atlantic Limited ("Loyal Atlantic"), an independent third party, whereby Loyal Atlantic agreed to sell and the Group agreed to purchase 41% equity interest in Loyal Pacific International Limited ("Loyal Pacific"), a company incorporated in British Virgin Islands (the "Transaction") at a consideration of TWD1,054,725,000. At 31 December 2012, the above unlisted equity investment represents the Group's investment in Loyal Pacific with a carrying amount equivalent to approximately RMB228,194,000. Loyal Pacific is not regarded as an associate of the Group as the Group has no significant influence over Loyal Pacific. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

Subsequent to the Transaction, the Group and Loyal Atlantic entered into a sale and purchase agreement (as vendors) with Allied (an associate of the Group as purchaser), whereby the Group and Loyal Atlantic agreed to sell their respective 41% and 59% shareholding in Loyal Pacific to Allied, at an aggregate consideration of TWD2,572,500,000 (equivalent to approximately RMB552,059,000) (the "Sale Transaction"). The Sale Transaction was completed in January 2013.

25. INVESTMENT IN CONVERTIBLE BONDS

On 15 August 2011, the Group subscribed zero coupon convertible bonds (the "Bonds") issued by a trade supplier (the "Issuer") for an aggregate consideration of RMB49,000,000 and due on 14 August 2016.

The Bonds will, at the option of the Group, in whole or in part, be convertible into the Issuer's fully paid ordinary shares at any time from 15 August 2011 to 14 August 2016. The conversion ratio is determined on a pro-rata basis that the Group is able to convert the Bonds into 49% equity interests in the Issuer assuming full conversion had taken place. Taking into account the current exercisable potential voting right the Group has (i.e. the conversion option to convert the Bonds into 49% equity interest in the Issuer), the Group may have the power to participate in the financial and operating policy decisions of the Issuer and hence may be able to exercise significant influence over the Issuer. The summarised financial information of the Issuer is not presented as, in the opinion of the directors of the Company, the results and financial position of the Issuer does not have material financial impact to the consolidated financial statements of the Group.

The Bonds may be redeemed, at the option of the Group, in whole or in part, at a premium of 4.5% per annum in arrear of the principal amount, from 15 August 2014 to 14 August 2016 or on the occurrence of a change of the Issuer's control.

25. INVESTMENT IN CONVERTIBLE BONDS (CONTINUED)

If the Bonds have not been converted in whole or in part before 14 August 2016, the Issuer has an option to redeem the Bonds or request the Group to convert, within 14 days from 15 August 2016. If the Issuer chooses to redeem the Bonds, the Issuer is required to redeem the Bonds in less than one year from the date serving the notice to the Group.

The Bonds have been split into debt receivable component and derivative component. The effective interest rate of the debt receivable component is 16.6% per annum. The derivative component comprises of (i) an option of the Group to convert the Bonds into the Issuer's ordinary shares and (ii) an option of the Group to require the Issuer to redeem the Bonds from 15 August 2014 to 14 August 2016 (see above). The fair value of the derivative component at subscription date and the end of the reporting period are determined based on valuations carried out by an independent valuer. Binomial model has been used to estimate the fair value of the embedded options of the Bonds. The inputs into the model were as follows:

	31 December 2013	31 December 2012
Risk-free interest rate	**4.4%**	3.2%
Dividend yield	**—**	—
Volatility	**47.1%**	50.1%
Time to maturity	**2.6 years**	3.6 years

The movements of the straight debt receivable component and embedded derivatives of the convertible bonds during the year are set out as follows:

	Debt component RMB'000	**Derivative component RMB'000**	**Total RMB'000**
At 1 January 2012	29,754	28,115	57,869
Effective interest income recognised during the year (note 10)	4,989	—	4,989
Changes in fair value (note 12)	—	(2,000)	(2,000)
At 31 December 2012	34,743	26,115	60,858
Effective interest income recognised during the year (note 10)	5,800	—	5,800
Changes in fair value (note 12)	—	(10,609)	(10,609)
At 31 December 2013	40,543	15,506	56,049

26. DEFERRED TAXATION

The following is the analysis of deferred tax balances for financial reporting purposes:

	2013	2012
	RMB'000	RMB'000
Deferred tax assets	**100,390**	79,965
Deferred tax liabilities	**(130,265)**	(149,876)
	(29,875)	(69,911)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated depreciation allowances	Undistributable profits of the PRC subsidiaries	Start up costs	Tax losses	Revaluation of investments	Deferred revenue	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	79,314	43,550	(4,707)	(22,829)	(3,218)	(19,331)	595	73,374
Charge (credit) for the year (note 13)	18,930	18,500	219	(36,311)	–	4,456	1,686	7,480
Charge to other comprehensive income	–	–	–	–	2,057	–	–	2,057
Reversal on payment of withholding tax	–	(13,000)	–	–	–	–	–	(13,000)
At 31 December 2012	98,244	49,050	(4,488)	(59,140)	(1,161)	(14,875)	2,281	69,911
Charge (credit) for the year (note 13)	17,411	18,700	2,261	(23,486)	27	1,381	3,820	20,114
Charge to other comprehensive income	–	–	–	–	5,850	–	–	5,850
Reversal on payment of withholding tax	–	(66,000)	–	–	–	–	–	(66,000)
At 31 December 2013	115,655	1,750	(2,227)	(82,626)	4,716	(13,494)	6,101	29,875

26. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has unused tax losses of approximately RMB391,738,000 (2012: RMB286,270,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB330,505,000 (2012: RMB236,735,000) of such losses which were tax losses arising from PRC and can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. No deferred tax asset has been recognised in respect of the remaining RMB61,233,000 (2012: RMB49,535,000) due to the unpredictability of future profit streams. Such losses were arising from Hong Kong and may be carried forward indefinitely.

Pursuant to the PRC Enterprise Income Tax laws, withholding tax is imposed on dividends declared by PRC subsidiaries of the Group in respect of profits earned from 1 January 2008 onwards. Deferred taxation has been provided for the portion of profits that are expected to be distributed by the PRC subsidiaries and no deferred taxation has been provided for the remaining profits of approximately RMB3,765 million as at 31 December 2013 (2012: RMB2,995 million) as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future.

27. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	RMB'000
Trade receivables	**63,318**	63,680
Management service fee receivable	**28,539**	17,898
Trade prepayments to suppliers	**63,975**	53,088
Deposits (Note 1)	**75,815**	76,827
Deposits paid for purchases of goods	**2,659**	4,315
Amount due from a former shareholder of a subsidiary (Note 2)	**—**	21,270
Other taxes recoverable	**103,236**	82,776
Other receivables and prepayments	**65,512**	67,192
	403,054	387,046

Notes:

1. Included in the balance is RMB18,000,000 (2012: RMB18,000,000) rental deposits paid in respect of leasing of properties for department store operations from fellow subsidiaries of the Group.

2. Included in the balance of 31 December 2012 was RMB20,807,000 loan receivable which was unsecured, repayable in 3 instalments over 3 years from 2011 and bore an effective interest rate of 5.31% per annum. The balance was fully settled during the year.

27. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's trade customers mainly settled their debts by cash payments, either in the form of cash or debit cards, or credit card payments. The Group currently does not have a defined fixed credit policy as its trade receivables mainly arise from credit card sales. Trade receivables are all aged within 15 days from the respective reporting dates and had been fully settled subsequent to the end of the reporting period.

28. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2013	2012
	RMB'000	RMB'000
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group")	**10,036**	10,233
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Co., Ltd.)	**4,184**	—
雲南金鷹實業有限公司 (Yunnan Golden Eagle Industry Co., Ltd.)	**758**	555
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development")	**284**	2,070
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.)	**248**	71
Others	**230**	69
	15,740	12,998

The amounts due from Nanjing Golden Eagle Group and Nanjing Construction and Development relate to deposits paid to them for the acquisition of property, plant and equipment, and the remaining amounts represent prepayments made for property rentals and property management fees.

29. INVESTMENTS IN INTEREST BEARING INSTRUMENTS, STRUCTURED BANK DEPOSITS, RESTRICTED CASH AND BANK BALANCES AND CASH

	2013	2012
	RMB'000	RMB'000
Investments in interest bearing instruments (Note 1)	**3,005,573**	607,140
Structured bank deposits (Note 2)	**1,244,221**	1,489,919
Restricted cash (Note 3)	**25,908**	27,118
Bank balances and cash (Note 4)	**1,654,059**	2,840,321
	5,929,761	4,964,498

Notes:

1. Included in investments in interest bearing instruments RMB2,868,920,000 (2012: RMB607,140,000) represent the Group's investments in entrusted RMB loans or other restricted low risk debt instruments arranged by banks or trust companies in the PRC. The investments are principal guaranteed which carry variable rates of interest and are stated at amortised cost with effective interest ranging from 5.5% to 7.7% (2012: 5.0% to 6.5%) per annum for a term of one month to one year. The remaining RMB136,653,000 (2012: nil) represents the Group's investment in a trust fund managed by a trust company for a term of one month. This trust fund invests in debt instruments and the investment was fully settled in January 2014.

2. Structured bank deposits represent foreign currency or interest rate linked (2012: foreign currency or interest rate or commodity price linked) structured bank deposits ("SBDs") placed by the Group to a number of banks for a term of one month to one year. Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rates from 1.5% to 6.4% (2012: 2.9% to 5.2%) per annum with reference to the performance of foreign currency or interest rate (2012: with reference to the performance of foreign currency or interest rate or commodity price) during the investment period and the principal sums are denominated in RMB fixed and guaranteed by those banks. In the opinion of the Directors, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

3. Restricted cash represents balances maintained in interest reserve accounts for the purpose of syndicated loans interest payments (note 32) and bank deposits restricted for settlement of concessionaire sales of precious metal.

4. Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for various periods ranging from 1 to 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The effective interest rate for short-term bank deposits during the year ended 31 December 2013 is approximately 0.8% (2012: 0.4%) per annum.

As at the end of the reporting period, a significant portion of the above balances was denominated in RMB, which are not freely convertible into other currencies. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

30. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**1,466,609**	1,541,510
Purchase of property, plant and equipment	**80,387**	97,890
Other taxes payable	**85,174**	97,069
Suppliers' deposits	**99,059**	96,236
Accrued expense	**68,612**	66,234
Accrued salaries and welfare expenses	**47,937**	42,760
Interest payable	**12,824**	190
Other payables	**194,086**	143,094
	2,054,688	2,084,983

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0 to 30 days	**1,175,465**	1,301,696
31 to 60 days	**149,697**	122,692
61 to 90 days	**45,474**	64,202
Over 90 days	**95,973**	52,920
	1,466,609	1,541,510

The credit period on purchases of goods is ranging from 30 to 60 days.

31. AMOUNTS DUE TO RELATED COMPANIES

	2013 RMB'000	2012 RMB'000
南京金鷹工程建設有限公司 (Nanjing Construction and Development) (Note 1)	**64,231**	42,901
南京金鷹國際集團有限公司 (Nanjing Golden Eagle Group) (Note 1)	**2,742**	2,311
安徽三新鐘錶有限公司 (Anhui Sanxin) (Note 2)	**1,014**	1,467
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	**—**	1,489
南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Assets Management Co., Ltd.) (Note 1)	**—**	1,428
Others	**1,985**	1,618
	69,972	51,214

The amounts due to Nanjing Construction and Development and Nanjing Golden Eagle Group are related to acquisition of property, plant and equipment, and the remaining amounts represent trade payables to related companies which are unsecured, interest-free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. An associate of the Group, details of the associate are set out in note 23.

32. BANK LOANS

	2013	2012
	RMB'000	RMB'000
Short-term bank loans	—	1,078,986
Syndicated secured loans under Term Loan Facility as defined below	2,086,638	2,131,735
	2,086,638	3,210,721
Less: Amounts due within one year shown under current liabilities	—	(1,078,986)
Amounts due after one year	2,086,638	2,131,735
Secured	2,086,638	2,131,735
Unsecured	—	1,078,986
	2,086,638	3,210,721

Syndicated secured loans represent a dual-currency three-year term loan facility of USD259.5 million and HKD665.0 million from a group of financial institutions which will be due for full repayment on 17 April 2015 (the "Term Loan Facility"). The HKD denominated Term Loan Facility carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.3% per annum and the USD denominated Term Loan Facility carries interest at London Interbank Offered Rate ("LIBOR") plus 2.3% per annum. The effective interest rate ranges from 3.6% to 3.9% (2012: 3.6% to 3.9%) per annum.

At 31 December 2012, the unsecured short-term bank loans were denominated in HKD or USD, fully repayable within one year and carried interest at HIBOR plus 2.0% to 2.8% per annum or 0.35% per annum over the bank's cost of funds. In 2012, the Group entered into two monthly net settled interest rate swap arrangements expiring in 2013 to hedge against the floating interest rate risk of certain short-term bank loans. In the opinion of the Directors of the Company, the fair value of the interest rate swap arrangements at 31 December 2012 was insignificant.

33. DEFERRED REVENUE

	2013 RMB'000	2012 RMB'000
Prepayments from customers	**2,864,544**	2,844,643
Deferred revenue arising from the Group's customer loyalty programme	**56,295**	62,293
	2,920,839	2,906,936

34. SENIOR NOTES

On 21 May 2013, the Company issued senior notes in the aggregate principal amount of USD400.0 million (equivalent to approximately RMB2,476.2 million) (the "Notes") at USD398.4 million (equivalent to approximately RMB2,466.1 million). The Notes carry fixed coupon rate of 4.625% per annum, payable semi-annually in arrears, and will mature on 21 May 2023, unless redeemed earlier. The proceeds of the Notes were used to refinance the Group's short-term bank loans and for other general corporate purposes, including capital expenditures.

At any time, the Company may at its option redeem the Notes, (1) in whole but not in part, at the principal amount, together with accrued and unpaid interest, if any, to the redemption date upon certain changes in the tax laws of certain tax jurisdictions, or (2) in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

The Notes also contain a provision for redemption at the option of the noteholders at 101% of the principal amount of each Note, together with accrued and unpaid interest, if any, to the redemption date, upon a change of control triggering event.

The Notes contain a liability component and an early redemption option:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The interest charged for the year is calculated by applying an effective interest rate of approximately 4.797% per annum to the liability component since the Notes were issued at a discount.

(ii) Early redemption option is regarded as an embedded derivative closely related to the host contract and not separately accounted for.

35. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2012	1,943,846,000	194,385
Shares repurchased and cancelled	(15,521,000)	(1,552)
Exercise of share options	6,282,000	628
At 31 December 2012	1,934,607,000	193,461
Shares repurchased and cancelled	(94,904,000)	(9,490)
Exercise of share options	495,000	49
At 31 December 2013	1,840,198,000	184,020

	RMB'000
Shown in the consolidated statement of financial position:	
At 31 December 2013	189,294
At 31 December 2012	196,822

35. SHARE CAPITAL (CONTINUED)

During the year, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HKD	HKD	HKD'000
For the year ended 31 December 2013				
March 2013	5,232,000	14.30	13.66	72,950
April 2013	31,956,000	14.20	13.22	439,730
May 2013	16,500,000	13.78	11.68	210,639
June 2013	9,501,000	11.50	10.06	102,804
July 2013	11,124,000	10.98	9.54	111,472
August 2013	2,755,000	11.10	10.60	29,929
October 2013	2,289,000	11.80	10.82	25,768
November 2013	11,666,000	11.60	9.99	123,539
December 2013	6,548,000	10.30	9.98	66,289
	97,571,000			1,183,120
For the year ended 31 December 2012				
January 2012	5,692,000	16.04	15.24	88,859
May 2012	200,000	16.50	16.42	3,310
June 2012	8,494,000	16.32	14.85	132,285
July 2012	359,000	14.80	14.50	5,301
August 2012	276,000	14.20	14.12	3,929
September 2012	500,000	14.20	14.04	7,093
	15,521,000			240,777

35. SHARE CAPITAL (CONTINUED)

Included in the 97,571,000 shares repurchased during the year ended 31 December 2013, 94,904,000 shares were cancelled during the year, and the remaining 2,667,000 shares were cancelled in January 2014 and recognised as treasury shares as at 31 December 2013.

During the year, the nominal value of approximately HKD9,490,000 (2012: HKD1,552,000) (equivalent to approximately RMB7,568,000 (2012: RMB1,265,000)) of the shares cancelled was credited to capital redemption reserve account, and the premium paid or payable and the related costs incurred for the repurchase of approximately HKD1,146,765,000 (2012: HKD239,225,000) (equivalent to approximately RMB914,976,000 (2012: RMB194,913,000)) was charged against share premium account of the Company.

In addition, during the year ended 31 December 2013, a total of 495,000 (2012: 6,282,000) ordinary shares of HKD0.10 each of the Company were issued at HKD4.20 (2012: HKD4.20 to HKD4.80) per share upon exercise of share options. These shares issued rank pari passu in all respects with the then existing shares.

36. RESERVES

Special reserve

The Group's special reserve represents amounts arising on a group reorganisation underwent prior to the listing of the Company's shares on the Stock Exchange in 2006.

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as foreign investment enterprises (the "FIE Subsidiaries") and the Articles of Association of the FIE Subsidiaries, the FIE Subsidiaries are required to maintain a statutory surplus reserve fund, an enterprise expansion fund, and a staff welfare and bonus fund. Appropriations to these funds are made out of net profit after tax as reported in the statutory financial statements prepared in accordance with the applicable PRC accounting standards (the "PRC Accounting Profit") of the FIE Subsidiaries.

The FIE Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the FIE Subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses, if any, and, with approval from relevant government authority, to increase capital.

Appropriation from the PRC Accounting Profit to the enterprise expansion fund is at the discretion of the board of directors of the FIE Subsidiaries. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

No appropriation to the enterprise expansion fund has been made by the FIE Subsidiaries since their establishments.

36. RESERVES (CONTINUED)

Statutory reserve (Continued)

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as domestic enterprises (the "Domestic Subsidiaries"), the Domestic Subsidiaries are required to maintain a statutory surplus reserve fund. The Domestic Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the Domestic Subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses, if any, and to increase capital.

Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those available-for sale investments are disposed of or are determined to be impaired.

Exchange reserve

Exchange differences relating to the translation of the net assets of the Group's associate from its functional currency to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the associate.

37. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme approved by written resolutions of the then sole shareholder of the Company on 26 February 2006 (the "Share Option Scheme"), the Company may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the board of directors of the Company, have contributed to the Group to subscribe for shares in the Company for a consideration of HKD1.00 for each lot of share options granted for the primary purpose of providing incentives to directors, eligible employees, consultants and advisors. The Share Option Scheme will remain effective for a period of ten years commencing from 26 February 2006.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

37. SHARE-BASED PAYMENTS (CONTINUED)

Options granted must be taken up within 30 days of the date of grant, upon payment of HKD1.00 for each lot of options. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of ordinary shares of the Company.

Details of specific categories of options are as follows:

Option series	Share option granted	Date of grant	Vesting proportion	Exercise period	Exercise price HKD
2006A	5,370,000	28/04/2006	20%	28/04/2007 ~ 27/04/2012	4.35
			20%	28/04/2008 ~ 27/04/2012	4.35
			20%	28/04/2009 ~ 27/04/2012	4.35
			20%	28/04/2010 ~ 27/04/2012	4.35
			20%	28/04/2011 ~ 27/04/2012	4.35
2006B	400,000	20/10/2006	100%	20/10/2007 ~ 20/03/2009	4.80
	17,600,000	20/10/2006	20%	20/10/2007 ~ 19/10/2012	4.80
			20%	20/10/2008 ~ 19/10/2012	4.80
			20%	20/10/2009 ~ 19/10/2012	4.80
			20%	20/10/2010 ~ 19/10/2012	4.80
			20%	20/10/2011 ~ 19/10/2012	4.80
2008	18,000,000	05/12/2008	10%	05/12/2010 ~ 04/12/2018	4.20
			10%	05/12/2011 ~ 04/12/2018	4.20
			10%	05/12/2012 ~ 04/12/2018	4.20
			10%	05/12/2013 ~ 04/12/2018	4.20
			10%	05/12/2014 ~ 04/12/2018	4.20
			10%	05/12/2015 ~ 04/12/2018	4.20
			10%	05/12/2016 ~ 04/12/2018	4.20
			30%	05/12/2017 ~ 04/12/2018	4.20
2010	20,000,000	20/10/2010	10%	20/10/2011 ~ 19/10/2020	19.95
			10%	20/10/2012 ~ 19/10/2020	19.95
			10%	20/10/2013 ~ 19/10/2020	19.95
			10%	20/10/2014 ~ 19/10/2020	19.95
			10%	20/10/2015 ~ 19/10/2020	19.95
			10%	20/10/2016 ~ 19/10/2020	19.95
			10%	20/10/2017 ~ 19/10/2020	19.95
			30%	20/10/2018 ~ 19/10/2020	19.95

37. SHARE-BASED PAYMENTS (CONTINUED)

Option series	Share option granted	Date of grant	Vesting proportion	Exercise period	Exercise price HKD
2011	20,000,000	31/05/2011	10%	31/05/2012 ~ 30/05/2021	20.26
			10%	31/05/2013 ~ 30/05/2021	20.26
			10%	31/05/2014 ~ 30/05/2021	20.26
			10%	31/05/2015 ~ 30/05/2021	20.26
			10%	31/05/2016 ~ 30/05/2021	20.26
			10%	31/05/2017 ~ 30/05/2021	20.26
			10%	31/05/2018 ~ 30/05/2021	20.26
			30%	31/05/2019 ~ 30/05/2021	20.26

The following tables disclose movements of the Company's share options held by Directors and employees during both years:

	Outstanding at beginning of the year	Reclassification	Exercised during the year	Forfeited during the year	Outstanding at end of the year
For the year ended 31 December 2013					
Key management	**3,880,000**	**1,255,000**	**(111,000)**	**—**	**5,024,000**
Other employees	**19,347,000**	**(1,255,000)**	**(384,000)**	**(635,000)**	**17,073,000**
	23,227,000	**—**	**(495,000)**	**(635,000)**	**22,097,000**
Exercisable at 31 December 2013					**9,792,000**
Weighted average exercise price (HKD)	**10.13**	**—**	**4.20**	**19.08**	**10.01**
For the year ended 31 December 2012					
Executive Directors	150,000	—	(150,000)	—	—
Non-executive Director	610,000	—	(610,000)	—	—
Key management	7,525,000	1,090,000	(895,000)	(3,840,000)	3,880,000
Other employees	28,496,000	(1,090,000)	(4,627,000)	(3,432,000)	19,347,000
	36,781,000	—	(6,282,000)	(7,272,000)	23,227,000
Exercisable at 31 December 2012					5,909,000
Weighted average exercise price (HKD)	10.55	—	4.73	16.89	10.13

37. SHARE-BASED PAYMENTS (CONTINUED)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HKD13.41 (2012: HKD18.07).

The Group recognised total expenses of RMB9,200,000 (2012: RMB10,440,000) for the year ended 31 December 2013 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

38. ACQUISITION OF ASSETS IN A SUBSIDIARY

In October and December 2013, the Group entered into sales and purchase agreements with an independent third party for the acquisition of additional 28% and 42% equity interests respectively in Suzhou Golden Eagle, a former 30% associate of the Group, for an aggregation consideration of RMB435,189,000. On the date of acquisition, Suzhou Golden Eagle owned a piece of land in Suzhou City, Jiangsu Province, and has not commenced operations. The piece of land will be used for the Group's department store operation. After the acquisition, Suzhou Golden Eagle became a wholly-owned subsidiary of the Group.

In the opinion of the Directors, the above acquisition does not constitute business combination in accordance with HKFRS 3 *Business Combination* and as such, the acquisition has been accounted for as acquisition of assets.

38. ACQUISITION OF ASSETS IN A SUBSIDIARY (CONTINUED)

Net assets acquired in the transaction are as follows:

	RMB'000
Property, plant and equipment	7,240
Land use right	448,595
Other receivables	318
Bank balances and cash	185,627
Other payables	(20,161)
	621,619
Satisfied by:	
Cost of investment in the associate	186,430
Cash paid in 2012 as deposit for acquisition of a subsidiary	10,000
Cash paid in 2013	425,189
Total consideration	621,619
Net cash outflow on acquisition	
Cash consideration paid in 2013	425,189
Less: cash and cash equivalents acquired	(185,627)
	239,562

39. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2013, deposit for acquisition of land use right amounted to RMB190,000,000 has been transferred to land use right account upon the full payment of the relevant consideration.

40. OPERATING LEASE ARRANGEMENTS

The Group as leasee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of certain office, warehouses and department store properties rented under non-cancellable operating leases which fall due as follows:

	2013	2012
	RMB'000	RMB'000
Within one year	41,203	62,944
In the second to fifth year inclusive	392,634	385,867
Over five years	1,488,867	1,767,873
	1,922,704	2,216,684

Included in the balances above were future minimum lease payments under non-cancellable operating leases payable to certain fellow subsidiaries of the Group which fall due as follows:

	2013	2012
	RMB'000	RMB'000
Within one year	—	26,589
In the second to fifth year inclusive	—	78,000
Over five years	—	133,208
	—	237,797

Note: Pursuant to the supplemental agreements entered into by the Group with certain fellow subsidiaries on 19 December 2013, all the minimum guaranteed rentals under the relevant non-cancellable operating lease contracts have been abolished with effect from 1 January 2013. Details of the transactions have been disclosed in the announcement of the Company dated 20 December 2013.

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain landlords, which include fellow subsidiaries of the Group, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the year ended 31 December 2013 amounted to approximately RMB124,921,000 (2012: RMB108,664,000).

Operating lease payments represent rentals payable by the Group for certain offices, warehouses and department store properties. Leases are negotiated for terms ranging from 1 to 20 years with fixed and/or contingent rents.

40. OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of department store properties:

	2013 RMB'000	2012 RMB'000
Within one year	**63,658**	47,552
In the second to fifth year inclusive	**175,646**	76,723
Over five years	**92,047**	33,451
	331,351	157,726

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on tenants' monthly gross sales or gross profit. Rental income received under these contingent lease contracts during the year ended 31 December 2013 amounted to approximately RMB62,142,000 (2012: RMB53,922,000).

Leases are generally negotiated for terms ranging from 1 to 15 years.

41. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment and land use rights (note)	**1,174,867**	1,142,524
– acquisition of an associate	**650**	3,150
– acquisition of a subsidiary	**—**	425,000
	1,175,517	1,570,674

Note: Included in the balance is RMB833,315,000 (2012: RMB812,838,000) capital expenditure contracted for with fellow subsidiaries of the Group.

42. PLEDGE OF ASSETS

At 31 December 2013, the Group has pledged equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the Term Loan Facility granted to the Group.

Assets with the following carrying amounts have been pledged to secure the Term Loan Facility:

	2013	2012
	RMB'000	RMB'000
Available-for-sale investments	**75,268**	91,790
Trade and other receivables	**28,539**	17,898
Restricted cash	**15,554**	18,038
Bank balances and cash	**354,731**	286,078
	474,092	413,804

43. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of state-managed retirement benefits schemes operated by the local PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees.

The total expense recognised in profit or loss of RMB39,316,000 (2012: RMB38,648,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2013, all contributions due in respect of the year ended 31 December 2013 has been paid over to the schemes (as at 31 December 2012, contributions of RMB10,000 due in respect of the year ended 31 December 2012 had not been paid over to the schemes).

44. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in notes 15, 21, 27, 28, 31, 37, 40 and 41, the Group had the following significant transactions with related companies:

a) Transactions:

Relationship with related companies	**Nature of transactions**	**2013 RMB'000**	2012 RMB'000
Fellow subsidiaries of the Group	Decoration service fee paid	**54,840**	100,364
	Property management fee paid	**64,769**	64,365
	Property and ancillary facilities rentals paid	**82,066**	85,983
	Carpark management service fee paid	**2,143**	2,078
	Project management service fee paid	**—**	4,650
Associates	Purchase of merchandise	**24,947**	47,659

b) Compensation of key management personnel:

The remuneration of Directors and other members of key management during the year was as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	**5,058**	3,911
Retirement benefits schemes contributions	**376**	361
Equity-settled share-based payments	**3,485**	3,787
	8,919	8,059

The remuneration of Directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

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For the year ended 31 December 2013

45. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company 2013	2012	Principal activities
Goldjoint Group Limited (Note 1)	British Virgin Islands	Share – USD1	**100%**	100%	Investment holding
Golden Eagle International Trading Limited (金鷹國際貿易有限公司)	Hong Kong	Share – HKD10,000	**100%**	100%	Investment holding
Eagle Ride Ventures Limited (鷹威企業有限公司)	British Virgin Islands	Share – USD300	**100%**	100%	Investment holding
Golden Eagle (Korea) Company Limited (金鷹(韓國)有限公司)	Hong Kong	Share – HKD7,800,000	**51%**	51%	Investment holding
Golden Eagle Co., Ltd.	Korea	Registered capital – Korea (South) Won 1,000,000,000	**51%**	51%	Trading
iPoints Reward (HK) Company Limited (愛積分(香港)有限公司)	Hong Kong	Share – HKD10,000	**100%**	—	Inactive
金鷹國際商貿股份有限公司	Taiwan	Share – TWD10,000,000	**100%**	—	Trading
金鷹國際商貿集團(中國)有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.) ("Nanjing Golden Eagle") (Note 2)	PRC	Registered capital – RMB1,137,000,000	**100%**	100%	Investment holding and operation of department store
南通金鷹國際購物中心有限公司 (Nantong Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Operation of department store
揚州金鷹國際實業有限公司 (Yangzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100%	Investment holding and operation of department store

45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2013	2012	
蘇州金鷹國際購物中心有限公司 (Suzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Operation of department store
徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB60,000,000	**100%**	100%	Operation of department store
西安金鷹雁塔購物中心有限公司 (Xi'an Golden Eagle Yanta Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB1,000,000	**100%**	100%	Operation of department store
西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Investment holding and operation of department store
泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100%	Operation of department store
昆明金鷹購物廣場有限公司 (Kunming Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB930,000,000	**100%**	100%	Operation of department store
南京金鷹天地購物中心有限公司 (Nanjing Golden Eagle G-City Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Operation of department store
淮安金鷹國際購物中心有限公司 (Huai'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
鹽城金鷹國際購物中心有限公司 (Yancheng Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB240,000,000	**100%**	100%	Operation of department store

45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company 2013	2012	Principal activities
上海金鷹國際購物廣場有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100%	Operation of department store
南京金鷹商貿特惠中心有限公司 (Nanjing Golden Eagle Retail Outlet Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	100%	Operation of department store
南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB15,000,000	**100%**	100%	Operation of department store
連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
昆山金鷹國際購物中心有限公司 (Kunshan Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
南京金鷹國際貿易有限公司 (Nanjing Golden Eagle Industry Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	100%	Investment holding and trading
宿遷金鷹國際購物中心有限公司 (Suqian Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
南京建鄴金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
淮北金鷹國際購物中心有限公司 (Huaibei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Operation of department store

45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company 2013	2012	Principal activities
合肥金鷹國際購物中心有限公司 (Hefei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Operation of department store
安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB15,000,000	**100%**	100%	Investment holding and operation of department store
常州金鷹國際購物中心有限公司 (Changzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB300,000,000	**100%**	100%	Operation of department store
溧陽金鷹國際購物中心有限公司 (Liyang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB272,000,000	**100%**	100%	Operation of department store
常州金鷹嘉宏購物廣場有限公司 (Changzhou Golden Eagle Jiahong Shopping Centre Co., Ltd.) ("Jiahong Golden Eagle") (Note 2)	PRC	Registered capital – USD10,000,000	**100%**	100%	Operation of department store
昆明金鷹南亞購物中心有限公司 (Kunming Golden Eagle Nanya Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB60,000,000	**100%**	100%	Operation of department store
徐州金鷹人民廣場購物中心有限公司 (Xuzhou Golden Eagle People Square Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100%	Operation of department store
雲南尚美投資管理有限公司 (Yunnan Shangmei Investment Management Co., Ltd.)	PRC	Registered capital – RMB156,000,000	**100%**	100%	Property holding
常州武進金鷹購物中心有限公司 (Changzhou Wujin Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB70,000,000	**100%**	100%	Operation of department store

45. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2013	2012	
西安金鷹北城購物中心有限公司 (Xi'an Golden Eagle Beicheng Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB80,000,000	**100%**	100%	Operation of department store
南京江寧金鷹購物中心有限公司 (Nanjing Jiangning Golden Eagle Shopping Centre Co., Ltd.) ("Jiangning Golden Eagle") (Note 2)	PRC	Registered capital – RMB280,000,000	**100%**	—	Operation of department store
蘇州高新金鷹商業廣場有限公司 (Suzhou Gaoxin Golden Eagle Plaza Co., Ltd.)	PRC	Registered capital – RMB621,430,000	**100%**	—	Inactive
南京愛積分商業管理有限公司 (Nanjing iPoints Business Management Co., Ltd.) ("Nanjing iPoints") (Note 2)	PRC	Registered capital – RMB23,000,000	**100%**	—	Trading

Notes:

1. Goldjoint Group Limited is held directly by the Company.

2. All of the PRC subsidiaries are companies registered as limited liability companies under the PRC law, except for Nanjing Golden Eagle, Jiahong Golden Eagle, Jiangning Golden Eagle and Nanjing iPoints which are registered as a wholly-foreign owned enterprise under the PRC law.

3. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year and none of the subsidiaries had issued any debt securities at the end of the year.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	31.12.2013	31.12.2012
	RMB'000	RMB'000
Assets		
Property, plant and equipment	**45**	45
Interests in and amounts due from unlisted subsidiaries	**3,007,843**	982,721
Available-for-sale investments	**4,438**	11,604
Other receivables	**28,809**	18,423
Amount due from a fellow subsidiary	**186**	329
Bank balances and cash	**34,926**	53,738
	3,076,247	1,066,860
Liabilities		
Other payables	**41,707**	3,217
Short-term bank loans	**—**	445,940
Senior notes	**2,407,642**	—
	2,449,349	449,157
Net assets	**626,898**	617,703
Capital and reserves		
Share capital (see note 35)	**189,294**	196,822
Reserves	**437,604**	420,881
Total equity	**626,898**	617,703

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in reserves

	Distributable reserve RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2012	424,919	—	5,279	(2,297)	50,834	478,735
Profit for the year	468,038	—	—	—	—	468,038
Gain on fair value changes of available-for-sale investments	—	—	—	1,633	—	1,633
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	—	(82)	—	(82)
Total comprehensive income for the year	468,038	—	—	1,551	—	469,589
Shares repurchased and cancelled	(196,178)	—	1,265	—	—	(194,913)
Exercise of share options	35,697	—	—	—	(12,054)	23,643
Recognition of equity-settled share-based payments	—	—	—	—	10,440	10,440
Dividends recognised as distribution	(366,613)	—	—	—	—	(366,613)
At 31 December 2012	365,863	—	6,544	(746)	49,220	420,881
Profit for the year	1,294,146	—	—	—	—	1,294,146
Net gain on fair value changes of available-for-sale investments	—	—	—	623	—	623
Reclassified to profit or loss on impairment of available-for-sale investments	—	—	—	3,000	—	3,000
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	—	(3,017)	—	(3,017)
Total comprehensive income for the year	1,294,146	—	—	606	—	1,294,752
Shares repurchased and cancelled	(922,544)	—	7,568	—	—	(914,976)
Shares repurchased but not cancelled	(20,911)	(210)	—	—	—	(21,121)
Exercise of share options	2,436	—	—	—	(810)	1,626
Transfer of share option reserve upon forfeiture or expiry of share options	13,953	—	—	—	(13,953)	—
Recognition of equity-settled share-based payments	—	—	—	—	9,200	9,200
Dividends recognised as distribution	(352,758)	—	—	—	—	(352,758)
At 31 December 2013	380,185	(210)	14,112	(140)	43,657	437,604