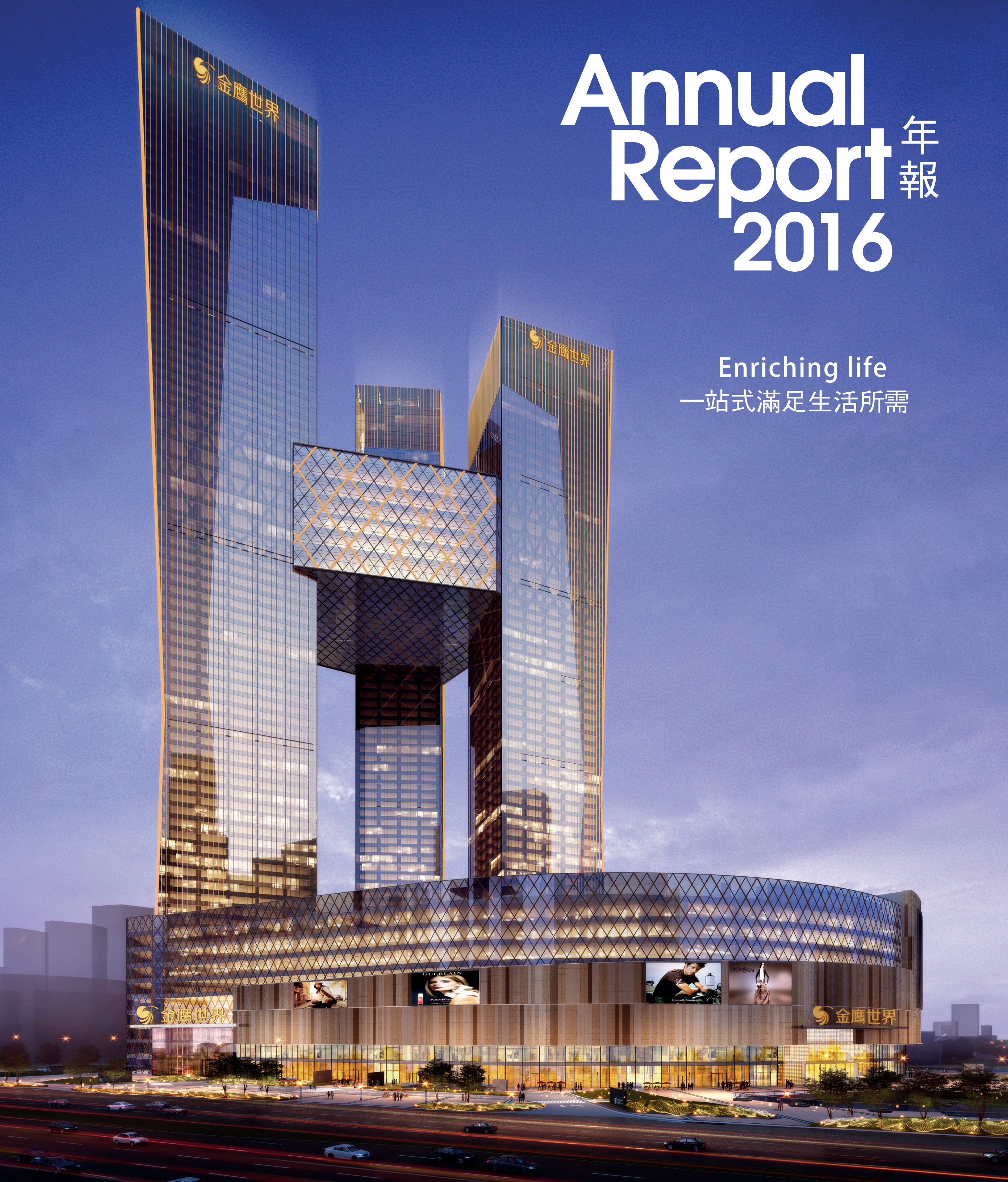
金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

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

Annual Report 2016 年報

Enriching life
一站式滿足生活所需



Spirit of Enterprise

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

Contents

Corporate Profile

BUILDING NATIONWIDE CHAIN NETWORK WITH YANGTZE RIVER DELTA AS CORE

Since the opening of our first chain store, Nanjing Xinjiekou Store, nearly 21 years ago, the Group has successfully opened 31 self-owned stores with a total gross floor area of 2,001,643 square meters and a total operating area of 1,360,563 square meters as at 30 March 2017. These stores span four provinces and one municipality, namely Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai, covering 19 cities including Shanghai, Nanjing, Suzhou, Nantong, Yangzhou, Changzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Liyang, Danyang, Kunshan, Wuhu, Ma'anshan, Huaibei, Xi'an and Kunming.

Leveraging on our leading position and strong competitive advantages in Jiangsu Province, the Group will continue to reinforce our market leadership and presence in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai by establishing comprehensive lifestyle centers which have potential for the Group's long-term competitive strengths and business growth. Meanwhile, the Group will gradually establish a nationwide retail chain network by actively exploring opportunities in the first- and second-tier cities as well as tapping into the third-tier cities with immense potential for growth.

ADHERING TO THE STRATEGY OF DEVELOPING MAINLY IN SELF-OWNED PROPERTIES WITH ASSET-LIGHT BUSINESS MODEL OF LONG-TERM LEASES AND MANAGED STORES AS ALTERNATIVES

The Group's chain stores are situated at prime shopping districts in their respective cities and the Group adheres to its core development strategies of developing mainly in self-owned properties. As at 30 March 2017, approximately 63.5% 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 secured high-quality properties by entering into asset-light arrangements such as long-term leases or management contracts. The tenure for long-term leases is ten years or longer, hence minimising the impact of increase in rental in the operation of our stores.

FOCUSING ON CONTROLLABLE MERCHANDISE RESOURCES, ENHANCING CORE COMPETITIVE STRENGTHS WHILE DEVELOPING COMPREHENSIVE LIFESTYLE CENTERS AND ESTABLISHING A COMMERCIAL RETAIL PLATFORM

Capitalising on the development trends of the retail industry targeting mid-to-high-end market segments in China, the Group accelerated its strategic transformation from fashion department store to "Comprehensive Lifestyle Center". To satisfy customers' demand for high quality lifestyle services and experiences, the Group on one hand has brought G • LIFE series into our floor area through various types of arrangements including self-operation, co-operation and equity investment in order to lay a solid foundation for the Group's development of comprehensive lifestyle centers and establishment of an extensive commercial retail platform. G • LIFE series comprises unique controllable merchandise resources under the Group's long-term planning and development, thus demonstrates the Group's strong resources integration capabilities. It covers high growth merchandise and service categories including premium supermarket, culture and creativity, children, beauty and personal care, pets and healthcare. On the other hand, together with the Group's continuous development and enhancement of its merchandise

Corporate Profile

and lifestyle service offerings on fashion shopping, distinctive dining, children's early education, leisure and entertainment, aquarium, shared offices, wedding photo studio, international cinema and comprehensive automobile service, customer traffic in the Group's lifestyle centers had shown improvement, driving rapid growth of the Group's operating results. As at 30 March 2017, the Group operated 12 comprehensive lifestyle centers with a total gross floor area of 1,260,741 square meters. The operating area of the comprehensive lifestyle amenities accounted for 29.7% of the Group's total operating area. With the continuous development and expansion of the Group's controllable resources, the Group strives to continue to enhance its core competitiveness, reinforce development of its comprehensive lifestyle centers and establish an extensive commercial retail platform.

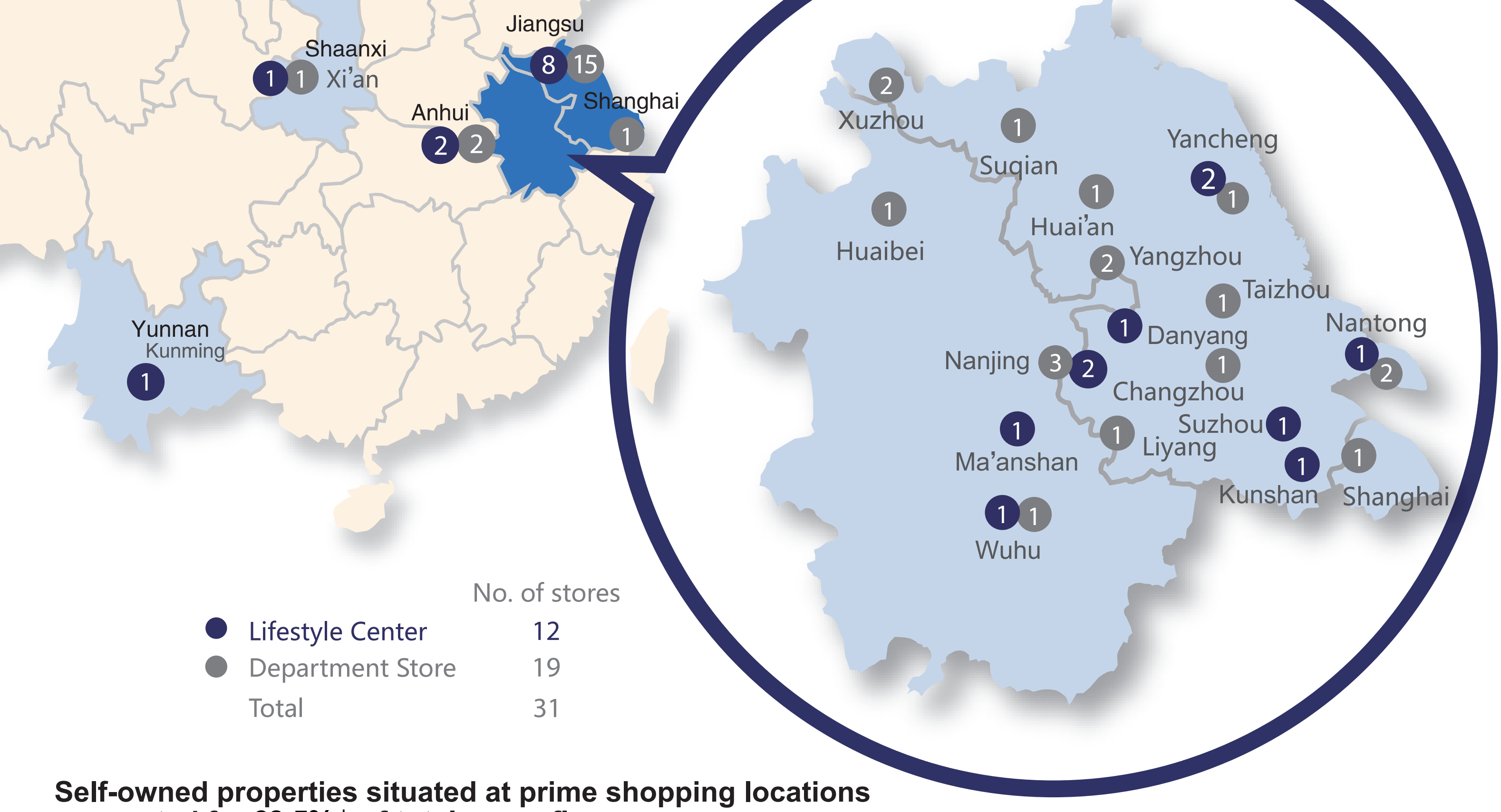
DEDICATED TO PROVIDING TARGET CUSTOMERS WITH HIGH QUALITY AND INNOVATIVE VALUE-ADDED VIP SERVICES AND OMNI-CHANNEL SHOPPING EXPERIENCE

The Group endeavors to enhance the quality and enrich the content of our VIP customer services. The Group's VIP membership card covers online and offline comprehensive lifestyle services in various functions including fashion shopping, dining and leisure, hotel services, comprehensive automobile services and "金鷹購 Jinying.com". The Group also fully utilises omni marketing channel through the mobile phone application "goodee mobile App" (掌上金鷹) (the "App"), the WeChat social network platform and the "Electronic VIP Card" to build and develop marketing channels with high efficiency at low cost, so as to effectively deliver real-time information on sales promotion to customers, enhance customers' shopping experience and allow customers to enjoy various VIP value-added services more easily and thus further stimulate their shopping sentiment. As at 31 December 2016, the App has registered over 6.1 million downloads of which 1.5 million VIP customers connected their VIP membership cards with the App. The App is the most active mobile application in the department store industry in China. At the same time, the Group has successfully secured over 2.7 million loyal VIP customers. During the period under review, spending of the VIP customers accounted for 55.8% of the Group's total gross sales proceeds.

LOCALISED OPERATIONAL STRATEGIES WITH WORLDWIDE MANAGEMENT PERSPECTIVE

The Group appreciates the dedication and contribution 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 market. For each of its stores, the Group recruits local talents to form a management team such that the Group can utilise their local knowledge on the respective markets. As at 31 December 2016, the Group has approximately 5,730 employees.

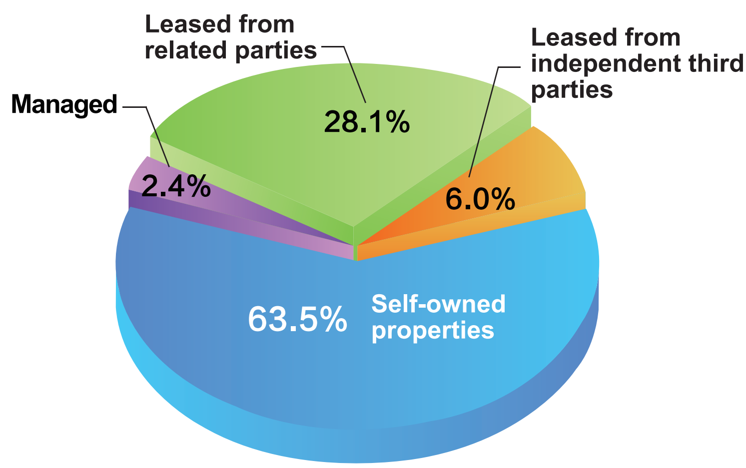
Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 63.5%* of total gross floor area.

		Gross Floor Area (square meters)		
		Owned	Leased	Sub-total
1	Nanjing Xinjiekou Store #	85,303	29,242	114,545
2	Nantong Store	9,297		9,297
3	Yangzhou Store	37,562	3,450	41,012
4	Xuzhou Store	59,934		59,934
5	Xi'an Gaoxin Store	27,287		27,287
6	Taizhou Store	58,374		58,374
7	Kunming Store #	116,817		116,817
8	Nanjing Zhujiang Store		33,578	33,578
9	Huai'an Store	55,768		55,768
10	Yancheng Store #	95,904		95,904
11	Yangzhou Jinghua Store		29,598	29,598
12	Shanghai Store		29,651	29,651
13	Nanjing Hanzhong Store		12,462	12,462
14	Nanjing Xianlin Store		42,795	42,795
15	Anhui Huaibei Store		34,714	34,714
16	Changzhou Jiahong Store	18,362	34,183	52,545
17	Suqian Store	65,410		65,410
18	Liyang Store	53,469	18,355	71,824
19	Xuzhou People's Square Store	37,457		37,457
20	Yancheng Outlet Store		18,377	18,377
21	Yancheng Julonghu Store #		110,848	110,848
22	Nantong Lifestyle Store #	94,700		94,700

		Gross Floor Area (square meters)		
		Owned	Leased	Sub-total
23	Danyang Store #		52,976	52,976
24	Kunshan Store #	118,500		118,500
25	Nanjing Jiangning Store #		144,710	144,710
26	Anhui Ma'anshan Store #		87,568	87,568
27	Nantong Renmin Road Store	30,191		30,191
28	Anhui Wuhu Store	30,629		30,629
29	Anhui Wuhu New City Store #	98,906		98,906
30	Xi'an Qujiang # @			48,502
31	Suzhou #	176,764		176,764
	Total			2,001,643



* As a percentage of total gross floor area (square meters) as at 30 March 2017

\# In the format of lifestyle center

@ Managed store

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Ms. Wang Janice S. Y.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung
Mr. Lay Danny J
Mr. Wang Sung Yun, Eddie

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, FCPA (Aust)

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

Mr. Wong Chi Keung *(Chairman)*
Mr. Lay Danny J
Mr. Wang Sung Yun, Eddie

REMUNERATION COMMITTEE

Mr. Lay Danny J *(Chairman)*
Mr. Wang Hung, Roger
Mr. Wong Chi Keung

NOMINATION COMMITTEE

Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Lay Danny J

PRINCIPAL BANKERS IN THE PRC

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

PRINCIPAL BANKERS IN HONG KONG

Bank of China
Bank of Communications
Bank of Shanghai
BNP Paribas
Citi Bank
DBS Bank
East West Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China (Asia)
Natixis
Taipei Fubon Commercial Bank
The Bank of East Asia

Corporate Information

AUDITOR

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35th Floor, One Pacific Place
88 Queensway, Hong Kong

HONG KONG LEGAL ADVISORS

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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)

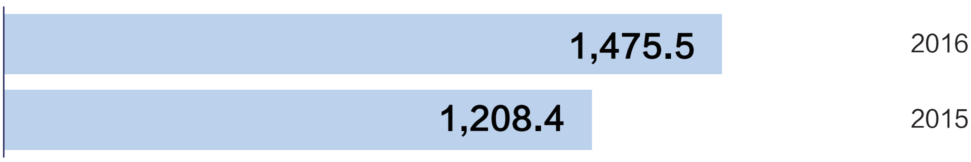
Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

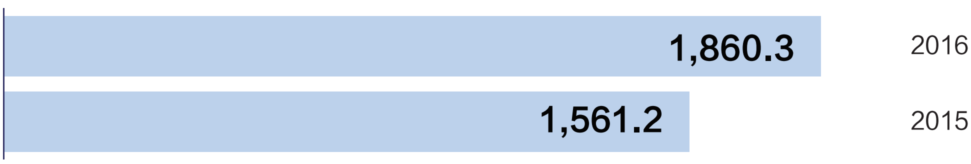
Gross Sales Proceeds （RMB Million）

Revenue （RMB Million）

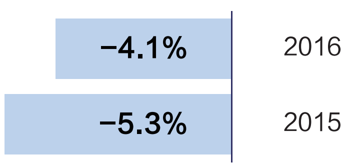
Profit from Operations （RMB Million）



Profit from Operations before Depreciation and Amortisation （RMB Million）



Same Store Sales Growth[1]



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

Enriching life with styles!

Five Years Financial Summary

	2012 RMB'000 (note 1) & (note 3)	2013 RMB'000 (note 2) & (note 3)	2014 RMB'000 (note 1) & (note 3)	2015 RMB'000 (note 3)	**2016** **RMB'000**	**2015** **vs 2016** **%**
Consolidated Statement of Profit or Loss for the year ended 31 December						
Gross sales proceeds	16,604,399	17,196,658	16,253,971	16,291,796	**16,399,291**	0.7
Revenue	3,866,889	3,972,589	3,978,500	4,093,527	**4,694,340**	14.7
Profit from operations	1,555,589	1,521,854	1,330,905	1,208,442	**1,475,520**	22.1
Profit for the year attributable to owners of the Company	1,222,452	1,232,881	1,086,428	825,837	**408,413**	(50.5)
Basic earnings per share (RMB)	0.631	0.655	0.602	0.474	**0.244**	(48.5)
Consolidated Statement of Financial Position as at 31 December						
Non-current assets	7,795,184	8,337,759	10,123,614	12,066,106	**12,612,387**	4.5
Current assets	6,100,775	6,889,031	6,500,438	7,762,794	**9,281,003**	19.6
Total assets	13,895,959	15,226,790	16,624,052	19,828,900	**21,893,390**	10.4
Current liabilities	6,283,268	5,326,189	8,598,118	11,244,275	**7,069,405**	(37.1)
Non-current liabilities	2,284,496	4,625,721	2,578,017	3,475,941	**9,776,877**	181.3
Total liabilities	8,567,764	9,951,910	11,176,135	14,720,216	**16,846,282**	14.4
Net Assets	5,328,195	5,274,880	5,447,917	5,108,684	**5,047,108**	(1.2)
Capital and reserves						
Equity attributable to owners of the Company	5,325,525	5,272,691	5,443,140	5,089,513	**5,032,753**	(1.1)
Non-controlling interests	2,670	2,189	4,777	19,171	**14,355**	(25.1)
	5,328,195	5,274,880	5,447,917	5,108,684	**5,047,108**	(1.2)
Net assets per share attributable to owners of the Company (RMB)	2.752	2.865	3.048	3.016	**3.005**	(0.4)
Number of shares in issued (in thousand)	1,934,607	1,840,198	1,786,012	1,687,685	**1,674,886**	(0.8)

Five Years Financial Summary

Notes:

(1) The consolidated statement of profit or loss for the year ended 31 December 2012 and 2014 and the consolidated statement of financial position as at 31 December 2012 and 2014 have been restated in order to include the results of entities which were acquired under common control during the year ended 31 December 2015.

(2) The consolidated statement of profit or loss for the year ended 31 December 2013 and the consolidated statement of financial position as at 31 December 2013 have been restated in order to include the results of entities which were acquired under common control during each of the two years ended 31 December 2014 and 2015.

(3) The financial information for each of the four years ended 31 December 2015 were adjusted due to the Group changed its policy to account for investment properties from cost model to fair value model.

The financial information for the year ended 31 December 2015 were also adjusted due to the adjustment arising from prior year provisional accounting in accordance with HKFRS 3 *Business Combination*.

Chairman's Statement

INDUSTRY OVERVIEW

In 2016, the global economy faced severe challenges in its development, while nearby regions remained unstable in terms of their political environments under gradually intensifying political tensions among major economies. Negative market sentiment spread under the US presidential election and the expectation of US Federal Reserve rate hike, as well as the substantial impact on European and even global economy brought by Brexit and Italian referendum defeat, while Japan and Canada have shown signs of weak recovery in economic development. China, affected by a number of factors including weak recovery of the global economy, adjustment of the country's economic growth cycle and excess production capacity, is expected to have steady growth and risk prevention as the core goals of its macroeconomic development. While the structural reform of economy continues, the growth of new business norms and models in China was rapid. The expansion and upgrade of customers' demand coupled with optimisation of consumption structure brought by long-term economic growth already became a new impetus to China's economic growth under its "new social environment". Industrialisation, informatisation, urbanisation and agricultural modernisation continue to deepen and give rise to further expansion of strong and long-term domestic demand.

In 2016, the growth of GDP in China grew by 6.7% year-on-year to RMB74.4 trillion, ranking amongst the top around the world and dismissing speculation from international market about the possibility of a hard landing of the Chinese economy. The country's total retail sales grew by 10.4% year-on-year to RMB33.2 trillion during the year. Urban disposable income per capita increased by 7.8% in nominal term to RMB33,616. If the price factor is excluded, the growth in real term was 5.6%.

During 2016, Jiangsu Province, where the Group has already established a leading position in the market, achieved a GDP growth of 7.8% to RMB7.6 trillion. Total retail sales of consumer goods in the province grew by 10.9% year-on-year to RMB2.9 trillion, while the urban disposable income per capita increased by 8.0% to RMB40,152 over last year.

BUSINESS OPERATION AND MANAGEMENT

In 2016, the year of debut of the country's "13th Five-year Plan" and structural reform of the supply end, China's economic growth is still facing downward pressure but showing signs of steady development. Together with surging e-commerce, new commercial complexes and outbound tourism, there have been some impacts on the Group's customer traffic. Nonetheless, the Group still actively leverage on the country's retail industry development trend and pressed on with the development direction of retail chain store expansion, meeting the needs of consumers' daily life, enhancing their shopping experience and emphasising on innovation. The Group gradually achieved the development strategy of building up a nationwide retail chain network of comprehensive lifestyle centers beginning from Jiangsu Province. In 2016, through the endeavours of the Group and its staff, the Group's gross sales proceeds ("GSP") increased by 0.7% year on year to RMB16,399.3 million. Same-store sales growth ("SSSG") decreased by 4.1% year on year. Operating profit from operations increased by 22.1% year on year to RMB1,475.5 million.

Chairman's Statement

In 2016, the Group continued to introduce new business formats of consumption experience, enrich its merchandise mix, and enhance its controllable merchandise resources through investment and cooperation with distinctive merchandise resources. The Group also continued to provide a more personalised and comprehensive lifestyle experience to customers.

— To satisfy customers' demand for high quality lifestyle services and experiences, 6 new major businesses of G • LIFE series comprising unique merchandise resources under the Group's long-term planning and development will be introduced into its floor area, demonstrating the Group's strong resources integration capabilities and are expected to enhance customer traffic and operating results as well as strengthening the Group's core competitiveness.

- G • MART, a premium supermarket offering the world's fresh distinctive health food and exquisite lifestyle gadget. During the year, the Group entered into strategic cooperation with College of Food Science and Technology at Nanjing Agricultural University and through hosting interesting promotional events such as food festivals featuring products from Argentina, the United States and Korea and themes like Yan'an Chinese New Year, G • MART brought safe quality products and lifestyle experiences to its customers. GSP generated by G • MART for 2016 increased by 6.6% to approximately RMB564.7 million.

- G • TAKAYA, a bookstore featuring boutique lifestyle collection with more than 30,000 SKUs (Stock Keeping Unit), targeting the middle class and their spiritual needs with 2 stores newly opened at Nanjing Xinjiekou Store and Suzhou Gaoxin Store, achieving more than 2,000 daily customer traffic per store.

- G • BABY, Golden Eagle Kidsland, tailor-made for children and families consumption covering maternity and children's products, children's fashion, playground, early education, and activities to foster creativity and aid in development.

- G • BEAUTY, a beauty hub to capture the world's best-selling beauty and skincare products, targeting young ladies' long-term and stable consumption.

- G • HEALTH, a health centre providing world's leading professional dental, postpartum-care, body check and other comprehensive services to satisfy target customers' needs for a healthy life.

- G • QUTE, a pet service centre providing extensive services including pet activities, grooming, veterinary, pet supplies and international pet events to satisfy target customers' needs for extended pet services.

— The Group actively expanded its controllable merchandise business and offered customers with a variety of unique merchandise with high value covering apparels, footwear, kid's wear, household and lifestyle products as well as cultural and recreation products from Europe and the United States. On this foundation, the Group cooperated with key fabric providers in China to develop a series of "premium quality bestselling single item merchandise" under its own brands of Aquila Doro, IVREA and RESTYLE to further provide distinctive controllable merchandise with high-value-for-money to its customers. In 2016, the Group operated 221 counters under these controllable merchandise with GSP generated from these merchandise grew by 7.4% to RMB331.5 million.

Chairman's Statement

— The Group has been enhancing the development of its overseas purchase and O2O business to enrich the quality of the consumption experience and thus to enhance the satisfaction of its customers. On one hand, the Group co-operated with its strategic partners in the United States and Europe through ways of overseas supply chain direct sourcing to bring customers with overseas products at their local prices. On the other hand, the Group enhanced its online and offline two-way marketing via "goodee mobile App". Customers are allowed to place purchase orders at the Group's "goodee mobile App" online counters or at stores' physical counters and merchandise will be delivered directly to customers at the physical store counters, driving a significant increase in customer traffic and sales performance.

Through continuous enhancement of its service quality and creative marketing campaigns, the Group attracted VIP customers and actively expanded its VIP customer base.

— Through continuous recruitment by leveraging on Omni marketing channels, the Group actively expanded the customer base of the younger generation, which added impetus to the growth in the Group's results. As at 31 December 2016, the number of VIP customers of the Group reached approximately 2.7 million. VIP customers' consumption accounted for 55.8% of the Group's total GSP.

— In addition to its regular promotion activities, the Group organised four unified large-scale marketing events across its chain stores, including "Anniversary Celebration", "VIP Day", "Happy Star Camp" and "Black Friday" and achieved GSP of over RMB 1.56 billion, up by 2.8% over the same period last year. Single-store foot traffic increased by 79% year-on-year to a record-high of over 70,000 customers on Nanjing Xinjiekou Store's "Black Friday" event. The Group has also achieved effective promotion of the Golden Eagle brand and enhanced its brand value through the organisation and sponsorship of "2016 Golden Eagle Open — Taiwan Golf Tournament", "Cross-Strait Writing Competition" co-organised with Nanjing Morning Post and "Golden Eagle Calendar Baby Selection".

— Through the effective utilisation of various Omni marketing channels including mobile phone application "goodee mobile App" (掌上金鷹), the WeChat social network platform and the "Electronic VIP Card", during the year, the Group has established and developed an economical and effective Omni marketing channel with integrated customer service platform. The "goodee mobile App" now provides lifestyle services including product promotions, overseas purchase (金鷹購), reward points redemption, e-gift cards, smart parking, optometric centres, VIP courses, hotels and automobile maintenance services. As at 31 December 2016, the "goodee mobile App" has registered over 6.1 million downloads, with over 1.5 million VIP customers connected their VIP cards with the App and an average of 50,000 active daily users.

— The Group is a pioneer to implement centralised merchandise counter payment program and supermarket self-service mobile payment program, achieving organic integration of mobile payment, merchandise and membership management and further enhanced the quality of customer services offered. This program will also facilitate the Group's future VIP big data marketing.

Chairman's Statement

CORPORATE DEVELOPMENT AND INVESTMENT

In 2016, leveraging on the Group's leading position and strong competitive advantages in Jiangsu Province, the Group continued to reinforce its leading position and solidified its presence in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai by establishing comprehensive lifestyle centers with competitive strengths and potential for long-term business growth. Since the beginning of 2016 and up to the date of this report, the Group has opened 2 new "Comprehensive Lifestyle Centers".

— On 23 December 2016, the Group's Xi'an Qujiang Lifestyle Center commenced trial operation. The store is located at the core business district of Xi'an Qujiang New District with a gross floor area ("GFA") of approximately 50,000 square meters, and is directly connected to Metro Line 4. The store brings together multi-functional facilities and amenities, including fashion shopping, catering, parenting activities, entertainment and leisure as well as fitness center, offering customers the opportunity to experience fashionable and innovative lifestyle shopping in Qujiang New District. Xi'an Qujiang Lifestyle Center and Xi'an Datang Furong Xintiandi, which complement each other, form a commercial complex with aggregate GFA of over 250,000 square meters. As an innovative attempt of light asset business model based on the Group's years of experience in retail operation and management, Xi'an Qujiang Lifestyle Center has become the Group's first managed store, which complements with the Group's Xi'an Gaoxin Store to further consolidate the Group's presence in Xi'an.

— On 18 January 2017, the Group's Suzhou Gaoxin Lifestyle Center commenced trial operation. The store is located above the underground interchange station of Suzhou Metro Lines 1 and 3 and at the core business district of Suzhou Gaoxin district, adjacent to Suzhou Amusement Land, with a GFA of approximately 176,000 square meters. Featuring multi-functions of G-Takaya boutique bookstore, family paradise, premium supermarket and specialty food and beverage, Suzhou Gaoxin Lifestyle Center has become families' preferred place for shopping and leisure in Suzhou Gaoxin district, and the new shopping experience it brings to the local customers has attracted a lot of foot traffic.

— The Group's Shanghai Store, Nantong Renmin Road Store and Wuhu New City Store were re-launched in October 2016 upon completion of precise market positioning and overall optimisation.

The Group stepped up its strategic investment in the industry value chain in 2016 by investing in and cooperating with businesses with high growth potential, such as Beijing Caissa Travel, Shinwon Group — a renowned Korean apparel group, BLOVES - a leading high-end custom jewelry wedding rings brand in China, Fountown - a leading brand of shared office in China, TOEBOX - Korea's No.1 kids' footwear retailer, Ye Dental Hospital - Korea's No.1 dental hospital, GOLFZON — an internationally renowned indoor golf brand, MQ Coffee — a unique fine coffee brand in Shanghai, etc., and achieving organic integration of featured commercial brands and the Group's business resources. While establishing its unique competitive advantages, the Group can also enjoy the fruit of business development of the featured commercial brands. It is worth mentioning that, with its excellent operating performance and favorable prospects for development, Beijing POPMART in which the Group has invested was listed on National Equities Exchange and Quotations in Beijing in February 2017, while TOEBOX is also expected to be listed on KASDAQ in Korea in April 2017.

Chairman's Statement

OUTLOOK

Looking into the macro economy in 2017, despite negative impacts brought from the policy of trade protectionism on growth of the global economy, some of the major economies, in particular the US fiscal stimulus measures, will continue to boost the global economy at a higher-than-expected rate of growth. With the recovery of bulk commodity prices, economic growth of developing countries in 2017 is expected to be of a higher rate than that in 2016. Against this international economic backdrop, to strive for achieving the twin objectives of steady growth and structural reform of the Chinese economy, China has to expand effective demand while actively promoting structural reform from the supply end.

The management remains optimistic about China's retail market development in the future. In 2017, the Group will proactively explore effective ways to integrate its existing business resources and further reinforce its efforts in exploring unique and new types of functions and amenities for its business. It will also endeavour to enhance the attractiveness to boost customer traffic and profitability of its comprehensive lifestyle centers so as to reinforce its leading position in the industry. These measures include: (i) developing itself into a professional retailer which provides high quality innovative comprehensive services, prioritising the development of functions and product categories that enhance customers' shopping experience, with high growth potential and high gross margin, increasing the types of lifestyle functions that cater for mainstream customers' demands for consumption upgrade, including healthcare, maternity products, children's early education, lifestyle and tourism, as well as culture and creativity, etc. in order to enhance its comprehensiveness for shopping, leisure and family gatherings; (ii) further increasing the controllable merchandise resources. Based on the functions and amenities under its G • LIFE series, the Group will continue to develop and promote high-value-for-money merchandise under the brands which the Group has close exclusive cooperation relationships with and the Group's proprietary brands and continue to enhance distinctive merchandise resources as well as the rapid replicate expansion capabilities, which will strengthen the Group's long-term core competitiveness; (iii) continuing to optimise the Omni-business model that suits the Group's own way of development and adapts to the consumption patterns of VIP customers and newly recruited young customers. On the basis of expanding sales of the current overseas hot-selling products, the Group will also focus on promoting sales of tailor-made and high-value-to-money products in lifestyle category to develop Omni-sales channel covering the Group's entire chain store network. As such, the Group will be able to implement interactive conversion of online and offline traffic in a cost-effective way; and (iv) endeavoring to nurture core senior management talents, continuing to optimise the management structure and improving the overall operational efficiency.

Chairman's Statement

The Group will continue to develop its new chain stores at a steady pace. In 2017, the Group will focus its resources in launching its Golden Eagle World in Nanjing, Phase II of Nanjing Xianlin Store and Yangzhou Golden Eagle New City Centre. In particular, it is important to point out that Golden Eagle World, which is located at the core business district of Nanjing Hexi with total investment reaching over RMB10 billion, is the world's tallest asymmetric three-tower skyscraper under construction. The total GFA of the project reaches approximately 920,000 square meters, with grade 5E high-end office area of approximately 170,000 square meters, five-star hotel with more than 500 guest rooms of approximately 80,000 square meters, and high-quality international apartments of approximately 120,000 square meters in addition to the 500,000 square meters of commercial and affiliated area to be operated by the Group. After Golden Eagle World commences operation, it will become the Group's new flagship store with annual revenue of over RMB10 billion, Asia's largest comprehensive lifestyle center with multiple functions and amenities, as well as a new commercial landmark in eastern China and even the entire China. It is expected to reinforce the Group's leading industry position in Yangtze River Delta region and become a long-term growth driver for the Group in the next two decades.

Leveraging on the Group's leading position in Jiangsu Province and its competitive edge, the Group will consolidate its presence in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai through development of comprehensive lifestyle centers at self-owned properties or through other means including mergers and acquisitions. Such move will strengthen the Group's competitive strength for long-term business growth and allow the Group to gradually accomplish its target of becoming a national-wide chain store operator. The Group will leverage on the foundation of its existing brand resources, introduce a collection of unique and distinctive merchandise brands into its floor area and strengthen its cooperation and collaboration with distinctive international brands that are in line with the development strategy of comprehensive lifestyle concept. It will actively develop new business models with good prospects and as an extension to develop a commercial retail platform.

Lastly, on behalf of the Board, I would like to express my heartfelt gratitude to all our staff members for their hard work and dedication and thank our shareholders, business partners and customers for their enduring support. In 2017, the Group will continue to overcome difficulties and grasp opportunities and make effort to innovate as a cohesive force so as to achieve better results.

Wang Hung, Roger
Chairman

30 March 2017

Management Discussion and Analysis

FINANCIAL REVIEW

GSP and Revenue

During the period under review, although the Group continued to face a challenging and volatile economic environment and the intensifying competition from the emerging retail industry, GSP of the Group remains stable and amounted to RMB16,399.3 million, representing a year-on-year growth of 0.7% or RMB107.5 million, which was mainly attributable to the net effects of (i) a decrease in SSSG by 4.1% as the Group has endeavoured to focus on productive sales with reasonable profit margin; and (ii) the inclusion of full year sales proceeds of those stores which commenced operation, namely Kunshan Store, Jiangning Store and Ma'anshan Store, or those stores or projects which were acquired by the Group, namely Wuhu Store, in the year 2015.

The 6 new lifestyle centers opened since September 2014, namely Yancheng Julonghu Store, Nantong Lifestyle Center, Danyang Store, Kunshan Store, Jiangning Store and Ma'anshan Store generated GSP in the aggregate sum of RMB2,012.9 million (2015: RMB1,440.9 million) which contributed 12.3% (2015: 8.8%) of the Group's total GSP during the year 2016.

During the year 2016, concessionaire sales contributed 82.1% (2015: 85.9%) of the Group's GSP, representing a decrease of 3.8% from RMB13,993.1 million to RMB13,454.8 million, and direct sales contributed 12.6% (2015: 12.4%) of the Group's GSP, representing an increase of 2.3% from RMB2,024.8 million to RMB2,071.9 million. Rental income contributed 2.0% (2015: 1.5%) of the Group's GSP, representing an increase of 39.4% from RMB236.5 million to RMB329.7 million while sales of properties and other income contributed the remaining 3.3% (2015: 0.2%) of the Group's GSP, representing an increase from RMB37.4 million to RMB542.9 million.

Commission rate from concessionaire sales increased to 18.1% (2015: 17.7%) while the gross profit margin from direct sales decreased to 15.5% (2015: 18.1%), resulting the increase in the overall gross profit margin from concessionaire sales and direct sales to 17.8% (2015: 17.7%). The increase was mainly due to the net effects of (i) the Group's continuous efforts to focus on productive sales with reasonable profit margin; (ii) the increase in sales contribution from younger stores which carry lower commission rates as compared to mature stores like Nanjing Xinjiekou Store; and (iii) the inclusion of automobile sales which carry lower gross profit margin.

In terms of GSP breakdown by categories on concessionaire sales and direct sales, apparel and accessories contributed 50.9% (2015: 51.4%) of the GSP, gold, jewellery and timepieces contributed 16.9% (2015: 17.9%), cosmetics contributed 9.6% (2015: 8.9%), outdoor and sportswear contributed 7.1% (2015: 6.0%), and the remaining categories including electronics and appliances, tobacco and wine, household and handicrafts, supermarket, children's wear and toys contributed the remaining 15.5% (2015: 15.8%).

Sales of properties with a total GFA of 40,070 square meters amounted to RMB417.6 million was contributed by the sales of properties of the Riverside Century Plaza Project located at Wuhu City, Anhui Province and is one of the projects acquired by the Group in the year 2015. The booked gross profit margin for the year 2016 was 27.9%.

Management Discussion and Analysis

The Group's total revenue amounted to RMB4,694.3 million, representing an increase of 14.7% from that of last year. The increase in revenue was generally in line with the increase in GSP and improvement in overall profit margins.

Other income, gains and losses

Other income, gains and losses mainly comprised (i) various miscellaneous income from suppliers and customers; (ii) net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB; and (iii) the gains and losses and dividend income arising from the Group's various investment activities.

Other income, gains and losses decreased by RMB357.2 million or 92.2% from a net gain of RMB387.6 million (restated) to RMB30.4 million for the year 2016. Such decrease was primarily due to (i) the increase in net foreign exchange loss by RMB94.9 million to RMB522.0 million as a result of the fluctuations in RMB exchange rates during the period under review; (ii) the decrease in gains on disposals of the Group's securities investments by RMB148.1 million from RMB203.0 million to RMB54.9 million. As at 31 December 2016, the value of the Group's securities investments in aggregate amounted to RMB400.7 million (2015: RMB397.0 million); and (iii) the absence of one-off gains and losses in the year 2015 amounted to RMB292.4 million, including (a) the bargain purchase gain arising on the acquisition of the Global Era Group amounted to RMB559.7 million (restated), (b) impairment loss/provisions which amounted to RMB317.2 million in relation to store suspension in 2015, (c) the aggregate gains on the disposal of a subsidiary and an associate of the Group amounted to RMB30.3 million, and (d) the gain on the Group's redemption of USD21.5 million senior notes which amounted to RMB25.8 million.

Changes in inventories of merchandise and cost of properties sold

Changes in inventories of merchandise and cost of properties sold represented the cost of goods sold under the direct sales business model and the cost of properties sold. Changes in inventories of merchandise and cost of properties sold increased by RMB395.7 million or 28.1% to RMB1,803.4 million for the year 2016. The increase was generally in line with the increase in direct sales and sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB39.5 million or 7.9% to RMB461.3 million for the year 2016. The decrease was primarily attributable to the net effects of: (i) the inclusion of full year employee benefits expense of those stores which commenced operation or acquired in the year 2015; (ii) the continuous efforts in streamlining roles and functions at all levels; and (iii) the continuous investment in human resources for the implementation of the Group's "comprehensive lifestyle concept".

Employee benefits expense as a percentage to GSP decreased by 0.3 percentage point to 3.3% as compared to 3.6% for the same period last year.

Management Discussion and Analysis

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and release of prepaid lease payments on land use rights increased by RMB32.0 million or 9.1% to RMB384.8 million for the year 2016. The increase was primarily due to the inclusion of full year depreciation and amortisation of those stores which commenced operation or were acquired in the year 2015.

Depreciation and amortisation expenses as a percentage to GSP increased by 0.2 percentage point to 2.7% as compared to 2.5% (restated) for the same period last year.

Rental expenses

Rental expenses increased by RMB8.7 million or 4.3% to RMB214.5 million for the year 2016. This was mainly contributed by the net effects of (i) the inclusion of full year rental expenses of those stores operating in leased properties which commenced operation in the year 2015, namely Danyang Store, Jiangning Store and Ma'anshan Store; (iii) the decrease in rental expenses by RMB21.2 million for those stores which have suspended operation or closed during the year 2015; and (iii) the increase in sales contribution from these stores which are operating in leased properties and paying rental expenses with reference to a percentage of GSP.

Rental expenses as a percentage to GSP remains stable at 1.5%.

Other expenses

Other expenses decreased by RMB75.5 million or 10.2% to RMB667.0 million for the year 2016. Other expenses mainly include water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fees. The decrease was primarily contributed by the net effects of: (i) the inclusion of full year other expenses of those stores which commenced operation or acquired in the year 2015; and (ii) the management's continuous efforts of disciplined cost control during the period under review.

Other expenses as a percentage to GSP decreased by 0.5 percentage point to 4.8% as compared to 5.3% for the same period last year.

Share of (loss) profit of associates

Share of (loss) profit of associates mainly represented the Group's share of results of its 42.6%-owned (2015: 38.4%) associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司).

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 decreased by RMB68.2 million or 28.8% to RMB168.9 million for the year 2016 which was primarily due to the net effects of: (i) the deployment of more capital in the acquisition and construction of the Group's chain stores and/or upgrade during the period under review; and (ii) the decrease in interest income derived from the deposit paid for acquisition of Suzhou Qianning following the partial repayment of deposits during the year 2016.

Management Discussion and Analysis

Finance costs

Finance costs comprised interest expenses on the Group's bank loans, senior notes and PRC Medium-term Notes. Finance costs increased by RMB99.5 million or 45.5% to RMB318.2 million for the year 2016. The increase was primarily due to the increase in borrowings and interest rates during the period under review.

Income tax expense

Income tax expense of the Group increased by RMB91.0 million or 19.3% to RMB562.2 million. Effective tax rate for the period under review was 58.4% (2015: 36.4% (restated)). The increase in effective tax rate by 22.0 percentage points was mainly due to the increase in offshore non-deductible expenses, including the finance costs and foreign exchange losses.

Profit for the year

Owing to the increase in profit from operations and decrease in non-operating income, profit for the year decreased by RMB421.3 million or 51.2% to RMB401.0 million.

Profit from operations (net profit before interest, tax and other income and losses) increased by RMB267.1 million or 22.1% to RMB1,475.5 million, while profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses) amounted to RMB1,860.3 million, increased by 19.2%.

Profit from retail operations (net profit before interest, tax and other income and losses and excluding profit from property sales and hotel operations) increased by RMB179.5 million or 11.5% to RMB1,740.7 million.

As at 31 December 2016, excluding those stores which have suspended operation or closed during the comparable period, the aggregate net operating losses generated by 8 (2015: 9) loss making stores amounted to RMB66.7 million (2015: RMB117.4 million). Among these stores, 3 stores (including two stores acquired in 2015) were previously closed and re-opened in October 2016 upon completion of precise positioning and overall optimisation and these stores generated losses of RMB18.3 million during the period under review.

Capital expenditure

Capital expenditure of the Group for the year 2016 amounted to RMB447.5 million (2015: RMB1,040.8 million).

The amount mainly comprised contractual payments made for acquisition of property, plant and equipment and land use rights, construction of greenfield chain store projects 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 the local markets.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, 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 RMB5,611.8 million (2015: RMB4,290.9 million) whereas the Group's total borrowings (including bank borrowings, senior notes and PRC Medium-Term Notes) amounted to RMB9,428.1 million (2015: RMB8,311.8 million). For the year ended 31 December 2016, the Group's net cash generated from operating activities amounted to RMB1,436.2 million (2015: RMB1,017.2 million), the Group's net cash used in investing activities amounted to RMB2,230.5 million (2015: RMB649.1 million) and the Group's net cash used in financing activities amounted to RMB378.6 million (2015: net cash generated from financing activities amounted to RMB43.2 million).

The Group's bank borrowings amounted to RMB5,332.8 million (2015: RMB5,878.6 million) which comprised a 3-year dual-currency syndicated loan of RMB5,242.8 million (2015: RMB4,866.4 million) and secured bank loans of RMB90.0 million (2015: RMB778.5 million). The Group's bank borrowings in 2015 also included unsecured short-term bank loans of RMB233.7 million which were fully repaid during the year 2016. Senior notes of the Group amounted to RMB2,602.7 million (2015: RMB2,433.2 million) and the PRC Medium-term Notes amounted to RMB1,492.7 million (2015: nil) as at 31 December 2016.

During the year ended 31 December 2016, the Group has applied, registered and received the notice of registration for the proposed issuance of medium-term notes with an aggregate maximum principal amount of RMB3,000.0 million with the National Association of Financial Market Institutional Investors. On 21 September 2016, the Group issued first tranche of the PRC Medium-Term Notes in the amount of RMB1,500.0 million in the national inter-bank market in the PRC. The proceeds of the PRC Medium-Term Notes were used to refinance the Group's short-term bank loans and for other general corporate purposes.

During the year ended 31 December 2015, the Group has breached certain financial covenants imposed by the terms of the syndicated loan. The Directors of the Company were of the view that it is unlikely the lenders will demand immediate repayment and on discovery of such breach, the management of the Company commenced negotiations with the lenders for a consent wavier. On 24 June 2016, such consent wavier was obtained from lenders and the syndicated loan was therefore reclassified under non-current liability during the year 2016.

Total assets of the Group as at 31 December 2016 amounted to RMB21,893.4 million (2015: RMB19,828.9 million (restated)) whereas total liabilities of the Group amounted to RMB16,846.3 million (2015: RMB14,720.2 million (restated)), resulting in a net assets position of RMB5,047.1 million (2015: RMB5,108.7 million (restated)). The gearing ratio, calculated by dividing the total borrowings over the total assets of the Group, increased to 43.1% as at 31 December 2016 (2015: 42.0%).

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 December 2016, the Group has no material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Certain bank balances and cash, restricted cash, available-for-sale investments, bank loans and senior notes of the Group are denominated in HKD or USD which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between HKD/USD and RMB. For the year ended 31 December 2016, the Group recorded a net foreign exchange loss of RMB522.0 million (2015: RMB427.1 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2016, the Group employed a total of 5,730 employees (2015: 6,200 employees) with remuneration in an aggregate amount of RMB461.3 million (2015: RMB500.8 million). The remuneration policies of the Group are formulated with reference to market practices, experiences, skills and performance of the individual employee and will be reviewed every year.

Directors and Management Profiles

DIRECTORS

Executive Directors

Mr. Wang Hung, Roger (王恒), aged 68, is the chairman of the Company and 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 was 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), an executive member of China Business Council, an executive vice president of the Fifth Council of Nanjing City Overseas Exchange Association in 2016. Mr. Wang was also awarded Entrepreneur of the Year 2011 China by Ernst & Young. He has over 39 years of experience in the development and management of real estate and department store retailing and has served the Group for more than 24 years.

Ms. Wang Janice S. Y. (王宣懿), aged 33, joined the Group in 2006 and has held various positions in merchandising and retail operation. Ms. Wang has over 10 years of experience in retail and merchandising management and has served the Group for more than 10 years. Ms. Wang currently serves as the General Manager of the Group's Shanghai Store and as a member of the Chairman's Office. She is also responsible for managing the Group's Merchandising Center, focusing on brand-building and tenant relationships management. She is also involved in the exploration of investment opportunities for the Company. Further, Ms. Wang actively participates in the Group's ongoing diversification and development strategies. Prior to joining the Group, she worked as a loan analyst at East West Bank in the United States, specialising in trade finance. Ms. Wang graduated from University of California, Los Angeles with a bachelor's degree in History/Art History in 2005. Ms. Wang is the daughter of Mr. Wang Hung, Roger, the chairman and an executive director of the Company.

Directors and Management Profiles

Independent non-executive Directors

Mr. Wong Chi Keung (黃之強), aged 62, 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 was a Responsible Officer for asset management and advising on securities for CASDAQ International Capital Market (HK) Company Limited under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an 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 Shanshui Cement Group Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Fortunet e-Commerce Group Limited, Heng Xin China Holdings Limited, Nickel Resources International Holdings Company Limited (formerly known as China Nickel Resources Holdings Company Limited), Yuan Heng Gas Holdings Limited (formerly known as Ngai Lik Industrial Holdings Limited), Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company Limited, all of which are listed on the Stock Exchange. Mr. Wong has retired as an independent non-executive director of PacRay International Holdings Limited (formerly known as PacMOS Technologies Holdings Limited) which is listed on the Stock Exchange, with effect from 1 July 2014. Mr. Wong has over 40 years of experience in finance, accounting and management and has served the Company since February 2006.

Mr. Lay Danny J (雷王鯤), aged 65, graduated with a B.S. in Physics from Chung Yuan University of Taiwan and a MBA degree from Drury University in Missouri of the United States of America. Mr. Lay is now the consultant of Emerson Group. Mr. Lay is a fellow member of Hong Kong Institute of Directors and a member of the Board of Trustees at Drury University in Missouri of the United States of America. Mr. Lay has over 32 years of experiences in operational management. He was (i) the Special Assistant to the Governor of the State of Missouri, United States of America; (ii) the Commissioner for U.S. Banks; (iii) the General Manager of Ridge Tool Asia Pacific; (iv) the Director of Ridge Tool (Australia) Pty. Ltd., Leroy Somer Electro-Technique (Fuzhou) Co., Ltd., Tsubaki Emerson Co. Osaka, Japan, ClosetMaid (Jiangmen) Ltd., Tsubaki Emerson HSC (Tianjin) Co., Emerson Electric (China) Holdings Co., Ltd., Zhejiang Emerson Motor Co. Ltd., Emerson Electric (M) Sdn. Bhd., Emerson Electric (Thailand) Ltd., the Director and President of Emerson Electric Company, Greater China; (v) the Chairman and General Manager of Emerson Trading (Shanghai) Co., Ltd.; (vi) the Managing Director of Emerson Electric (Taiwan) Co., Ltd.; (vii) the Business Leader of Emerson Commercial and Residential Solutions, Asia Pacific Region; (viii) the Vice President of Business Development & Operations, Emerson Electric Company, South-east Asia Region; (ix) the Chairman and Director of Emerson Professional Tools (Shanghai) Ltd. and (x) the Director of Emerson Junkang Enterprise (Shanghai) Co., Ltd.. He is also an independent non-executive director of Pantronics Holding Company Limited (a company listed on the Hong Kong Stock Exchange) and Forward Electronics Company, Limited (a company listed on the Taiwan GreTai Securities Market). Mr. Lay has resigned as a Director of Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司) (a company listed on the Taiwan GreTai Securities Market), which is an associate of the Company, with effect from 3 August 2015. He has served the Company since May 2015.

Directors and Management Profiles

Mr. Wang Sung Yun, Eddie (王松筠), aged 72, graduated from Chung Yuan University of Taiwan with a Bachelor degree in Architecture in 1968 and obtained his Master degree in Architecture from the University of Illinois, Champaign, Urbana of the United States in 1971. He is the president of TDC China, F+T Group China. He is the founder and president of GLC Enterprises, LLC, an international real estate development service company. Amongst its various projects, Paradise Valley has embarked on an extraordinary undertaking to apply the principles of social, economic and environment sustainability to the design and development of a smart growth community, which is located in Coachella Valley, California. Mr. Wang joined Jerde Partnership at its inception in 1977, which was a visionary architecture and master planning firm that designs unique places – delivering memorable experiences and attracting millions of people every day. From 1996 to 2002, Mr. Wang served as its president to help building the firm's organisation and philosophy. He was responsible for the innovative strategic business development policies that led Jerde Partnership to prominence. Jerde Partnership pioneered experiential place-making, a discipline that revitalised cities worldwide, including Rotterdam, Holland; San Diego, California; Fukuoka, Japan and multiple cities in China where the urban shopping center has become a significant real estate and development phenomenon. Being professionally licensed in 24 states in the United States, Mr. Wang has consistently supported the design profession and community and acted as speakers at various forums including, inter alia, Urban Land Institute, International Council of Shopping Centers and summer school of Harvard University's Graduate School of Design. He serves as an Advisory Board Member at the University of Southern California's School of Policy, Planning and Development. He was honored as a member of the International Who's Who of the Professionals in 1996 and was on the Board of the Los Angeles National Bank and California Chinese-American Construction Professionals. He was also on the Board of Trustee of Woodbury University, Burbank, California from 1995 to 2015. He was elected as an independent non-executive Director of the Company on 13 May 2015.

SENIOR MANAGEMENT (MEMBERS FROM THE CHAIRMAN'S OFFICE)

Mr. Su Kai (蘇凱), aged 39, is the Chief Executive Officer of the Group. Mr. Su graduated from Henan University of Science and Technology (河南科技大學) in automation in 1999 and obtained a MBA degree from Shanghai Jiaotong University (上海交通大學) in 2007. He was the chief executive officer of San Fu Department Store Ltd. (三福百貨有限公司), a leading specialty retailer of private label apparel (SPA) department store in China; the general manager of IBM Global Business Services Division Nanjing Branch; the regional director of the Eastern Region, Southern Region and Greater China Region of Kronos as well as the person-in-charge of the United States Workforce Institute China Branch; and the branch manager of BenQ Guru Nanjing Branch. He joined the Group in July 2014 and was appointed as the Chief Executive Officer in August 2014. Mr. Su is responsible for managing the Group's overall daily operations. Mr. Su has over 17 years of extensive management experiences in retail management, business strategy development, human resource management and information technology industry and has served the Group for more than 2 years.

Directors and Management Profiles

Mr. Zhu Yongfei (朱永飛), aged 52, is the senior vice president of the Group. Mr. Zhu obtained a bachelor degree in Power Vacuum Technology Professional from Southeast University (東南大學) in 1985. He joined Golden Eagle International Group in August 2012 and served as the assistant president of Golden Eagle International Group and the general manager of Golden Eagle International Properties Asset Management Co., Ltd.. He also served as the general manager of merchandising operation management center in Golden Eagle International Group in April 2013. He was re-designated to the Group in August 2014, and is responsible for new store construction management and coordination. Mr. Zhu has over 22 years of experience in corporate and merchandising management and has served the Group for more than 4 years.

Ms. Wang Xuan (王軒), aged 43, is the vice president of the Group. Ms. Wang graduated from Nanjing University of Science and Technology (南京理工大學) in 1995, majoring in International Economy and Trading. She joined the Group in 2004. Ms. Wang served as the manager, deputy director and director of the administration department and assist president of the Group. She was promoted as the vice president of the Group in February 2017. Ms. Wang is responsible for the integration of the Group's human resources and administration functions and has over 22 years of experience in administration and human resources management and has served the Group for more than 12 years.

Ms. Zhang Wanyu (張文煜), aged 46, is the vice president of the Group. Ms. Zhang obtained a MBA degree from Nanjing University (南京大學) in 2011. She joined the Group in 2011 as director of the finance department. She was re-designated to Nanjing Xinbai Holdings Group Co., Ltd. as director of the finance department and assistant to general manager. She was re-designated to the Group in August 2015 as assistant president and was promoted as the vice president of the Group in February 2017. Ms. Zhang is responsible for the Group's financial management, internal audit and asset management. Ms. Zhang has over 24 years of experience in financial management and has served the Group for more than 5 years.

Ms. Tai Ping, Patricia (戴苹), aged 44, is the Chief Financial Officer of the Group. Ms. Tai obtained a double bachelor degree in Accounting and Information System degree from Monash University, Australia in 1995. Ms. Tai is a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Tai joined the Group in September 2008 as the assistant president of the Group and was promoted as the Chief Financial Officer in April 2009. She has also served as the Company Secretary of the Company from December 2010 onwards. Ms. Tai has over 21 years of experience in auditing and financial management and has served the Group for more than 8 years.

Mr. Tan Guanglin (談廣林), aged 37, is the assistant president of the Group. Mr. Tan joined the Group in 2002. He served as the deputy director and the director of Information Department of Yangzhou Store, the director of Information Center of the Group, the assistant to general manager and the deputy general manager of Yangzhou Store, the deputy general manager and the general manager of Information Center of the Group. He was promoted as the assistant president of the Group in February 2017 and is responsible for the information management and marketing and promotion planning of the Group. Mr. Tan has more than 14 years of experience in information management and marketing and promotion planning and has served the Group for more than 14 years.

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 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 for the year ended 31 December 2016.

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 Group and is responsible for promoting the success of the Group 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 is required 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.

BOARD COMPOSITION

During the year ended 31 December 2016, 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. Lay Danny J and Mr. Wang Sung Yun, Eddie. Other than being members of the Board, there is no other relationship between the members of the Board. The Board believes that the composition of 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 report.

During the year ended 31 December 2016, 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, diversity 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

During the year under review, the Chairman of the Board took a leading role in the day-to-day management and is responsible for the effective functioning of the Board. He was also responsible for the overall strategic development of the Group. Mr. Su Kai (蘇凱) has acted as the chief executive officer of the Company since 25 August 2014, and was responsible for managing the Group's overall daily operations. The Group's senior management team was responsible for implementation of business strategy and management of the day-to-day operations of the Group's business.

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 and diversity 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.

Corporate Governance Report

According to the code provision A.4.3 of the Corporate Governance Code under Appendix 14 of the Listing Rules, if an independent non-executive director has served more than 9 years, his appointment should be subject to a separate resolution to be approved by the shareholders. Mr. Wong Chi Keung was appointed as an independent non-executive Director of the Company on 26 February 2006 and has served more than 9 years. The Board, taking into account the fact that the Group has no financial, business, family nor other material relationship with Mr. Wong Chi Keung other than his directorship in the Company, considers that he is still independent and should be re-elected. A separate resolution will be proposed at the forthcoming annual general meeting for the re-election of Mr. Wong Chi Keung.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the year ended 31 December 2016, two Board meetings were held and one set 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 two Board meetings was as follows:-

Mr. Wang Hung, Roger (2/2)
Mr. Wong Chi Keung (2/2)
Mr. Lay Danny J (2/2)
Mr. Wang Sung Yun, Eddie (2/2)

During the year ended 31 December 2016, 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)
Mr. Wong Chi Keung (1/1)
Mr. Lay Danny J (0/1)
Mr. Wang Sung Yun, Eddie (0/1)

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 2016. 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 2016. This responsibility has also been mentioned in the Independent Auditor's Report on pages 78 to 82 of this annual report.

In preparing the financial statements for the year ended 31 December 2016, 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.

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 2016 and interim results of the Group for the six months ended 30 June 2016 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 pages 78 to 82 of this annual report. The auditors of the Company received approximately RMB2.38 million for the provision of audit services rendered during the year ended 31 December 2016 and no non-audit services had been rendered by the auditors of the Company during the period under review.

Corporate Governance Report

RISK MANAGEMENT, INTERNAL CONTROL AND THEIR EFFECTIVENESS

The Board has the overall responsibility for maintaining sound and effective internal controls and risk management 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 2016, the internal audit department had conducted reviews on the effectiveness of the internal control and risk management system covering all material factors related to financial, operational, compliance controls, various functions for risk management and asset 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 risk management and discussed findings and actions or measures taken in addressing those findings. The Company considers the internal control and risk management system is effective during the year under review. No material issues on the Group's internal control and risk management system have been identified by the Group's internal audit department and the Company's external auditors during the year ended 31 December 2016 which required significant rectification works.

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 2016 is as follows:

	Reading	Attending training programs
Mr. Wang Hung, Roger	√	√
Mr. Wong Chi Keung	√	√
Mr. Lay Danny J	√	√
Mr. Wang Sung Yun, Eddie	√	√

Corporate Governance Report

BOARD COMMITTEES

During the year ended 31 December 2016, 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

During the year ended 31 December 2016, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Wang Sung Yun, Eddie. 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 and risk management system.

During the year ended 31 December 2016, the Audit Committee reviewed the Group's interim and annual accounts and the effectiveness of internal control and risk management system. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30 June 2016 and for the year ended 31 December 2016;

(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 2016.

During the year ended 31 December 2016, two Audit Committee meetings were held. The individual attendance of its members is as follows:-

Mr. Wong Chi Keung (2/2), Mr. Lay Danny J (2/2) and Mr. Wang Sung Yun, Eddie (2/2).

Remuneration Committee

During the year ended 31 December 2016, the Remuneration Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lay Danny J. The Remuneration Committee is chaired by Mr. Lay Danny J.

Corporate Governance Report

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 talents to manage the Group effectively; (ii) to determine, with the delegated responsibility, the specific remuneration packages of all executive Director and senior management; (iii) to assess the performance of the executive Director; and (iv) to approve the terms of the service contracts of the executive Director. The Directors and their associates do not participate in the decisions in relation to their own remuneration.

During the year ended 31 December 2016, 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. Lay Danny J (1/1), Mr. Wang Hung, Roger (1/1) and Mr. Wong Chi Keung (1/1).

Nomination Committee

During the year ended 31 December 2016, the Nomination Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lay Danny J. 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 2016, 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 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 Directors and employees; 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 report. The Company Secretary took no less than 15 hours of relevant professional training during the year ended 31 December 2016 as required by the Listing Rules.

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 Director 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 various 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 disclosures about important issues, including performance, fundamental business strategy, governance and risk management are disseminated 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 updates of the Group's information on the websites of the Company and the Stock Exchange
- meetings 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 on the Group's vision and strategies.

Corporate Governance Report

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company did not amend its Articles of Association during the year ended 31 December 2016.

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

Environmental, Social and Governance Report

This is the Group's first Environmental, Social and Governance (the "ESG") report following the ESG Reporting Guide (the "Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group has complied with the "comply or explain" provisions set out in the Guide for the year ended 31 December 2016.

The Group is principally engaged in the development and operation of lifestyle center and stylish department store chain in the People's Republic of China (the "PRC"). Apart from this, the Group also engages in property development and hotel operation comparatively in smaller scale.

In this ESG report, the main focus is on the Group's Nanjing headquarter and its lifestyle center and stylish department store chain operations in the PRC and its adjacent employee's dormitory, which are the areas that represent the majorities of the Group's social, environmental and economic impact that the Group believes to be relevant and important.

THE GROUP'S INITIATIVES

The Group's initiatives in implementing environment and social-related policies are as follows:

1. to effectively optimise the use of resources and recycle of materials;

2. to encourage customers, business partners, construction contractors and employees to be environmentally preservative;

3. to strive for a sustainable return to our stakeholders; and

4. to contribute to our community and society generally.

A. ENVIRONMENTAL

The Group is committed to the long term sustainability of the environment and communities in which it operates and to become an environmentally-friendly corporation. The Group encourages not only its employees to be environmentally preservative, but also arouses such awareness to its customers, business partners and construction contractors.

The Group's lifestyle center and stylish department store chain are located in different cities and provinces of the PRC. The main emissions and wastes produced by the Group are primarily attributable to its use of electricity, water, paper and plastic bags. The Group does not produce any hazardous waste in its operations. In addition, the Group does not produce any material construction wastes as a large majority of the Group's construction and renovation works on building and refurbishing retail floor space were sub-contacted to external contractors. However, the Group strives to reduce the needs for renovation and refurbishment, and gradually unifying our interior counter design to minimise construction wastes. The Group also encourages its contractors to adopt environmental friendly construction processes and to use environmental friendly building materials, such as adhesives, paints, coatings etc.

Environmental, Social and Governance Report

The Group strives to minimise its environmental impact by recycling the use of materials such as office supplies and reducing the consumption of natural resources such as electricity and water supply. For the purpose of conserving the environment, the Group has implemented green office practices such as the extensive use of paperless OA System, encouraging the use of recycled paper for printing and copying, the choice of double-sided printing and copying and the reduction of energy consumption by switching off idle lightings, air conditioning and electrical appliances. LED lights, high efficiency, long-life and low power consumption, have been gradually installed replacing the traditional lightings in retail chain stores since 2014 that help to save more energy. In addition, most of the escalators in retail chain stores have installed sensors which control the operating time to save the use of electricity. In terms of conserving water, most of the taps in the retail chain stores and the Group's offices have installed sensors to reduce the water consumption.

During the business operations, plastic bags have been used by business partners, as major packaging materials upon delivery to the Group's stores. The Group has encouraged our business partners to reduce use of the packing materials and the usage of recycled packing materials. To advocate environmental responsible, the Group provided customers with paper bags or non-woven bags in their retail floor space. Reduction on plastic bag consumption was also achieved through charging customers for plastic bags at the Group's supermarket section.

The Group will review its environmental preservation practice from time to time and consider implementing further ecofriendly measures, sustainability targets and practices in the business operations of the Group in order to embrace the principles of reduce, recycle and reuse, and further minimise the Group already low impact on the natural environment.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resource relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Stakeholders Engagement

The Group's success depends on the support from key stakeholders which comprise employees, customers and business partners.

Employees

Employees are regards as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package. The management has also implemented a sound performance appraisal system with appropriate incentives for the purpose of promoting career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group maintains a good relationship with its customers. It is the Group's mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

Business partners

Sound relationships with key business partners of the Group are important in supply chain, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The Group has developed long-standing relationships with a number of business partners and will ensure that they share the Group's commitment to quality and ethics.

B. SOCIAL

Employment

As at 31 December 2016, the Group had 4,800 employees (2015: 5,700 employees) in the operation of the lifestyle center and stylish department store chain in the PRC. All of the employees have employment contracts that cover matters such as wages, working hours, rest periods, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses and share options where appropriate to qualified employees based on operation results and individual performance. The employees are also entitled to various commercial insurance coverage such as social welfare insurance and housing provident fund as required by law, safety insurance with reference to the relevant work responsibility, medical insurance and child insurance.

Furthermore, the Group has taken steps and initiations to maintain a harmonious labour relationship. The Group has worked with labour unions to organise a wide range of leisure and cultural activities to express its care to the employees and promote healthy life style and strengthen their sense of belonging and cohesiveness to the Group. The leisure and cultural activities included New Year dinner gathering, badminton competition, Autumn hiking and annual field trip for outstanding employees for the year.

The Group is not aware of any material non-compliance with any relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the reporting period.

Environmental, Social and Governance Report

Employee Health and Safety

The Group endeavours to provide a safe working environment for its employees. As part of the Group's employee health and safety policy, the Group has adopted a written internal guideline with reference to applicable laws in the PRC relating to occupational safety and health for employees. The Group strives to maintain comfortable and safe environment for its employees, customers and business partners, such as maintaining proper lighting and ventilation system and a clean environment in our lifestyle center, department stores and offices, prohibiting smoking in certain designated area of the aforesaid premises and following government guidelines relating to severe weather warnings such as typhoons and rainstorm. During the reporting period, there was no work related fatalities reported and the number of working days loss due to work injury was 189 days.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period.

Development and Training

All new employees are required to attend orientation training to ensure the employees are aware and familiarises themselves with the Group's values and goals and to ensure the employee understands their role in the Group. In addition, the Group also offers internal seminars to employees relating to the Group's business operations, or hires external lecturers to provide professional training to specific prospective employees. There are also online e-learning sessions provided in the Group's computer system relevant to enhance the employees' education and skills in terms of their role while working for the Group.

Labour Standards

All employees are recruited through the Human Resources Department to ensure they fulfill the job requirements underlying their respective positions. The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the applicable labour laws in the PRC and other regulations related to, among other things, prevention of child labour and forced labour.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to prevention of child and forced labour.

Environmental, Social and Governance Report

Supply Chain Management

The Group sells merchandises through concessionaire, direct buy and various co-operation or leasing arrangements. The Group also provides a wide range of lifestyle functions and amenities through mostly leasing arrangements. The Group's business partners are required to act in a responsible manner and adhere to the Group's standards. Establishing trust relationships with the business partners will help the Group in optimising the resources allocation to deliver high-quality products and services to the customers.

The Group has formulated an internal purchasing policy and principles which are applicable to social responsibility considerations into making purchasing decisions by promoting sound practices in the Group's supply chain. Such policy and principles have enhanced the communications between the Group and the business partners regarding their compliance with the Group's standards and applicable local regulations governing ethical behavior, employment practices, health and safety, and the environment.

In addition, the Group also assessed the business partners whether they are in compliance with, according to their respective place of origin, all applicable laws and regulations such as human rights of workers, occupational health and safety and environmental protection aspects. Further, the suppliers are also required to conform with, according to their respective place of origin, all applicable environmental laws and regulations and obtaining the requisite environmental registrations or permits.

The Group will also perform annual performance review on the major business partners and will notify the relevant business partners for rectification and improvement.

Product Responsibility

Product safety is fundamental to what the Group offers to its customers. Under the terms and conditions of a general supply contract with the Group's business partners, the supplier is required to warrant the products are in compliance with the applicable laws and regulations of the PRC including but not limited to《中華人民共和國產品質量法》(The PRC Laws on Product Quality)、《中華人民共和國標準化法》(The PRC Laws on Standardisation)、《中華人民共和國消費者權益保護法》(The PRC Laws on Protection of Consumer Rights)、《產品標識標注規定》(The Regulations on Products Signs and Labels). The Group is entitled to return the defective products to the suppliers within a specific time period depending on the nature of products. In addition, when the products are sold to the customers, generally they are allowed to return the goods for exchange in not more than ten days.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.

Environmental, Social and Governance Report

Anti-corruption

The Group adopts a zero-tolerance policy on bribery, extortion, fraud and money laundering. It is also the responsibility of all employees to maintain ethical behavior. The Group has delegated the internal audit department to be responsible for monitoring any suspected corruption matters. Apart from signing an anti-corruption agreement with each of the business partners, the Group will by means of on-site audit, site visit, sample check as well as walk through test to identify any of the associated internal deficiencies leading to any risks of committing corruption by the employees. All financials are triple checked through different levels of personnel to ensure compliance with all applicable laws and regulations relating to bribery, extortion, fraud and money laundering. All employees are encouraged to raise any related concerns to the senior management in a strictly confidential manner. There is also a whistleblowing mechanism allowing anyone to report any suspected corruption matter. Any matters of genuine concern are to be thoroughly investigated and actions will be taken accordingly.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the reporting period.

Community Involvement

The Group supports and encourages staff to actively participate in a wide range of charitable events to raise awareness and concern for the community, and to inspire more people to take part in serving the community. The Group has organised various charity events in various locations offering congees to sanitary workers as well as collecting used clothes giving out to poor families who lived in suburb areas. The Group also has, through co-operation with Nanjing Maternity and Child Health Care Hospital, organised various events and functions to provide supports for families with pre-matured babies and to provide trainings and recovery supports for children below the age of 3 who have development retardation.

Directors' Report

The Directors are pleased to present the 2016 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

BUSINESS REVIEW

A review of the Group's business and the analysis using the financial key performance indicators are set out in the section headed "Management Discussion and Analysis" of this report. In summary, (i) the global economy faced challenges as a result of the US presidential election, the expected US Federal Reserve rate hike, Brexit and Italian referendum defeat; (ii) with surging e-commerce, new commercial complexes and outbound tourism, they have been some impacts on the Group's customer traffic; (iii) the Group still actively presses for retail chain store expansion, meeting the needs of consumers' daily life, enhancing their shopping experience and emphasising on innovation; (iv) the Group continued to introduce new business formats of consumption experience, enrich its merchandise mix, and enhance its controllable merchandise resources.

In 2016, through the endeavours of the Group and its staff, the Group's gross sales proceeds increased by 0.7% year on year to RMB16,399.3 million. Same-store sales growth decreased by 4.1% year on year. Operating profit from operations increased by 22.1% year on year to RMB1,475.5 million.

There are a number of risks and uncertainties facing the Group as follows: (i) policy of trade protectionism may have a negative impact on the growth of the global economy; (ii) after thirty years of consistent, rapid growth, China's economic and social development has entered a new stage where growth has become moderate, service sector has gradually become predominant in the country's economy; and (iii) the surging of e-commerce, new commercial complexes and outbound tourism may have some impact on the customer traffic at the Group's stores.

In 2017, the Group will proactively explore effective ways to integrate its existing business resources and further reinforce its efforts in exploring unique and new types of functions and amenities for its business. It will also endeavour to enhance the attractiveness of its comprehensive lifestyle centers to boost customer traffic and profitability so as to reinforce its leading position in the industry. The Group will also continue to develop its new chain stores at a steady pace. In 2017, the Group will focus its resources in launching 3 new stores, namely its Golden Eagle World in Nanjing, Phase II of Nanjing Xianlin Store and Yangzhou Golden Eagle New City Centre.

Sound relationships with key service vendors and suppliers of the Group are important which can increase cost effectiveness and foster long-term business benefits. The Group is in general satisfied with the relationships with the vendors and suppliers.

The Group has implemented omni-channel marketing through various channels such as mobile phone applications to deliver real-time information and sales promotion to customers. We constantly endeavor to improve customer services and uplift customer shopping experience. The Group is in general satisfied with the relationships with the customers.

The Group recognises the importance of having good working relationships with its employees. The Group has not experienced any significant problems with its staff nor any significant labour disputes or industrial actions. The Group is of the view that the Group has good working relationship with its staff as a whole.

Directors' Report

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributing to the community in which we conduct our businesses and creating a sustainable return to the Group. During the year ended 31 December 2016, the Group has donated a total of approximately RMB147,000 to charitable organisations.

The Group has also implemented an internal recycling program on a continuous basis for consumable goods such as toner cartridges, paper and plastic bags to minimise the operation impact on the environment and natural resources. The Group also implemented energy saving practices in offices, branch premises and its retail stores, including water, electricity and gas usages, where applicable.

The Group has complied in all material respects with all relevant laws and regulations that have a significant impact on the Group.

There are no important events affecting the Group that have occurred since the end of the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the lifestyle center and stylish department store chain development and operation, property development and hotel operation in the People's Republic of China (the "PRC"). The principal activities of the subsidiaries, associates and joint ventures of the Company are set out in notes 48, 21 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 83.

The Directors now recommend the payment of a final cash dividend of RMB0.0216 (2015: RMB0.060) per share and a special cash dividend of RMB0.0772 (2015: nil) per share, resulting an aggregate dividend of RMB0.0988 (2015: RMB0.060) per share to the shareholders appeared on the register of members of the Company on Friday, 2 June 2017. The final and special dividend (if approved) will be paid on or before Friday, 16 June 2017.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years ended 31 December 2016 is set out on page 9.

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

Details of movements in property, plant and equipment, land use rights and investment properties of the Group during the year are set out in notes 16, 17 and 18 respectively to the consolidated financial statements.

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, pursuant to the general mandate given to the Directors of the Company, the Company repurchased an aggregate of 12,954,000 shares of its own issued ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HKD112.0 million (equivalent to approximately RMB94.1 million).

The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase.

Details of the share repurchase and other movements in the share capital of the Company during the year are set out in note 34 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 2016, the Company's reserves available for distribution to shareholders amounted to approximately RMB166.9 million (2015: RMB105.5 million).

DIRECTORS

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

Executive Directors

Mr. Wang Hung, Roger (Chairman)
Ms. Wang Janice S. Y. (appointed on 30 March 2017)

Independent non-executive Directors

Mr. Wong Chi Keung
Mr. Lay Danny J
Mr. Wang Sung Yun, Eddie

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

According to Article 87 of the Articles of Association of the Company, Mr. Wong Chi Keung and Mr. Wang Sung Yun, Eddie will retire by rotation and, being eligible, will offer themselves for re-election.

According to Article 86(3) of the Articles of Association of the Company, Ms. Wang Janice S. Y. shall hold office only until the forthcoming annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Directors' Report

According to the code provision A.4.3 of the Corporate Governance Code under Appendix 14 of the Listing Rules, if an independent non-executive director has served more than 9 years, his appointment should be subject to a separate resolution to be approved by the shareholders. Mr. Wong Chi Keung was appointed as an independent non-executive Director of the Company on 26 February 2006 and has served more than 9 years. Mr. Wong Chi Keung will retire, and offer himself for re-election, at the forthcoming annual general meeting. The reasons why the Board still considers Mr. Wong to be independent are set out in the Corporate Governance Report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-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 2016, 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 ordinary shares of HKD0.10 each of the Company ("Shares")

Name of Director/Chief Executive	Personal interest	Corporate interests	Total interests	Total interests as percentage of the issued share capital
Mr. Wang Hung, Roger ("Mr. Wang")	4,000,000	1,246,591,412 (Note)	1,2504,591,412	74.67%
Mr. Su Kai	1,194,000	—	1,194,000	0.07%

Note: These 1,246,591,412 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 1,246,591,412 Shares under the SFO.

Save as disclosed above, as at 31 December 2016, 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.

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

As at 31 December 2016, 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	1,246,591,412	74.43%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,246,591,412	74.43%
ICFI HK (U.S.A.) Investments, LLC	Beneficial owner	87,514,888	5.23%

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 2016, 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 remained effective for a period of ten years commencing from 26 February 2006 and has expired on 25 February 2016. The terms of the Scheme will remain effective on those options which are outstanding but not yet lapsed, forfeited or exercised.

During the year ended 31 December 2016, 158,000 share options were exercised and 660,000 share options were forfeited. Details of the Scheme are set out in note 36 to the consolidated financial statements. No new option was granted during the year.

As at 31 December 2016, there were a total of 16,772,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 1.0 per cent of the entire issued share capital of the Company as at the date of this report.

Directors' Report

Movements of the Company's share options during the year and outstanding as at 31 December 2016 were as follows:

	Number of share options								
	Outstanding at 1 January 2016	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2016	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	595,000	(35,000)	–	560,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	9.67
	1,600,000	–	–	1,600,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	12,495,000	(123,000)	(160,000)	12,212,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	9.35
	2,900,000	–	(500,000)	2,400,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	17,590,000	(158,000)	(660,000)	16,772,000					
Exercisable at 31 December 2016				11,113,000					

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 controlling shareholders, 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' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Annual Review of Continuing Connected Transactions" below, no other transactions, arrangements or contracts of significance to which the Company, its controlling shareholder, 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.

Directors' Report

DIRECTORS' INDEMNITY

According to the Articles of Association of the Company, the Directors for the time being shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31 December 2016.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

On 19 December 2013, 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 2014. 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 rental payable by Golden Eagle (China) shall be RMB3.8 per square meter per day and 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 2016 amounted to RMB7,179,000.

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

On 28 August 2007, 南京金鷹珠江路購物中心有限公司 (formally known as 南京金鷹天地購物中心有限公司) (Nanjing Golden Eagle Zhujiang Road 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 (the "Nanjing Zhujiang Properties").

* *For identification purpose only*

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 (collectively the "Additional Nanjing Zhujiang Properties") 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 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.

On 18 March 2015, Nanjing Zhujiang Store and Nanjing Zhujiang No. 1 entered into the third supplemental agreement (the "Third Supplemental Agreement"), pursuant to which the parties agree that:

(a) Nanjing Zhujiang No. 1 agrees to lease basement floor 1 to 1st floor of north wing of Zhujiang No. 1 Plaza with an aggregate gross floor area of approximately 2,755 square meters (the "Further Additional Nanjing Zhujiang Properties") to Nanjing Zhujiang Store from the date on which the Third Supplemental Agreement becomes effective to 27 December 2027;

(b) with retrospective effect from 1 January 2015, the rental payable by Nanjing Zhujiang Store to Nanjing Zhujiang No. 1 for the lease of Nanjing Zhujiang Properties, the Additional Nanjing Zhujiang Properties and the Further Additional Nanjing Zhujiang Properties shall be adjusted and shall be equivalent to the aggregate of:

(i) with respect to those concessionaries:

(aa) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sale proceeds derived from the operation of those concessionaries (less the relevant value-added tax);

(bb) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire relating to gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

(ii) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Nanjing Zhujiang Properties, the Additional Nanjing Zhujiang Properties and the Further Additional Nanjing Zhujiang Properties (less business tax and other relevant taxes);

(iii) with respect to supermarket operations:

4% of the gross sale proceeds derived from the operation of supermarket.

The entering into of the Zhujiang Tenancy Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the Third 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 adjusted rental was arrived at after arm's length negotiations taking into account the long-term development of the Group. The rental expenses paid by the Group under the Amended Zhujiang Tenancy Agreement for the year ended 31 December 2016 amounted to RMB19,313,000.

Lease of property for department store operation from Shanghai Golden Eagle Tiandi by Shanghai Store

On 29 December 2008, 上海金鷹國際購物廣場有限公司 (formally known as 上海金鷹國際購物中心有限公司) (Shanghai Golden Eagle International Shopping Plaza 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 28 May 2009.

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

* *For identification purpose only*

(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).

On 18 March 2015, the aforesaid parties entered into the second supplemental agreement, pursuant to which the parties agree that, during the period of internal renovation of Shanghai Store (subject to adjustment as may be agreed between the parties), the annual rentals payable by Shanghai Store to Shanghai Golden Eagle Tiandi under the Shanghai Tenancy Agreement (as amended and supplemented) shall be adjusted and shall be equivalent to the aggregate of:

(a) with respect to those concessionaires which the Group charges commission (at whatever percentage) on their concessionaires sales, 2.5% of the gross sales proceeds derived from the operation of Shanghai Store less the relevant value-added tax; and

(b) with respect to sub-letting of units, 50% of the rental proceeds derived from sub-letting the units in Shanghai Store (less business tax and other relevant taxes).

The annual rentals payable by Shanghai Store to Shanghai Golden Eagle Tiandi under the Shanghai Tenancy Agreement (as amended and supplemented) from the date on which the internal renovation work is completed, which was at around June 2016 (subject to adjustment as may be agreed between the parties), onwards shall be equivalent to the aggregate of:

(a) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaries (less the relevant value-added tax);

(b) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 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 (less sales tax)	X	50%

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

The adjusted rental for the period between 1 January 2014 to 10 June 2016 was arrived at after arm's length negotiations taking into account the impact on the operation of the Group due to the internal renovation. The adjusted rental effective from the date on which the internal renovation work is completed was arrived at after arm's length negotiations taking into account the long-term development of the Group.

On 23 December 2016, the aforesaid parties entered into another tenancy agreement (the "Shanghai Additional Tenancy Agreement") in respect of the lease of the entire 7th to 8th floors and a portion of the 9th floor of Golden Eagle Shopping Plaza (the "Additional Shanghai Properties") for a period from 1 April 2016 to 31 December 2017. The annual rentals payable by Shanghai Store to Shanghai Golden Eagle Tiandi during the period shall be RMB2,400,000 with a rent-free period of six months.

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 department store operations in Shanghai. The Shanghai Store is a platform for the Group to cooperate with international brands.

The rental expenses paid by the Group under the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement for the year ended 31 December 2016 amounted to RMB2,720,00 and RMB130,000.

Lease of property and ancillary facilities for department store operation from Golden Eagle International Group by Nanjing Golden Eagle Retail

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.

* *For identification purpose only*

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 for the lease of Ancillary Facilities (as defined in the circular dated 4 June 2015) was RMB1,900,000 per calendar year.

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 (as defined in the circular dated 4 June 2015) 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 were 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.

On 18 March 2015, Nanjing Golden Eagle Retail and Golden Eagle International Group entered into the third supplemental agreement to Hanzhong Plaza Tenancy Agreement, pursuant to which the parties agree that, with retrospective effect, the annual rentals payable by Nanjing Golden Eagle Retail to Golden Eagle International Group under the Hanzhong Plaza Tenancy Agreement (as amended and supplemented) and the Facilities Leasing Agreement (as amended and supplemented) from 1 January 2015 onwards shall be adjusted and shall be equivalent to the aggregate of:

* *For identification purpose only*

(a) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaries sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax);

(b) for those concessionaries which (I) the Group charges 8% or less commission rate on their concessionaries sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 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 (less sales tax)	X	50%

(c) 50% of the rental proceeds derived from sub-letting the units in Hanzhong Plaza (less business tax and other relevant taxes).

The rental above would also be deemed be the rental for the lease of Ancillary Facilities under the Facilities Leasing Agreement and therefore, in substance, Nanjing Golden Eagle Retail was not required to pay any rental for the lease of the Ancillary Facilities.

The adjusted rental was arrived at after arm's length negotiations taking into account the long-term development of the Group. In light of the said third supplemental agreement, the rental expenses paid by the Group under the Hanzhong Plaza Tenancy Agreement for the year ended 31 December 2016 in the sum of RMB8,463,000 included the rental expenses for the lease of the Ancillary Facilities.

Lease of property for department store operation from Xianlin Golden Eagle Tiandi by Nanjing 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 南京仙林金鷹天地科技有限公司 (formerly known as 南京仙林金鷹置業有限公司) (Nanjing Xianlin Golden Eagle Tiandi Technology Co., Ltd.*) ("Xianlin 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 18 December 2009.

* *For identification purpose only*

Directors' Report

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 Tiandi 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.

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.

Pursuant to the Total Xianlin Tenancy Agreement (as amended and supplemented), the annual consideration for the leases shall be equivalent to 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.

On 18 March 2015, the aforesaid parties entered into the third supplemental agreement, pursuant to which the parties agree that, with retrospective effect, the annual rentals payable by Nanjing Xianlin Store to Xianlin Golden Eagle Tiandi under the Total Xianlin Tenancy Agreement (as amended and supplemented from 1 January 2015 onwards) shall be adjusted and shall be equivalent to the aggregate of:

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(a) with respect to those concessionaries:

(i) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaries sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax);

(ii) for those concessionaries which (I) the Group charges 8% or less commission rate on their concessionaries sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 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 (less sales tax)	X	50%

(b) with respect to sub-letting of units:

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

(c) with respect to supermarket operations:

4% of the gross sales proceeds derived from the operation of supermarket

The adjusted rental was arrived at after arm's length negotiations taking into account the long-term development of the Group. The rental expenses paid by the Group under the Total Xianlin Tenancy Agreement (as amended and supplemented) for the year ended 31 December 2016 amounted to RMB26,786,000.

Lease of property for outlet store operation from Yancheng Industry 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 outlet 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 鹽城金鷹科技實業有限公司 (formerly known as 鹽城金國聯置業有限公司) (Yancheng Golden Eagle Technology Industry Co., Ltd.*) ("Yancheng Industry"), 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.

* *For identification purpose only*

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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.

Pursuant to the Yancheng Outlet Tenancy Agreement (as amended and supplemented), the annual consideration for the lease shall be equivalent to 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 Outlet Store (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 (as defined in the circular dated 4 June 2015).

On 18 March 2015, Yancheng Outlet Store and Yancheng Industry entered into the second supplemental agreement, pursuant to which the parties agree that, with effect from 19 May 2015, the annual rentals payable by Yancheng Outlet Store to Yancheng Industry for the lease of Yancheng Outlet Store shall be adjusted and shall be equivalent to the aggregate of:

(a) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaries sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax);

(b) for those concessionaries which (I) the Group charges 8% or less commission rate on their concessionaries sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 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 (less sales tax)	X	50%

(c) 50% of the rental proceeds derived from sub-letting the units in Yancheng Outlet Store (less business tax and other relevant taxes).

The adjusted rental was arrived at arm's length negotiations taking into account the long-term development of the Group. The rental expenses paid by the Group under the Yancheng Outlet Tenancy Agreement for the year ended 31 December 2016 amounted to RMB5,386,000.

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

On 16 April 2014, Golden Eagle (China) entered into a tenancy agreement (the "Xinjiekou Block B Tenancy Agreement") in respect of the lease of basement 1st floor, 7th – 9th floor of Golden Eagle Phase 3 together with the ancillary facilities (the "Xinjiekou Store Block B Property Leased Area") with Golden Eagle International Group for a term of 20 years commencing from 26 April 2014. The purpose of entering into the Xinjiekou Block B Tenancy Agreement is to enlarge the operating area of Nanjing Xinjiekou Store to further enhance the Group's presence, market share and competitiveness in Nanjing in which the Group is already enjoying a leading position.

The annual consideration for the lease of Xinjiekou Store Block B Property Leased Area shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

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

(ii) 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 concessionaires (less relevant value-added tax)	X	Commission rate charged by the Group	X	50%

(b) with respect to sub-letting of units:

50% of the proceeds derived from sub-letting the units in Xinjiekou Store Block B Property Leased Area (less property tax, business tax and other relevant taxes);

(c) with respect to supermarket operations:

(i) 3% of the gross sale proceeds derived from the operation of supermarket during the first three years commencing from 26 April 2014;

(ii) 4% of the gross sale proceeds derived from the operation of supermarket commencing from 26 April 2017 onwards.

On 18 March 2015, Golden Eagle (China) and Golden Eagle International Group entered into the supplemental agreement to Xinjiekou Block B Tenancy Agreement pursuant to which the parties agree that, with retrospective effect, the annual rentals payable by Golden Eagle (China) to Golden Eagle International Group under the Xinjiekou Block B Tenancy Agreement (as amended and supplemented) from 1 January 2015 onwards shall be adjusted and shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaries (less the relevant value-added tax);

(ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

$$\begin{array}{c} \text{Gross sales proceeds derived from the} \\ \text{operation of those concessionaries} \\ \text{(less the relevant value-added tax)} \end{array} \quad \text{X} \quad \begin{array}{c} \text{Commission rate} \\ \text{charged by the Group} \\ \text{(less sales tax)} \end{array} \quad \text{X} \quad 50\%$$

(b) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Xinjiekou Store Block B Property Leased Area (less business tax and other relevant taxes);

(c) with respect to supermarket operations:

(i) 3% of the gross sales proceeds derived from the operation of supermarket during the first three years commencing from 26 April 2014;

(ii) 4% of the gross sales proceeds derived from the operation of supermarket commencing from 26 April 2017 onwards.

The adjusted rental was arrived at arm's length negotiations taking into account the long-term development of the Group. The rental expenses paid by the Group to Golden Eagle International Group under the Xinjiekou Block B Tenancy Agreement for the year ended 31 December 2016 amounted to RMB24,293,000.

Lease of property for department store operation from Yancheng Industry by Yancheng Julonghu Store

On 18 March 2015, 鹽城金鷹聚龍湖購物中心有限公司 (Yancheng Golden Eagle Julonghu Shopping Centre Co., Ltd.* or where the context so requires, the department store operated by such company ("Yancheng Julonghu Store")) entered into a tenancy agreement in respect of the lease of (i) basement 2nd floor to 7th floor, Block 5, Yancheng Tiandi Plaza and (ii) basement 1st floor to 3rd floor, Block 6, Yancheng Tiandi Plaza with an aggregate gross floor area of approximately 110,484 square meters (the "Yancheng Julonghu Tenancy Agreement") with Yancheng Industry for a term of 20 years commencing from 6 September 2014. The purpose of entering into the Yancheng Julonghu Tenancy Agreement is to further solidify the Group's presence, market share and competitiveness in Yancheng in which the Group is already enjoying a leading position.

The rental payable by Yancheng Julonghu Store to Yancheng Industry under the Yancheng Julonghu Tenancy Agreement shall be as follows:

(a) with retrospective effect, for the period from 6 September 2014 to 30 April 2015, RMB1.0 million;

(b) for the period from 1 May 2015 to the expiry date of the Yancheng Julonghu Tenancy Agreement shall be equivalent to the aggregate of:

(i) with respect to those concessionaries:

(aa) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaries (less the relevant value-added tax);

* *For identification purpose only*

(bb) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 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 (less sales tax)	X	50%

(ii) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Yancheng Julonghu Store (less business tax and other relevant taxes);

(iii) with respect to supermarket operations:

(aa) 3% of the gross sales proceeds derived from the operation of supermarket from 1 May 2015 to 30 September 2017;

(bb) 4% of the gross sales proceeds derived from the operation of supermarket commencing from 1 October 2017 onwards.

The consideration was arrived at after arm's length negotiations taking into account that the property was delivered to the Group at roughcast state and with reference to the prevailing market rate. The rental expenses paid by the Group to Yancheng Industry under the Yancheng Julonghu Tenancy Agreement for the year ended 31 December 2016 amounted to RMB19,624,000.

Lease of property for department store operation from Danyang Golden Eagle Tiandi by Danyang Store

On 18 March 2015, 丹陽金鷹國際購物中心有限公司 (Danyang Golden Eagle International Shopping Centre Co., Ltd.* or where the context so requires, the department store operated by such company ("Danyang Store")) entered into a tenancy agreement in respect of the lease of all parts of 1st – 8th floors and a portion of basement 1, North Zone, Block 16 of Danyang Tiandi Plaza with gross floor area of approximately 52,976.24 square meters and the ancillary facilities (the "Danyang Tenancy Agreement") with 丹陽金鷹天地實業有限公司 (Danyang Golden Eagle Tiandi Industry Co., Ltd.*) ("Danyang 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 1 January 2015. The purpose of entering into the Danyang Tenancy Agreement is to further solidify the Group's presence, market share and competitiveness in Jiangsu in which the Group is already enjoying a leading position.

The rental payable by Danyang Store to Danyang Golden Eagle Tiandi under the Danyang Tenancy Agreement shall be equivalent to the aggregate of:

(a) with retrospective effect, for the period from 1 January 2015 to 30 April 2015, RMB1.0 million;

* *For identification purpose only*

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(b) for the period from 1 May 2015 to the expiry date of the Danyang Tenancy Agreement shall be equivalent to the aggregate of:

(i) with respect to those concessionaries:

(aa) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaries (less the relevant value-added tax);

(bb) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 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 (less sales tax)	X	50%

(ii) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Danyang Store (less business tax and other relevant taxes);

(iii) with respect to supermarket operations:

(aa) 3% of the gross sales proceeds derived from the operation of supermarket from 1 May 2015 to 31 December 2017;

(bb) 4% of the gross sales proceeds derived from the operation of supermarket commencing from 1 January 2018 onwards.

The consideration was arrived at after arm's length negotiations taking into account that the property was delivered to the Group at roughcast state and with reference to the prevailing market rate. The rental expenses paid by the Group to Danyang Golden Eagle Tiandi under the Danyang Tenancy Agreement for the year ended 31 December 2016 amounted to RMB5,016,000.

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Lease of property for department store operation from Nanjing Jiangning Technology by Nanjing Jiangning Store

On 18 March 2015, 南京江寧金鷹購物中心有限公司 (Nanjing Jiangning Golden Eagle Shopping Plaza Co., Ltd.* or where the context so requires, the department store operated by such company ("Nanjing Jiangning Store")) entered into a tenancy agreement in respect of the lease of basement 2nd floor to 5th floor, Nanjing Jiangning Tiandi Plaza with a gross floor area of approximately 144,710 square meters (the "Jiangning Tenancy Agreement") with 南京江寧金鷹科技實業有限公司 (Nanjing Jiangning Golden Eagle Technology Industry Co., Ltd.*) ("Nanjing Jiangning Technology"), 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 3 July 2015. The purpose of entering into the Jiangning Tenancy Agreement is to further solidify the Group's presence, market share and competitiveness in Nanjing in which the Group is already enjoying a leading position.

The rental payable by Nanjing Jiangning Store to Nanjing Jiangning Technology under the Jiangning Tenancy Agreement shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaries (less the relevant value-added tax);

(ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 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 (less sales tax)	X	50%

(b) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Nanjing Jiangning Store (less business tax and other relevant taxes);

* *For identification purpose only*

(c) with respect to supermarket operations:

(i) 3% of the gross sales proceeds derived from the operation of supermarket during the first three years commencing from 3 July 2015;

(ii) 4% of the gross sales proceeds derived from the operation of supermarket commencing from 3 July 2018 onwards.

The consideration was arrived at after arm's length negotiations taking into account that the property was delivered to the Group at renovated state and with reference to the prevailing market rate. The rental expenses paid by the Group to Nanjing Jiangning Technology under the Jiangning Tenancy Agreement for the year ended 31 December 2016 amounted to RMB24,057,000.

Lease of property for department store operation from Ma'anshan Golden Eagle Tiandi by Ma'anshan Store

On 18 March 2015, 馬鞍山金鷹國際購物中心有限公司 (Ma'anshan Golden Eagle International Shopping Centre Co., Ltd.* or where the context so requires, the department store operated by such company ("Ma'anshan Store")) entered into a tenancy agreement in respect of the lease of a portion of basement 1st floor, 1st floor to 8th floor, Podium Building, Ma'anshan Tiandi Plaza with a gross floor area of approximately 87,567.86 square meters (the "Ma'anshan Tenancy Agreement") with 馬鞍山金鷹天地實業有限公司 (Ma'anshan Golden Eagle Tiandi Industry Co., Ltd.*) ("Ma'anshan 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 29 August 2015. The purpose of entering into the Ma'anshan Tenancy Agreement is to facilitate the Group to gradually build up presence, market share and competitiveness in Anhui.

The rental payable by Ma'anshan Store to Ma'anshan Golden Eagle Tiandi under the Ma'anshan Tenancy Agreement shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaries (less the relevant value-added tax);

(ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

* *For identification purpose only*

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

(b) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Ma'anshan Store (less business tax and other relevant taxes);

(c) with respect to supermarket operations:

(i) 3% of the gross sales proceeds derived from the operation of supermarket during the first three years commencing from 29 August 2015;

(ii) 4% of the gross sales proceeds derived from the operation of supermarket commencing from 29 August 2018 onwards.

The consideration was arrived at after arm's length negotiations taking into account that the property was delivered to the Group at renovated state and with reference to the prevailing market rate. The rental expenses paid by the Group to Ma'anshan Golden Eagle Tiandi under the Ma'anshan Tenancy Agreement for the year ended 31 December 2016 amounted to RMB15,622,000.

Lease of property for supermarket operation from Lianyungang Golden Eagle Properties Ltd by Lianyungang Supermarket

On 23 December 2016, 連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.* or where the context so required, the supermarket operated by such company ("Lianyungang Supermarket")) entered into a tenancy agreement in respect of the lease of basement floor of Block 11, Golden Eagle International Garden with a gross floor area of approximately 938 square meters (the "Lianyungang Tenancy Agreement") with 連雲港金鷹置業有限公司 (Lianyungang Golden Eagle Properties Co., Ltd.*) ("Lianyungang 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 3 years commencing from 1 January 2016. The annual rental and property management fee payables by Lianyungang Supermarket under the Lianyungang Tenancy Agreement shall be RMB137,000 and RMB22,500 respectively. The purpose of entering into the Lianyungang Tenancy Agreement is to facilities the Group to secure tenancy for prime location for its first standalone supermarket store in Jiangsu Province.

The consideration was arrived at after arm's length negotiations and with reference to the prevailing market rate. The rental expenses paid by the Group to Lianyungang Properties under the Lianyungang Tenancy Agreement for the year ended 31 December 2016 amounted to RMB133,000.

* *For identification purpose only*

Lease of property for aquarium operation from Yancheng Industry by Yancheng Aquarium

On 23 December 2016, 金鷹國際海洋世界鹽城有限公司 (Golden Eagle International Ocean World Yancheng Co., Ltd. Yancheng Co., Ltd* or where the context so required, the aquarium operated by such company ("Yancheng Aquarium")) entered into a tenancy agreement in respect of the lease of basement floor 1 of Yancheng Tiandi Plaza with a gross floor area of approximately 5,000 square meters (the "Yancheng Aquarium Tenancy Agreement") with Yancheng Industry for a term of 3 years commencing from 1 January 2016. The annual rental payable by Yancheng Aquarium under the Yancheng Aquarium Tenancy Agreement shall be equivalent to 3% of the gross sales proceeds derived from the operations of Yancheng Aquarium. The purpose of entering into the Yancheng Aquarium Tenancy Agreement is to allow the Group to secure tenancy for prime location which is in close proximity to Yancheng Julonghu Store, one of the Group's best performing young store at Yancheng, to create synergy among Yancheng Julonghu Store and Yancheng Aquarium, attract young family customers, fulfill target customers' need for diversified, entertaining and interesting lifestyle experiences, so as to enhance Yancheng Julonghu Store's competitiveness.

The consideration was arrived at after arm's length negotiations taking into account the long-term development of the Group. The rental expenses paid by the Group to Yancheng Industry under the Yancheng Aquarium Tenancy Agreement for the year ended 31 December 2016 amounted to RMB99,000.

Cooperation Agreement on Property Lease (Offices)

On 18 March 2015, 金鷹國際貿易有限公司 (Golden Eagle International Trading Limited) ("Golden Eagle Trading") entered into a cooperation agreement on property leases in respect of various office premises owned by Golden Eagle International Group or its subsidiaries located in various parts of the PRC (the "Cooperation Agreement on Property Lease (Offices)") with Golden Eagle International Group. The term of those leases will not go beyond 31 December 2017. The purpose of entering into the Cooperation Agreement on Property Lease (Offices) is to establish a framework for the Group to lease and use various office premises owned by Golden Eagle International Group or its subsidiaries from time to time and will facilitate the Group to arrange lease arrangements in a flexible manner.

Golden Eagle International Group agrees to lease, and procure its subsidiaries to lease, the office premises owned by Golden Eagle International Group or its subsidiaries to Golden Eagle Trading or its investment companies at a reasonable discount of the market rate in those cities where the relevant office premises are located which shall be payable by the lessee to the lessor in accordance with the relevant detailed implementation agreement. The exact amount of discount will be negotiated in good faith between the parties with reference to the market rate at the material time.

The consideration was arrived at after arm's length negotiations and with reference to the prevailing market rate. The rental expenses paid by the Group to Golden Eagle International Group and its subsidiaries under the Cooperation Agreement on Property Lease (Offices) for the year ended 31 December 2016 amounted to RMB1,381,000.

* *For identification purpose only*

Cooperation Agreement on Property Lease (Warehouses)

On 18 March 2015, Golden Eagle Trading entered into a cooperation agreement on property leases in respect of various warehouses owned by 南京金僑實業有限公司 (Nanjing Jinqiao Industry Co. Ltd.*) ("Nanjing Jinqiao"), that are located in Nanjing (the "Cooperation Agreement on Property Lease (Warehouses)") with Nanjing Jinqiao 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 term of those leases will not go beyond 31 December 2017. The purpose of entering into the Cooperation Agreement on Property Lease (Warehouses) is to establish a framework for the Group to lease and use various warehouse premises owned by Nanjing Jinqiao in Nanjing from time to time and will facilitate the Group to arrange lease arrangements in a flexible manner.

Nanjing Jinqiao agrees to lease the warehouses owned by it to Golden Eagle Trading or its investment companies at a reasonable discount of the market rate of the relevant warehouses which shall be payable by the lessee to Nanjing Jinqiao in accordance with the relevant detailed implementation agreement. The exact amount of discount will be negotiated in good faith between the parties with reference to the market rate at the material time.

The consideration was arrived at after arm's length negotiations and with reference to the prevailing market rate. No rental expense was paid by the Group to Nanjing Jinqiao under the Cooperation Agreement on Property Lease (Warehouses) for the year ended 31 December 2016.

Kunming Carpark Leasing Agreement

On 18 March 2015, 雲南尚美投資管理有限公司 (Yunnan Shangmei Investment Management Co., Ltd*) ("Yunnan Shangmei") and 昆明金鷹物業服務有限公司 (Kunming Golden Eagle Property Management Co., Ltd*) ("Kunming Property Management"), 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 car parking leasing agreement (the "Kunming Carpark Leasing Agreement") in respect of the lease of the carpark located at basements 1 and 2 of Kunming Golden Eagle Tiandi Shopping Plaza with a gross floor area of approximately 13,669.86 square meters ("Kunming Golden Eagle Carpark") for a term of 3 years commencing from 1 January 2015. The rental payable to Yunnan Shangmei for the lease of Kunming Golden Eagle Carpark shall be equivalent to 92% of the revenue (after business taxes and other relevant taxes) received by Kunming Property Management. The entering into of the Kunming Carpark Leasing Agreement enables the Group to save the time and resources in managing Kunming Golden Eagle Carpark, which is not the core business of the Group and helps the Group to focus on the development and operation of lifestyle center and department store chain in the PRC.

The consideration was arrived at after arm's length negotiations and with reference to the prevailing market rate. The rental income received from Kunming Property Management by the Group under the Kunming Carpark Leasing Agreement for the year ended 31 December 2016 amounted to RMB2,499,000.

* *For identification purpose only*

Suzhou Car Park Leasing Agreement

On 23 December 2016, 蘇州高新金鷹商業廣場有限公司 (Suzhou Gaoxin Golden Eagle Commercial Plaza Co., Ltd.*) ("Suzhou Gaoxin") and 蘇州金鷹國際物業管理有限公司 (Suzhou Golden Eagle International Property Management Co., Ltd.*) ("Suzhou Property Management"), 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 car park leasing agreement (the "Suzhou Carpark Leasing Agreement") in respect of the lease of the carpark located at basements 1 and 2 of Suzhou Gaoxin Golden Eagle Commercial Plaza ("Suzhou Golden Eagle Carpark") with a gross floor area of approximately 39,270 square meters for a term of 1 year commencing from 1 January 2017. The annual rental payable to Suzhou Gaoxin for the lease of Suzhou Golden Eagle Carpark shall be RMB800,000. The entering into of the Suzhou Carpark Leasing Agreement enables the Group to save the time and resources in managing Suzhou Golden Eagle Carpark, which is not the core business of the Group and helps the Group to focus on the development and operation of lifestyle center and stylish department store chain in the PRC.

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

Property Management Services Agreements

On 19 December 2013, 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"), 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 Tiandi 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, including, as at 31 December 2016, Nantong Store, Yangzhou Store, Xuzhou Store, Xi'an Gaoxin Store, Kunming Store, Huai'an Store, Yancheng Store, Yangzhou Jinghua Store, Nanjing Hanzhong Store, Anhui Huaibei Store, Changzhou Jiahong Store, Suqian Store, Liyang Store, Xuzhou People's Square Store, Yancheng Outlet Store, Yancheng Julonghu Store, Nantong Lifestyle Center, Danyang Store, Kunshan Store, Nanjing Jiangning Store, Ma'anshan Store, Nantong Renmin Road Store, Wuhu Store, Wuhu New City Store, Changzhou Aquarium and Yancheng Aquarium Nantong;

- 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;

- Nanjing Xianlin Store agreed to engage Xianlin Golden Eagle Tiandi to provide property management services to Nanjing Xianlin Store; and

* *For identification purpose only*

- for a term of 3 years commencing from 1 January 2014 to 31 December 2016.

On 23 December 2016, since the above contract would expire on 31 December 2016, Golden Eagle (China) and Nanjing Golden Eagle Properties, Nanjing Zhujiang Store and Nanjing Zhujiang No.1, Taizhou Store and Taizhou Golden Eagle Tiandi, Nanjing Xianlin Store and Nanjing Xianlin Golden Eagle Tiandi, 蕪湖金鷹國際實業有限公司 (Wuhu Golden Eagle International Enterprises Co., Ltd.* ("Wuhu Golden Eagle Enterprises") or where the context so requires, the department store or hotel operated by such company ("Wuhu Shopping Centre" or "Wuhu Hotel")), 蕪湖金鷹濱江世紀發展有限公司 (Wuhu Golden Eagle Riverside Century Development Co., Ltd.* ("Wuhu Golden Eagle Riverside") or where the context so requires, the store operated by such company ("Wuhu New City Store")) and 南京金鷹國際物業發展有限公司 (Nanjing Golden Eagle International Properties Development Co., Ltd.*) ("Nanjing Golden Eagle International Properties"), Shanghai Store and Shanghai Golden Eagle Tiandi 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;

- Nanjing Xianlin Store agreed to engage Xianlin Golden Eagle Tiandi to provide property management services to Xianlin Store;

- Wuhu Golden Eagle Enterprises and Wuhu Golden Eagle Riverside agreed to engage Nanjing Golden Eagle International Properties to provide property management services to Wuhu Shopping Center, Wuhu New City Store and Wuhu Hotel; and

- Shanghai Store agreed to engage Shanghai Golden Eagle Tiandi to provide property management services to Shanghai Store.

for a term of 3 years commencing from 1 January 2017.

Nanjing Golden Eagle Properties, Taizhou Golden Eagle Tiandi and Nanjing Golden Eagle International Properties are connected person (as defined in the Listing Rules) of the Company as they are companies ultimately and wholly-owned by Mr. Wang.

* *For identification purpose only*

Directors' Report

The entering into of the aforesaid master 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 master property management services agreements for the year ended 31 December 2016 amounted to RMB57,025,000.

Carpark Management Services Agreements

On 19 December 2013, each of (i) Nanjing Zhujiang Store and Nanjing Zhujiang No. 1; and (ii) 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 "2014 Carpark Management Services Agreements") for a term of 3 years commencing from 1 January 2014. 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. On 23 December 2016, since the above contract would expire on 31 December 2016, the aforesaid parties entered into another carpark management services agreement to extend the service period for a term of three years commencing from 1 January 2017 (the "2017 Carpark management Services Agreements").

Pursuant to the Carpark Management Services Agreements, 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 carpark fees at a rate of RMB4.0 per hour and RMB8.0 per hour during the respective terms of the 2014 and 2017 Carpark Management Services Agreements. Xuzhou Store shall pay carpark fees at a rate of RMB3.0 per hour. The carpark fees which have been incurred by the respective stores are part of the value-added services provided for their customers. 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 2016 amounted to RMB2,149,000.

Project Management Services Agreement

On 19 December 2013, Golden Eagle (China) and Golden Eagle International Group entered into a project management services agreement (the "Project Management Services Agreement") for a term of 3 years commencing from 1 January 2014, 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).

* *For identification purpose only*

The entering into of the Project Management Services Agreement enables the Group to focus on the development and operation of lifestyle center and stylish 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. On 23 December 2016, since the above contract would expire on 31 December 2016, the aforesaid parties entered into another project management services agreement to extend the service period for a term of three years commencing from 1 January 2017 at a fee of no more than 5% of the Estimated Costs to be agreed by both parties. 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.

The aggregate amount of project management service fees paid by the Group under aforesaid Project Management Services Agreement for the year ended 31 December 2016 amounted to RMB17,841,000.

Decoration Services Agreement

On 19 December 2013, Golden Eagle (China) entered into a second supplemental agreement to the decoration services agreement dated 26 February 2006 (as supplemented by the supplemental agreements dated 18 December 2007 and 16 November 2010) 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 3 years commencing from 1 January 2014. On 23 December 2016, since the decoration services agreement would expire on 31 December 2016, the aforesaid parties entered into a third supplemental agreement to extend the service period for a term of three years commencing from 1 January 2017(collectively referred to as the "Decoration Services Agreement"). The entering into of the Decoration Services Agreement enables the Group to focus on the development and operation of lifestyle center and stylish 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.

The service fees paid by the Group under the Decoration Services Agreement for the year ended 31 December 2016 amounted to RMB56,403,000.

* *For identification purpose only*

Directors' Report

Management Agreement

On 3 December 2014, Golden Eagle (China) entered into a management agreement with 南京金鷹國際投資管理有限公司 (Nanjing Golden Eagle International Investment Management Co., Ltd.*) ("Golden Eagle Investment Management"), pursuant to which Golden Eagle (China) is delegated with the tasks of managing the daily operation of 南京金鷹國際汽車銷售服務集團有限公司 (Nanjing Golden Eagle International Motor Sales Services Group Co., Ltd.*) ("Nanjing Golden Eagle Motor") and its subsidiaries for a term of 3 years commencing from the date of the Motor Group Management Agreement. The service fee income received by the Group under the Motor Group Management Agreement for the year ended 31 December 2016 amounted to RMB500,000.

Golden Eagle Investment Management and Nanjing Golden Eagle Motor are connected person (as defined in the Listing Rules) of the Company as they are companies ultimately and wholly-owned by Mr. Wang.

Street Shop Management Agreement

On 14 December 2015, Golden Eagle (China) and Golden Eagle International Group entered into a management agreement in respect of street shop properties (the "Street Shop Properties") which are being owned, or will be owned, by Golden Eagle International Group or its subsidiaries from time to time (the "Street Shop Management Agreement"), pursuant to which Golden Eagle (China) and its subsidiaries are delegated with the tasks of managing the daily operation of the Street Shop Properties during the period between 22 November 2015 and 31 December 2017.

As at the date of this report, these properties mainly include standalone non-specialty street shops with aggregate leasable area of approximately 225,375 square meters held for lease in the cities of Nanjing, Taizhou, Yancheng, Suqian, Danyang, Kunshan and Ma'anshan which are all located at the prime shopping districts in the proximity of the chain stores being operated by the Group in the same city, namely Nanjing Xianlin Store, Taizhou Store, Yancheng Outlet Store, Yancheng Julonghu Store, Suqian Store, Danyang Store, Kunshan Store and Ma'anshan Store.

Through the entering into of the Street Shop Management Agreement, synergies are expected to be created among the retail stores and the Street Shop Properties (collectively, the "Enlarged Retail Complexes"). The Enlarged Retail Complexes and different retail format features (retail stores versus street shops) allow the Group to plan and procure merchandise and leased tenants on a well-organised and comprehensive matter. It enables the Group to enlarge and enrich the offerings of its merchandise and lifestyle elements with different shopping experiences to its target customers, customer shopping experience will therefore be enhanced and the foot traffic and operation results of both the Group's retail stores and the Street Shop Properties are expected to be further improved. With the Group's well-established and experienced operating teams, operating costs of the Street Shop Properties are expected to decrease and net profit margin will be improved. With the Street Shop Properties, the Group is able to enlarge its operating area without cost; and the management fee provides another source of income for the Group and thus improve the Group's profit margin.

* *For identification purpose only*

The management fee payable by Golden Eagle International Group and its subsidiaries to Golden Eagle (China) and its subsidiaries shall be calculated as follows:-

(a) the management fee payable to Golden Eagle (China) and its subsidiaries during the period between 22 November 2015 to 31 December 2016 shall be equivalent to 50% of the net rental income derived from the leasing operation of the Street Shop Properties after deducting the property tax, business tax and other relevant taxes (including, the value-added tax which may be imposed by the PRC government in the future) (the "Net Rental Income") during the said period; and

(b) the management fee payable to Golden Eagle (China) from 1 January 2017 onwards shall be equivalent to the aggregate amount of:

    (i) 20% of the portion of the Net Rental Income derived from the leasing operation of the Street Shop Properties of the immediate preceding year; and

    (ii) 50% of the excess portion of the Net Rental Income (if any) generated during each financial year, which exceeds the Net Rental Income generated in the immediate preceding year.

The management fee was arrived at after arm's length negotiations and with reference to the scope of services to be provided by Golden Eagle (China) and its subsidiaries. The management fee income derived by the Group under the Street Shop Management Agreement for the year ended 31 December 2016 amounted to RMB38,817,000.

Integrated Services Agreement

On 23 December 2016, Lianyungang Supermarket entered into an integrated services agreement with Lianyungang Properties (the "Integrated Services Agreement") for a term of three years commencing from 1 January 2016. Pursuant to the Integrated Services Agreement, integrated services, including customer resources sharing, information technology and market promotion supports, training and service management, would be provided to Lianyungang Properties. The annual service fee to be received by the Group under the Integrated Services Agreement amounted to RMB1,200,000. The service fee provides another source of income for the Group and thus improve the Group's profit margin.

The service fee income received by the Group under the Integrated Services Agreement for the year ended 31 December 2016 amounted to RMB1,132,000.

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.56 of the Listing Rules confirming that, for the year ended 31 December 2016, 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.

Directors' Report

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 45 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 47 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:

Xinjiekou Block B Framework Agreement

On 9 November 2009, Golden Eagle International Group and the Group entered into a 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 3 (the "Xinjiekou Store Block B Property"), 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.

The consideration of RMB875.0 million (subject to adjustment) for the acquisition of Xinjiekou Store Block B Property was calculated based on RMB17,500 per square meter and the estimated aggregate gross floor area of approximately 50,000 square meters and may be adjusted depending on the actual gross floor area of Xinjiekou Store Block B Property actually to be delivered to the Group upon completion. In the event that the actual gross floor area is less than 50,000 square meters, 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 Block B Property to the Group.

The purpose of the acquisition of Xinjiekou Store Block B Property 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 Block B Property was completed and commenced 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 meters and the outstanding consideration will be adjusted upward by approximately RMB32.5 million, resulting an adjusted total consideration of RMB907.5 million. It is anticipated that the title of Xinjiekou Store Block B Property will transfer to the Group in 2017.

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

Kunshan 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.

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 (as defined in the circular dated 4 June 2015) 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 meter and may be adjusted depending on the 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 was completed and commenced soft opening in January 2015. It is anticipated that the title of Kunshan Property will transfer to the Group in 2017.

The Board believes that the acquisition of the Kunshan Property and its development into a mega lifestyle center will enable 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 20 April 2015, the Group entered into a dual-currency three-year syndicated loan facility agreement in the principal amounts of up to USD625.5 million and HKD1,052.0 million (in aggregate equivalent to approximately RMB5,242.8 million) with a group of financial institutions which will be due for full repayment in April 2018 (the "Syndicated Loan Facility Agreement").

* *For identification purpose only*

Pursuant to the terms of the Syndicated Loan Facility Agreement, it will constitute, among others, an event of default if at any time when the entire or part of the syndicated 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 Syndicated Loan Facility Agreement may become immediately due and payable. The facility was fully utilised and remained outstanding as at 31 December 2016.

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 that, inter alia, they will not engage in the business of retail trade in merchandise in the form of department store 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").

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.*), 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.

The Directors (including 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.

Directors' Report

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.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the shares of the Company.

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 2016.

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

30 March 2017

Independent Auditor's Report

Deloitte.
德勤

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

OPINION

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 83 to 196, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Prepayments from customers **(refer to note 31 to the consolidated financial statements)**	
We have identified prepayment from customers as a key audit matter because the balance is material and there is the inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation. Prepayments from customers in the form of prepaid customer cards are initially deferred as liability on issuance, and recognised as revenue on subsequent utilisation upon goods delivery and the revenue recognition conditions are met. At 31 December 2016, the balance of prepayments from customers recorded under deferred revenue amounted to approximately RMB2,209 million. The Group maintains sophisticated information technology systems (the "System") in order to track the issuance and utilisation of prepayments from customers which are initially deferred when customers prepay.	Our audit procedures in relation to the balance of prepayments from customers included: • Involving our internal information technology specialists in evaluating the design and effectiveness of internal controls over the System in respect of the issuance and utilisation of prepaid customer cards; • Involving our internal information technology specialists in testing the aging analysis of the prepaid customer cards; • Involving our internal information technology specialists in verifying the issuance and then the related subsequent usage of the same cards recorded in the System, on a sample basis; • Performing various data analyses on the patterns and trends of transactions and identifying any long aged balances; and • Performing details testing on the material issuance of prepared customer cards record in the System to the supporting document for the transactions and the cash collection records, on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lo Kin Cheong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000 (restated)
Revenue	6	**4,694,340**	4,093,527
Other income, gains and losses	8	**30,371**	387,600
Changes in inventories of merchandise		**(1,516,604)**	(1,407,729)
Cost of properties sold		**(286,802)**	—
Employee benefits expense		**(461,316)**	(500,779)
Depreciation and amortisation of property, plant and equipment		**(353,846)**	(322,322)
Release of prepaid lease payments on land use rights		**(30,906)**	(30,465)
Rental expenses		**(214,533)**	(205,783)
Other expenses		**(667,004)**	(742,507)
Share of (loss) profit of associates		**(80,497)**	5,307
Share of loss of joint ventures		**(662)**	(1,693)
Finance income	9	**168,917**	237,083
Finance costs	10	**(318,208)**	(218,697)
Profit before tax		**963,250**	1,293,542
Income tax expense	11	**(562,228)**	(471,230)
Profit for the year	12	**401,022**	822,312
Profit (loss) for the year attributable to:			
Owners of the Company		**408,413**	825,837
Non-controlling interests		**(7,391)**	(3,525)
		401,022	822,312
Earnings per share			
– Basic (RMB per share)	15	**0.244**	0.474
– Diluted (RMB per share)	15	**0.243**	0.473

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (restated)
Profit for the year	**401,022**	822,312
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
(Loss) profit on fair value changes of available-for-sale investments	**(25,949)**	163,523
Reclassified to profit or loss on disposal of available-for-sale investments	**(71,487)**	(80,776)
Share of exchange difference of associates	**24,132**	9,321
Income tax expenses relating to items that may be reclassified to profit or loss	**15,625**	(9,818)
	(57,679)	82,250
Items that may not be reclassified subsequently to profit or loss:		
Gain on revaluation of property, plant and equipment on transfer of investment properties	**203,998**	—
Income tax expenses relating to item that may not be reclassified to profit or loss	**(51,000)**	—
	152,998	—
Other comprehensive income for the year, net of tax	**95,319**	82,250
Total comprehensive income for the year	**496,341**	904,562
Total comprehensive income attributable to:		
Owners of the Company	**503,732**	908,087
Non-controlling interests	**(7,391)**	(3,525)
	496,341	904,562

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	31 December 2016 RMB'000	31 December 2015 RMB'000 (restated)	1 January 2015 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	16	**7,755,446**	7,716,165	5,939,854
Land use rights - non-current portion	17	**2,086,013**	2,142,400	2,203,030
Investment properties	18	**1,461,760**	866,961	90,506
Deposits and prepayments	19	**60,219**	64,200	848,363
Goodwill	20	**17,664**	17,664	263,179
Interests in associates	21	**327,341**	334,838	308,284
Interests in joint ventures	22	**386,583**	370,607	—
Available-for-sale investments	23	**400,668**	396,946	342,554
Deferred tax assets	24	**116,693**	156,325	127,844
		12,612,387	12,066,106	10,123,614
Current assets				
Inventories		**443,518**	536,468	473,873
Properties under development for sale		**910,814**	1,447,755	—
Completed properties for sale		**1,500,590**	14,799	—
Trade and other receivables	25	**707,109**	843,445	515,162
Land use rights - current portion	17	**56,382**	56,382	37,673
Amounts due from related companies	26	**39,189**	561,290	23,763
Tax assets		**11,590**	11,744	20,319
Investments in interest bearing instruments	27	**—**	151,475	2,318,818
Structured bank deposits	27	**4,455,740**	1,816,647	1,256,957
Restricted cash	27	**96,499**	90,352	32,789
Bank balances and cash	27	**1,059,572**	2,232,437	1,821,084
		9,281,003	7,762,794	6,500,438

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	31 December 2016 RMB'000	31 December 2015 RMB'000 (restated)	1 January 2015 RMB'000 (restated)
Current liabilities				
Bills, trade and other payables	28	**3,609,845**	2,807,487	2,298,640
Amounts due to related companies	29	**671,007**	658,705	435,683
Bank loans	30	**170,696**	5,269,086	3,126,443
Tax liabilities		**387,528**	266,363	217,685
Deferred revenue	31	**2,230,329**	2,242,634	2,519,667
		7,069,405	11,244,275	8,598,118
Net current assets (liabilities)		**2,211,598**	(3,481,481)	(2,097,680)
Total assets less current liabilities		**14,823,985**	8,584,625	8,025,934
Non-current liabilities				
Bank loans	30	**5,162,068**	609,500	—
Senior notes	32	**2,602,694**	2,433,254	2,419,569
PRC medium-term notes	33	**1,492,681**	—	—
Deferred tax liabilities	24	**519,434**	433,187	158,448
		9,776,877	3,475,941	2,578,017
Net assets		**5,047,108**	5,108,684	5,447,917
Capital and reserves				
Share capital	34	**176,456**	177,532	185,282
Reserves	35	**4,856,297**	4,911,981	5,257,858
Equity attributable to owners of the Company		**5,032,753**	5,089,513	5,443,140
Non-controlling interests		**14,355**	19,171	4,777
Total equity		**5,047,108**	5,108,684	5,447,917

The consolidated financial statements on pages 83 to 196 were approved and authorised for issue by the board of directors on 30 March 2017 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 2016

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 35)	Property revaluation reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2015 (originally stated)	185,282	175,025	18,137	217,228	–	16,057	(22,870)	47,008	944,998	3,859,253	5,440,118	4,777	5,444,895
Effect on changes in the accounting policies (note 4)	–	–	–	–	–	–	–	–	–	3,022	3,022	–	3,022
At 1 January 2015 (restated)	185,282	175,025	18,137	217,228	–	16,057	(22,870)	47,008	944,998	3,862,275	5,443,140	4,777	5,447,917
Profit (loss) for the year (restated)	–	–	–	–	–	–	–	–	–	825,837	825,837	(3,525)	822,312
Other comprehensive income for the year	–	–	–	–	–	72,929	9,321	–	–	–	82,250	–	82,250
Total comprehensive income (expense) for the year (restated)	–	–	–	–	–	72,929	9,321	–	–	825,837	908,087	(3,525)	904,562
Shares repurchased and cancelled	(7,768)	(151,087)	7,768	–	–	–	–	–	–	(636,496)	(787,583)	–	(787,583)
Shares repurchased but not cancelled	–	(23)	–	–	–	–	–	–	–	–	(23)	–	(23)
Exercise of share options	18	1,085	–	–	–	–	–	(368)	–	–	735	–	735
Arising from acquisition under common control	–	(25,000)	–	–	–	–	–	–	–	–	(25,000)	–	(25,000)
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	–	–	–	(1,884)	–	1,884	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	5,120	–	–	5,120	–	5,120
Appropriation	–	–	–	–	–	–	–	–	14,712	(14,712)	–	–	–
Dividends recognised as distribution (note 14)	–	–	–	–	–	–	–	–	–	(454,963)	(454,963)	–	(454,963)
Disposal of a subsidiary (note 38)	–	–	–	–	–	–	–	–	–	–	–	(1,747)	(1,747)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	19,666	19,666
At 31 December 2015 (restated)	177,532	–	25,905	217,228	–	88,986	(13,549)	49,876	959,710	3,583,825	5,089,513	19,171	5,108,684

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 35)	Property revaluation reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	408,413	408,413	(7,391)	401,022
Other comprehensive income (expense) for the year	–	–	–	–	152,998	(81,811)	24,132	–	–	–	95,319	–	95,319
Total comprehensive income (expense) for the year	–	–	–	–	152,998	(81,811)	24,132	–	–	408,413	503,732	(7,391)	496,341
Shares repurchased and cancelled	(1,089)	(552)	1,089	–	–	–	–	–	–	(93,285)	(93,837)	–	(93,837)
Exercise of share options	13	552	–	–	–	–	–	(268)	–	–	297	–	297
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	–	–	–	(327)	–	327	–	–	–
Appropriation	–	–	–	–	–	–	–	–	36,185	(36,185)	–	–	–
Dividends recognised as distribution (note 14)	–	–	–	–	–	–	–	–	–	(466,952)	(466,952)	–	(466,952)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2,575	2,575
At 31 December 2016	176,456	–	26,994	217,228	152,998	7,175	10,583	49,281	995,895	3,396,143	5,032,753	14,355	5,047,108

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (restated)
Operating activities		
Profit before tax	**963,250**	1,293,542
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	**353,846**	322,322
Interest expenses	**318,208**	218,697
Release of prepaid lease payments on land use rights	**30,906**	30,465
Net foreign exchange losses	**522,034**	427,104
Impairment loss on goodwill	**—**	245,515
Bargain purchase gain arising on acquisition of subsidiaries	**—**	(559,724)
Gain on disposal of a subsidiary	**—**	(4,118)
Gain on disposal of an associate	**(5,822)**	(26,173)
Gain on deemed disposal of an associate	**(3,267)**	—
Equity-settled share-based payments	**—**	5,120
Fair value change of investment properties	**(193,827)**	5,181
Fair value change on financial liabilities at fair value through profit or loss	**17,646**	—
Loss on disposal/write-off of property, plant and equipment	**2,216**	71,943
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**(71,487)**	(80,776)
Income from investments in interest bearing instruments	**(8,788)**	(141,280)
Income from structured bank deposits	**(132,309)**	(52,128)
Interest income	**(27,820)**	(43,675)
Dividends income from equity investments	**(3,089)**	(721)
Share of loss (profit) of associates	**80,497**	(5,307)
Share of loss of joint ventures	**662**	1,693
Operating cash flows before movements in working capital	**1,842,856**	1,707,680
Decrease in long-term rental deposits	**14,200**	—
Decrease (increase) in inventories	**59,844**	(64,862)
(Increase) decrease in trade and other receivables	**(34,324)**	21,870
Decrease (increase) in amounts due from related companies	**12,350**	(27,702)
Increase in bills, trade and other payables	**223,886**	40,449
Decrease in amounts due to related companies	**(331,313)**	(2,919)
Decrease in deferred revenue	**(12,305)**	(277,997)
Net cash generated from operations	**1,775,194**	1,396,519
PRC income tax paid	**(338,961)**	(379,289)
Net cash generated from operating activities	**1,436,233**	1,017,230

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Investing activities			
Investments in structured bank deposits		**(35,564,440)**	(33,514,610)
Redemption of structured bank deposits		**32,942,530**	32,957,360
Investments in interest bearing instruments		**(329,000)**	(3,155,000)
Redemption of investments in interest bearing instruments		**479,000**	5,320,380
Placement of restricted cash		**(96,499)**	(80,352)
Withdrawal of restricted cash		**90,352**	32,789
Purchase of available-for-sale investments		**(1,963,254)**	(2,122,013)
Proceeds from disposal of available-for-sale investments		**1,933,583**	2,231,144
Addition to property, plant and equipment		**(447,544)**	(1,032,000)
Proceeds from disposal of property, plant and equipment		**3,729**	5,854
Payment on lease payment of land use rights		**—**	(8,840)
Purchase of subsidiaries (net of cash and cash equivalent acquired)	37	**—**	(677,324)
Acquisition of the assets of a subsidiary	39	**77,395**	—
Proceeds from disposal of a subsidiary	38	**—**	5,645
Placement of deposit for acquisition of a joint venture	19	**(10,219)**	—
Capital contribution to associates		**(72,359)**	(14,800)
Capital contribution to a joint venture		**(16,638)**	(372,300)
Proceeds from disposal of an associate		**—**	33,162
Income received from structured bank deposits		**115,126**	49,688
Income received from investments in interest bearing instruments		**10,263**	143,243
Interest received from bank deposits		**4,858**	7,979
Dividends received from equity investments		**3,089**	721
Deposit refunded and related interest receivable for acquisition of Suzhou Qianning		**263,000**	50,000
Advance to a joint venture		**—**	(529,825)
Repayment from a joint venture		**346,522**	20,000
Net cash used in investing activities		**(2,230,506)**	(649,099)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Financing activities		
Repurchase of shares	**(93,837)**	(787,606)
Proceeds on exercise of share options	**297**	735
Repayment of bank loans	**(1,397,981)**	(3,133,339)
New bank loans raised	**458,658**	4,766,066
Dividends paid to owners of the Company	**(466,952)**	(454,963)
Distribution to the shareholder	**—**	(45,000)
Interest paid	**(354,933)**	(213,375)
Capital contribution from non-controlling interests	**2,575**	19,666
Proceeds from issuing of PRC medium- term notes	**1,491,227**	—
Amounts raised from financial liabilities at fair value through profit or loss	**945,107**	—
Repayment of financial liabilities at fair value through profit or loss	**(962,753)**	—
Redemption of senior notes	**—**	(108,962)
Net cash (used in) generated from financing activities	**(378,592)**	43,222
Net (decrease) increase in cash and cash equivalents	**(1,172,865)**	411,353
Cash and cash equivalents at beginning of the year	**2,232,437**	1,821,084
Cash and cash equivalents at end of the year	**1,059,572**	2,232,437

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

Golden Eagle Retail Group Limited (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 "Directors") of the Company, 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. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the lifestyle center and stylish department store chain development and operation, property development and hotel operation in The People's Republic of China (the "PRC"). The principal activities of the subsidiaries, associates and joint ventures of the Company are set out in notes 48, 21 and 22 respectively.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to Hong Kong Accounting Standard ("HKAS") 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*

The application of the amendments to 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 disclosure set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

New HKFRSs and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014-2016 Cycle*[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 *Financial Instruments*: *Recognition and Measurement* are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

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

HKFRS 9 Financial Instruments (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on the classification and amounts reported in respect of the Group's financial assets. For available-for-sale investments will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Directors of the Company performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers and the related Amendments

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

HKFRS 15 Revenue from Contracts with Customers and the related Amendments (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Directors of the Company performs a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

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

HKFRS 16 Leases (Continued)

Under HKAS 17, the Group is required to recognise prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB424,905,000 (2015: RMB895,237,000) as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors of the Company complete a detailed review.

Other than disclosed above, the Directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the financial performance and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 *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, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

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 amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. 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.

Merger accounting for business combination involving business under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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 and a joint venture is described below.

Interests in associates and joint ventures

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures 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 interest in an associate or a joint venture 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 or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or a joint venture, any excess of the cost of the interest 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 interest in an associate or a joint venture. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture 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.

Properties 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. Such properties are classified to the appropriate categories 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

If an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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 measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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)

Completed properties for sale/properties under development for sale

Completed properties for sale and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the land cost, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value represents the selling price estimated by management based on prevailing market conditions less estimated costs of completion, where applicable, and costs necessary to make the sale.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition of:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 44.

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. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets (Continued)

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 trade and other receivables, amounts due from related companies, 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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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, 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 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.

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.

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 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured 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 interest paid on the financial liabilities and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 44.

Financial liabilities at amortised cost

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

On derecognition of a financial asset, 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.

Inventories

Inventories 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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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 or gift upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program.

Prepayments from customers in the form of prepaid customer cards are initially deferred as liability on issuance, and recognised as revenue on utilisation when the goods are delivered and title has been passed at the time the revenue recognition conditions are satisfied.

Revenue from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the condensed consolidated statement of financial position under current liabilities.

Revenue from hotel room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

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

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.

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. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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.

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

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 bases 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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.

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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to 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 the share options 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. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING

As a result of the finalisation of the Global Era Acquisition (as defined in note 37), the provisional bargain purchase gain previously recognised was subsequently reduced by an amount of RMB211,561,000 comprising of deferred tax assets of RMB14,825,000 and net deferred tax liabilities of RMB226,386,000 in accordance with HKFRS 3.

In addition to the change in adjustment arising from prior year provisional accounting, in accordance with HKAS 40 *Investment Property*, investment properties can either be accounted for using the cost model or the fair value model and the Group has accounted for its investment properties using the cost model in previous years.

Given the fact that most of the investment properties held by listed companies are accounted for using the fair value model, which is also encouraged under HKAS 40, during the year, the Group aligned its accounting policy with other listed companies and stated its investment properties at their fair values.

In the opinion of the Directors, this change in the accounting policy enables the Group to provide reliable and more relevant information for the use of the consolidated financial statements.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING (CONTINUED)

The effects of the changes in the Group's accounting policy and the adjustment arising from completion of the Global Era Acquisition (as defined in note 37) described above on the results for the current and preceding years by line items presented in the consolidated statement of profit or loss are as follows:

	2016 RMB'000	2015 RMB'000
Impact on profit for the year		
Adjustment arising from completion of the Global Era Acquisition (as defined in note 37):		
Decrease in other income, gains and losses	**—**	(211,561)
Adjustments arising from change in accounting policy:		
Decrease in depreciation and amortisation of property, plant and equipment	**28,299**	2,087
Increase (decrease) in other income, gains and losses	**193,827**	(5,181)
(Increase) decrease in income tax expense	**(55,532)**	774
	166,594	(2,320)
Net increase (decrease) in profit for the year	**166,594**	(213,881)
Increase (decrease) in profit for the year attributable to:		
Owners of the Company	**166,594**	(213,881)
Impact on other comprehensive income for the year		
Adjustments arising from change in accounting policy:		
Increase in gain on revaluation of property, plant and equipment on transfer of investment properties	**203,998**	—
Increase in income tax expense relating to the item that may not be reclassified to profit or loss	**(51,000)**	—
Net increase in other comprehensive income for the year	**152,998**	—
Net increase (decrease) in total comprehensive income attributable to:		
Owners of the Company	**319,592**	(213,881)

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING (CONTINUED)

The effects of the changes in accounting policy for investment properties and the adjustment arising from completion of the Global Era Acquisition (as defined in note 37) described above on the financial positions of the Group as at the end of the immediately preceding financial year, 31 December 2015, are as follows:

	31 December 2015 (originally stated)	Adjustments arising from completion of the Global Era Acquisition (as defined in note 37)	Subtotal	Adjustments arising from changes in the accounting policy	31 December 2015 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties	866,026	—	866,026	935	866,961
Deferred tax assets	141,500	14,825	156,325	—	156,325
Deferred tax liabilities	(206,568)	(226,386)	(432,954)	(233)	(433,187)
Total effects on net assets	NA	(211,561)	NA	702	NA
Retained profits	(3,794,684)	211,561	(3,583,123)	(702)	(3,583,825)
Total effect on equity	NA	211,561	NA	(702)	NA

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING (CONTINUED)

The effect of the changes in accounting policy for investment properties described above on the financial positions of the Group as at the beginning of the comparative period, 1 January 2015, are as follows:

	1 January 2015 (originally stated) RMB'000	**Adjustment arising from changes in the accounting policy** RMB'000	**1 January 2015 (restated)** RMB'000
Investment properties	86,477	4,029	90,506
Deferred tax liabilities	(157,441)	(1,007)	(158,448)
Total effects on net assets	NA	3,022	NA
Retained profits	(3,859,253)	(3,022)	(3,862,275)
Total effect on equity	NA	(3,022)	NA

Impact on basic earnings per share

	2016 **RMB'000**	2015 RMB'000
Basic earnings per share before adjustments	**0.144**	0.597
Adjustment arising from completion of the Global Era Acquisition (as defined in note 37)	**—**	(0.122)
Basic earnings per share before change in accounting policy	**0.144**	0.475
Adjustments arising from change in accounting policy	**0.100**	(0.001)
Reported basic earnings per share	**0.244**	0.474

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING (CONTINUED)

Impact on diluted earnings per share

	2016	2015
	RMB'000	RMB'000
Diluted earnings per share before adjustments	**0.144**	0.595
Adjustment arising from completion of the Global Era Acquisition (as defined in note 37)	**–**	(0.121)
Diluted earnings per share before change in accounting policy	**0.144**	0.474
Adjustments arising from change in accounting policy	**0.099**	(0.001)
Reported diluted earnings per share	**0.243**	0.473

5. KEY SOURCES OF ESTIMATION UNCERTAINTIES

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.

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 uncertainties 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.

Income taxes

As at 31 December 2016, a deferred tax asset of RMB133,509,000 (2015: RMB144,025,000 (restated)) 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 RMB147,961,000 (2015: RMB126,286,000 (restated)) 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgement and is satisfied that the assumptions used in valuation have reflected the current market conditions. The carrying amounts of investment properties at 31 December 2016 was RMB1,461,760,000 (2015: RMB866,961,000 (restated)).

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on Director's best estimate assuming future tax consequences through usage of such properties for rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties are subsequently disposed by the Group, rather than consumed substantially all of the economic benefits embodied in the investment properties by leasing over time. In the event the investment properties are being disposed, the Group may be liable to higher tax upon disposal considering the impact of enterprise income tax and land appreciation tax.

Land appreciation tax

Land Appreciation Tax ("LAT") in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and all other property development expenditures.

Subsidiaries of the Group engaging in the property development in the PRC are subject to LAT. However, the implementation of these taxes various among various cities in the PRC and the Group has not finalised its LAT calculation and tax payments with local tax bureau in these cities in PRC. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated statement of profit or loss and the provision for the LAT in the period in which such determination is made.

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016 RMB'000	2015 RMB'000
Commission income from concessionaire sales	**2,086,558**	2,118,071
Direct sales	**1,783,487**	1,719,560
Sales of properties	**397,954**	—
Rental income	**311,017**	223,150
Management fees	**48,947**	3,571
Hotel operations	**39,163**	—
Automobile services fees	**27,214**	29,175
	4,694,340	4,093,527

Gross sales proceeds represent the gross amount, including the related value-added tax and sales taxes charged/received from customers.

Gross sales proceeds	2016 RMB'000	2015 RMB'000
Concessionaire sales	**13,454,809**	13,993,107
Direct sales	**2,071,905**	2,024,751
Sales of properties	**417,648**	—
Rental income	**329,731**	236,500
Management fees	**52,115**	3,783
Hotel operations	**41,679**	—
Automobile service fees	**31,404**	33,655
	16,399,291	16,291,796

7. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors and chief executive officer, being the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance. In previous years, the Group operates in three operating and reportable segments, namely Southern Jiangsu Province, Northern Jiangsu Province and Western and the Other Regions of the PRC for its retail operations.

Following the completion of the Global Era Acquisition as defined in note 37, the Group further engaged in another operating and reportable segment of property development and hotel operations in the PRC (the "Property development and hotel operations"). Also, in view of the additional segment, the Group presents subtotal for the three operating and reportable segments for its retail operations, which their financial performance were reviewed by the CODM individually based on geographic area, because these three segments in retail operations are operating in similar business model with similar target group of customers, and under the same regulatory environment, which is the development and operation of lifestyle center and stylish department store chain in the PRC (the "Retail operations"). The Group's operating and reportable segments are now as follows:

- Retail operations consists of:
  - Southern Jiangsu Province, including stores at Nanjing, Changzhou, Liyang, Danyang and Kunshan
  - Northern Jiangsu Province, including stores at Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng and Suqian
  - Western and the Other Regions of the PRC, including stores at Xi'an, Kunming, Shanghai, Hefei, Huaibei, Ma'anshan, and Wuhu.
- Property development and hotel operations
- Other operations represent the total of other operating segments that are individually not reportable

No segment information by geographical area is reviewed by the CODM in respect of the Group's property development and hotel operations as these operations are all carried out in the cities of Wuhu, Nantong and Yangzhou.

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	Retail operations						
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western and the Other Regions of the PRC RMB'000	Subtotal RMB'000	Property development and hotel operations RMB'000	Other operations RMB'0000	Total RMB'000
For the year ended 31 December 2016							
Gross sales proceeds	5,690,766	7,833,139	2,320,133	15,844,038	459,327	95,926	16,399,291
Segment revenue	1,829,789	1,857,448	491,996	4,179,233	437,117	77,990	4,694,340
Segment results	541,400	807,667	168,315	1,517,382	88,480	(47,785)	1,558,077
Central administration costs and Directors' salaries							(82,560)
Finance income							168,917
Finance costs							(318,208)
Other gains and losses							(281,817)
Share of loss of associates							(80,497)
Share of loss of joint ventures							(662)
Profit before tax							963,250
Income tax expense							(562,228)
Profit for the year							401,022

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Retail operations						
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western and the Other Regions of the PRC RMB'000	Subtotal RMB'000	Property development and hotel operations RMB'000	Other operations RMB'0000	Total RMB'000
For the year ended 31 December 2015							
Gross sales proceeds (restated)	5,749,349	8,005,116	2,501,915	16,256,380	–	35,416	16,291,796
Segment revenue (restated)	1,722,511	1,827,206	522,019	4,071,736	–	21,791	4,093,527
Segment results (restated)	440,892	763,909	109,947	1,314,748	–	(15,507)	1,299,241
Central administration costs and Directors' salaries							(90,800)
Finance income							237,083
Finance costs							(218,697)
Other gains and losses (restated)							63,101
Share of profit of associates							5,307
Share of loss of a joint venture							(1,693)
Profit before tax (restated)							1,293,542
Income tax expense (restated)							(471,230)
Profit for the year (restated)							822,312

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, share of (loss) profit of associates and share of loss of joint ventures.

Segment assets

Segment information reported to CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

7. SEGMENT INFORMATION (CONTINUED)

Other segment information

Amounts included in the measure of segment profit or loss:

	Retail operations						
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western and the Other Regions of the PRC RMB'000	Subtotal RMB'000	Property development and hotel operations RMB'000	Other operations RMB'0000	Total RMB'000
For the year ended 31 December 2016							
Depreciation and amortisation of property, plant and equipment	**121,354**	**145,080**	**43,546**	**309,980**	**17,338**	**26,528**	**353,846**
Release of prepaid lease payments on land use rights	**30,751**	**12,704**	**12,932**	**56,387**	**–**	**–**	**56,387**
Less: amounts capitalised	**(23,347)**	**(2,134)**	**–**	**(25,481)**	**–**	**–**	**(25,481)**
	7,404	**10,570**	**12,932**	**30,906**	**–**	**–**	**30,906**
For the year ended 31 December 2015							
Depreciation and amortisation of property, plant and equipment (restated)	116,441	130,911	52,890	300,242	–	22,080	322,322
Release of prepaid lease payments on land use rights	25,125	12,704	12,932	50,761	–	–	50,761
Less: amounts capitalised	(18,162)	(2,134)	–	(20,296)	–	–	(20,296)
	6,963	10,570	12,932	30,465	–	–	30,465

Certain comparative figures for the year ended 31 December 2015 have been re-classified to conform to the current year presentation.

8. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	RMB'000	RMB'000
		(restated)
Other income		
Income from suppliers and customers	**291,701**	297,817
Government grants	**13,998**	19,624
Others	**6,489**	7,058
	312,188	324,499
Other gains and losses		
Net foreign exchange losses	**(522,034)**	(427,104)
Bargain purchase gain arising on acquisition of subsidiaries (note 37)	**—**	559,724
Gain on disposal of a subsidiary (note 38)	**—**	4,118
Gain on disposal of an associate (note 21)	**5,822**	26,173
Gain on deemed disposal of an associate (note 21)	**3,267**	—
Gain on redemption of senior notes (note 32)	**—**	25,822
Dividend income from equity investments	**3,089**	721
Fair value change of investment properties	**193,827**	(5,181)
Fair value change of held for trading investments	**(19,629)**	121,492
Fair value change of financial liabilities at fair value through profit or loss	**(17,646)**	—
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**71,487**	80,776
Impairment of goodwill (note 20)	**—**	(6,271)
Impairment loss/provisions in relation to store suspension		
– impairment of goodwill (note 20)	**—**	(239,244)
– loss on disposal/write-off of property, plant and equipment	**—**	(71,484)
– provision of other store suspension expenses	**—**	(6,441)
	—	(317,169)
	(281,817)	**63,101**
	30,371	**387,600**

During the year, the relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB13,998,000 (2015: RMB19,624,000) in relation to support the Group's development in the local district with no future related costs, which were recognised in the profit or loss in the year in which they received.

9. FINANCE INCOME

	2016	2015
	RMB'000	RMB'000
Income from structured bank deposits	**132,309**	52,128
Interest income on bank deposits	**4,858**	7,979
Income from investments in interest bearing instruments	**8,788**	141,280
Interest income on deposit paid for acquisition of Suzhou Qianning (note 25)	**22,962**	35,696
	168,917	237,083

10. FINANCE COSTS

	2016	2015
	RMB'000	RMB'000
Interest expenses on:		
Bank loans	**237,019**	141,709
Senior notes	**118,403**	114,625
PRC medium- term notes	**18,030**	—
	373,452	256,334
Less: amounts capitalised in the cost of qualifying assets		
Property, plant and equipment under constructions	**(51,953)**	(37,637)
Properties under development for sale	**(3,291)**	—
	318,208	218,697

Finance costs capitalised are calculated by applying a weighted average capitalisation rate of 4.3% (2015: 4.0%) per annum.

11. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000 (restated)
PRC Enterprise Income Tax:		
Current year	**358,880**	372,317
LAT	**30,346**	—
Under (over) provision in prior years	**3,542**	(1,245)
	392,768	371,072
Withholding tax on distribution of earnings from the PRC subsidiaries	**75,000**	80,000
Deferred tax charge:		
Current year	**94,460**	20,158
	562,228	471,230

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arised in or derived from Hong Kong during the both years.

Subsidiaries of the Group located in the PRC are subject to PRC Enterprise Income Tax ("EIT") rate of 25% (2015: 25%) pursuant to the relevant PRC Enterprise Income Tax laws, except for Xi'an Golden Eagle International Shopping Centre Co., Ltd. which was granted on 24 April 2014 a preferential income tax rate of 15% effective from 1 January 2013 for 8 years.

11. INCOME TAX EXPENSE (CONTINUED)

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong shall be subject to the withholding tax at 5%. Dividend distributed from a PRC subsidiary to a non-PRC tax resident group entity in British Virgin Islands shall be subject to the withholding tax at 10%.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2012, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

During the year, the Group estimated and made provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects, and the LAT determined by the tax authorities might be different from the basis on which the provision for LAT is calculated. The EIT and LAT liabilities are recorded in the "tax payable" of the consolidated financial statements.

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11. 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:

	2016 RMB'000	2015 RMB'000 (restated)
Profit before tax	**963,250**	1,293,542
Tax at the applicable tax rate of 25% (2015: 25%)	**240,813**	323,385
Tax effect of share of (loss) profit of associates	**20,125**	(1,327)
Tax effect of disposal of an associate	**5,070**	—
Tax effect of gain on deemed disposal of an associate	**(817)**	—
Tax effect of share of loss of joint ventures	**166**	423
Tax effect of expenses not deductible for tax purpose	**199,745**	241,195
Tax effect of income not taxable for tax purpose	**(10,886)**	(140,603)
Tax effect of tax losses not recognised	**21,092**	208
LAT	**30,346**	—
Tax effect of LAT	**(7,587)**	—
Utilisation of tax losses previously not recognised	**(1,862)**	(14,533)
Under (over) provision in prior years	**3,542**	(1,245)
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**75,000**	80,000
Income tax at concessionary rate	**(12,519)**	(16,273)
Tax charge for the year	**562,228**	471,230

12. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**431**	420
Other staff:		
Salaries and other benefits	**407,152**	439,236
Retirement benefits schemes contributions	**53,733**	56,003
Equity-settled share-based payments	**—**	5,120
	461,316	500,779
Auditor's remuneration	**2,380**	2,380
Depreciation and amortisation of property, plant and equipment	**353,846**	322,322
Release of prepaid lease payments on land use rights	**56,387**	50,761
Less: amounts capitalised	**(25,481)**	(20,296)
	30,906	30,465
Loss on disposal/write-off of property, plant and equipment	**2,216**	71,943
Gross rental income from investment properties	**(49,181)**	(22,171)
Less: direct operating expenses incurred for investment properties	**3,170**	2,859
	(46,011)	(19,312)

13. DIRECTORS', CHIEF EXECUTIVE OFFICER AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors and chief executive officer of the Company were as follows:

	2016					2015				
		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 Director										
Mr. Wang Hung, Roger	–	–	–	–	–	–	–	–	–	–
Independent non-executive Directors										
Mr. Wong Chi Keung	185	–	–	–	185	176	–	–	–	176
Mr. Lay Danny J	123	–	–	–	123	117	–	–	–	117
Mr. Wang Sung Yun, Eddie (Note 1)	123	–	–	–	123	78	–	–	–	78
Mr. Wang Yao (Note 2)	–	–	–	–	–	49	–	–	–	49
Sub-total	431	–	–	–	431	420	–	–	–	420
Chief Executive Officer										
Mr. Su Kai	–	847	72	–	919	–	844	61	–	905
Total	431	847	72	–	1,350	420	844	61	–	1,325

Notes:

1. Mr. Wang Sung Yun, Eddie was appointed as an independent non-executive Director of the Company with effect from 13 May 2015.

2. Mr. Wang Yao retired as an independent non-executive Director of the Company with effect from 13 May 2015.

13. DIRECTORS', CHIEF EXECUTIVE OFFICER AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The independent non-executive Directors' emoluments shown above were paid for their services as Directors of the Company.

Of the five individuals with highest emoluments in the Group, one (2015: one) was the Chief Executive Officer of the Company whose emoluments are included above. The emoluments of the remaining four (2015: four) individuals were as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other benefits	2,484	2,623
Retirement benefits schemes contributions	216	185
Equity-settled share-based payments	540	662
	3,240	3,470

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
Nil to Hong Kong dollar ("HKD") 1,000,000	3	3
HKD1,000,001 to HKD1,500,000	—	—
HKD1,500,001 to HKD2,000,000	1	1
	4	4

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

14. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution during the year:		
2015 Final dividend of RMB0.060 (2014 Final dividend: RMB0.151) per share	**101,865**	268,489
2016 Interim dividend of RMB0.050 (2015 Interim dividend: RMB0.110) per share	**83,736**	186,474
2016 Special dividend of RMB0.168 (2015 Special dividend: nil) per share	**281,351**	—
	466,952	454,963

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of RMB0.0216 (2015: RMB0.060) per share and a special cash dividend of RMB0.0772 (2015: nil) per share, resulting an aggregate dividend of RMB0.0988 (2015: RMB0.060) per share, in an estimated aggregate amount of RMB165,479,000 (2015:RMB101,865,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. 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.

15. EARNINGS PER SHARE (CONTINUED)

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

	2016	2015
	RMB'000	RMB'000
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**408,413**	825,837

	2016	2015
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,676,864**	1,740,686
Effect of dilutive potential ordinary shares attributable to share options	**6,815**	6,653
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,683,679**	1,747,339

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 2016 and 31 December 2015 because the exercise price of these options were higher than the average market prices of the Company's shares during both years.

16. 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	Others RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2015	5,494,740	1,109,706	107,303	200,349	13,031	2,316	281,959	7,209,404
Acquired on acquisition of subsidiaries (note 37)	975,511	38,572	22,085	28,506	507	—	—	1,065,181
Derecognisaed on disposal of a subsidiary (note 38)	—	(3,619)	—	(244)	(58)	—	—	(3,921)
Additions	967,392	102,757	5,312	25,961	1,642	1,603	294,721	1,399,388
Transfers	112,337	58,717	3,895	1,257	—	—	(176,206)	—
Disposals	(420)	(200,769)	(1,457)	(19,529)	(2,607)	(302)	(8)	(225,092)
At 31 December 2015	7,549,560	1,105,364	137,138	236,300	12,515	3,617	400,466	9,444,960
Acquisition of assets in a subsidiary (note 39)	—	—	—	945	—	—	—	945
Additions	385	72,840	661	10,953	2,681	—	541,983	629,503
Transfers	(46)	13,052	64	319	—	—	(13,389)	—
Cost adjustment	(32,763)	—	—	—	—	—	—	(32,763)
Disposals	(1,156)	(575)	(618)	(9,552)	(6,159)	(780)	—	(18,840)
Transfers to investment properties	(276,258)	—	—	—	—	—	—	(276,258)
At 31 December 2016	7,239,722	1,190,681	137,245	238,965	9,037	2,837	929,060	9,747,547

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND AMORTISATION								
At 1 January 2015	585,424	536,815	59,124	80,293	7,268	626	–	1,269,550
Acquired on acquisition of subsidiaries (note 37)	191,326	24,413	13,254	25,277	457	–	–	254,727
Derecognisaed on disposal of a subsidiary (note 38)	–	(700)	–	(13)	(6)	–	–	(719)
Provided for the year	152,291	132,418	7,742	27,452	1,736	683	–	322,322
Eliminated on disposals	–	(98,696)	(654)	(16,107)	(1,628)	–	–	(117,085)
At 31 December 2015	929,041	594,250	79,466	116,902	7,827	1,309	–	1,728,795
Provided for the year	178,075	134,906	12,686	26,067	1,195	917	–	353,846
Eliminated on disposals	(324)	(575)	(261)	(7,802)	(3,603)	(330)	–	(12,895)
Transfers to investment properties	(77,645)	–	–	–	–	–	–	(77,645)
At 31 December 2016	1,029,147	728,581	91,891	135,167	5,419	1,896	–	1,992,101
CARRYING VALUES								
At 31 December 2016	6,210,575	462,100	45,354	103,798	3,618	941	929,060	7,755,446
At 31 December 2015	6,620,519	511,114	57,672	119,398	4,688	2,308	400,466	7,716,165

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 rights ranged from 40 to 63 years using the straight-line method.

Other than land and buildings mentioned above, the cost of other buildings is depreciated over the period of the respective land use rights or 40 years, whichever is shorter, using the straight-line method.

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.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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%
Others	33%

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 RMB2,702,725,000 (2015: RMB2,766,394,000).

17. LAND USE RIGHTS

	2016	2015
	RMB'000	RMB'000
CARRYING VALUES		
At beginning of the year	**2,198,782**	2,240,703
Additions	**—**	8,840
Released during the year	**(56,387)**	(50,761)
At end of the year	**2,142,395**	2,198,782
Analysed for reporting purposes as:		
Non-current assets	**2,086,013**	2,142,400
Current assets	**56,382**	56,382
	2,142,395	2,198,782

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 RMB725,588,000 (2015: RMB736,520,000).

18. INVESTMENT PROPERTIES

	Completed investment properties RMB'000 (restated)
Fair Value	
At 1 January 2015	90,506
Acquired on an acquisition of subsidiaries (note 37)	781,636
Net change in fair value recognised in profit or loss	(5,181)
At 31 December 2015 (restated)	866,961
Transferred from property, plant and equipment (note 16)	402,611
Net change in fair value recognised in profit or loss	193,827
Disposals	(1,639)
At 31 December 2016	1,461,760

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2015: RHL Appraisal Limited and DTZ Debenham Tie Leung Limited), independent qualified professional valuers not connected to the Group.

In determining the fair value of the relevant properties, 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 2015, the valuation was determined by reference to recent market prices for similar properties in similar locations and conditions. In 2016, the valuation was determined on the basis of capitalisation of the rent income derived from existing tenancies with due allowance for reversionary income potential of properties, where appropriate as the management of the Group consider the markets development, the volatility of market condition, and the change in valuation technique is more appropriate to reflect the Group's business operation and highest use of the asset and align with industry practice.

18. INVESTMENT PROPERTIES (CONTINUED)

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

2016

Investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Wuhu New City Plaza located in Wuhu, completed properties	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5%.	An increase in the capitalisation rate used would result in a decrease in fair value, and vice versa.
		Monthly market rent, using direct market comparables and taking into account of time, location, and individual factors, such as frontage and size of the property, of RMB175 per square metre ("sqm") per month for the base level.	An increase in the market rent used would result in an increase in fair value, and vice versa.
Nantong Renmin Road Store located in Nantong, completed properties	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5.5% - 6.5%.	An increase in the capitalisation rate used would result in a decrease in fair value, and vice versa.
		Monthly market rent, using direct market comparables and taking into account of time, location, and individual factors, such as frontage and size of the property, of RMB210 sqm per month for the base level.	An increase in the market rent used would result in an increase in fair value, and vice versa.
Baxian City located in Nantong, completed properties	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5% - 6.5%.	An increase in the capitalisation rate used would result in a decrease in fair value, and vice versa.
		Monthly market rent, using direct market comparables and taking into account of time, location, and individual factors, such as frontage and size of the property, of RMB225 sqm per month for the base level.	An increase in the market rent used would result in an increase in fair value, and vice versa.

18. INVESTMENT PROPERTIES (CONTINUED)

2016 (Continued)

Investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Other properties, completed properties	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 4.5% - 6.5%.	An increase in the capitalisation rate used would result in a decrease in fair value, and vice versa.
		Monthly market rent, using direct market comparables and taking into account of time, location, and individual factors, such as frontage and size of the property, of RMB90 to 255 sqm per month for the base level.	An increase in the market rent used would result in an increase in fair value, and vice versa.

2015

Investment properties	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Wuhu New City Plaza located in Wuhu, completed properties	market comparison approach	Price per sqm using market direct comparables and taking into account of time of transaction and location.	RMB14,000/sqm	Higher the price per sqm will result in correspondingly higher fair value.
Baxian City located in Nantong, completed properties	market comparison approach	Price per sqm using market direct comparables and taking into account of time of transaction and location.	RMB16,800/sqm	Higher the price per sqm will result in correspondingly higher fair value.
Other properties, completed properties	market comparison approach	Price per sqm using market direct comparables and taking into account of time of transaction and location.	RMB3,041 to 16,000/sqm	Higher the price per sqm will result in correspondingly higher fair value.

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18. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

2016

	Level 3 and Fair value as at 31 December 2016 RMB'000
Wuhu New City Plaza located in Wuhu	**507,000**
Nantong Renmin Road Store located in Nantong	**280,900**
Baxian City located in Nantong	**276,000**
Other properties	**397,860**
	1,461,760

2015

	Level 3 and Fair value as at 31 December 2015 RMB'000
Wuhu New City Plaza located in Wuhu	481,068
Baxian City located in Nantong	254,955
Other properties	130,938
	866,961

There were no transfers into or out of Level 3 during the year.

19. DEPOSITS AND PREPAYMENTS

	2016	2015
	RMB'000	RMB'000
Prepayments for construction and acquisition of property, plant and equipment	**50,000**	50,000
Deposit paid for acquisition of a joint venture	**10,219**	—
Rental deposits	**—**	14,200
	60,219	64,200

20. GOODWILL

	Amount
	RMB'000
COST	
At 1 January 2015, 31 December 2015 and 31 December 2016	263,179
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2015	—
Impairment losses recognised	(245,515)
At 31 December 2015 and 31 December 2016	(245,515)
CARRYING VALUE	
At 31 December 2016 and 31 December 2015	17,664

20. 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 retail operations in respective cities. At the end of the reporting period, the carrying amount of goodwill allocated to these units is as follows:

	Segment classification	31 December 2016 & 31 December 2015 RMB'000
Nantong Golden Eagle International Shopping Centre Co., Ltd.	Retail operations - Northern Jiangsu Province	9,735
Yangzhou Golden Eagle International Industry Co., Ltd.	Retail operations - Northern Jiangsu Province	481
Xuzhou Golden Eagle International Industry Co., Ltd.	Retail operations - Northern Jiangsu Province	731
Xi'an Golden Eagle International Shopping Centre Co., Ltd.	Retail operations - Western and the Other Regions of the PRC	6,717
		17,664

During the year ended 31 December 2015, the Group determined to suspend:

- its department store operation in Hefei City, Anhui Province. Accordingly, the Group recognised an impairment loss of RMB230,873,000 in relation to goodwill allocated to Anhui Golden Eagle Retail Co., Ltd. and Hefei Golden Eagle International Shopping Centre Co., Ltd., which used to operate 3 department stores in Hefei City;

- its department store operates by Xi'an Golden Eagle Yanta Shopping Centre. Accordingly, the Group recognised an impairment loss of RMB8,371,000 in relation to goodwill allocated to Xi'an Golden Eagle Yanta Shopping Centre Co., Ltd.

In addition, during the year ended 31 December 2015, the Group recognised an impairment loss of RMB6,271,000 in relation to goodwill allocated to Make The Brand Limited because of its recurring loss positions.

No impaired loss on goodwill is recognised by the Group in 2016.

The recoverable amounts of the remaining 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. No growth has been assumed beyond that period. The discount rate applied to the cash flow projections is 10% (2015: 10%) per annum.

20. GOODWILL (CONTINUED)

Key assumptions used in the value in use calculation for all CGUs

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

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.

21. INTERESTS IN ASSOCIATES

	2016	2015
	RMB'000	RMB'000
Cost of investments in associates		
Listed	**266,559**	228,560
Unlisted	**125,054**	102,749
Share of post-acquisition (losses) profits and other comprehensive income	**(64,272)**	3,529
	327,341	334,838
Fair value of listed investments	**164,371**	169,565

21. INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of associate	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
			2016	2015	
安徽三新鐘錶有限公司 (Anhui Sanxin Watch Co., Ltd.) ("Anhui Sanxin") (Note 1)	PRC	Registered capital – RMB20,000,000	**NA**	30%	Trading
中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) ("Allied") (Note 2)	Taiwan	Share capital – Taiwan Dollar ("TWD") 2,250,000,000	**42.6%**	38.4%	Manufacture and trading of disperse dyestuffs and investment holding
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%**	41%	Operation of chain pizza restaurant
依洛金鷹國際股份有限公司 (iROO & Eagle International Co., Ltd.)	Hong Kong	Share capital – United States dollar ("USD") 10,000,000	**49%**	49%	Branded fashion retailer
北京泡泡瑪特文化創意股份有限公司 (Beijing Pop Mart Cultural & Creative Corp., Ltd.) (formerly known as 北京泡泡瑪特貿易有限公司) ("Pop Mart Beijing") (Note 3)	PRC	Registered capital – RMB25,495,047	**18.2%**	20.7%	Branded fashion toys retailer
南京金鷹泡泡瑪特商貿有限公司 (Nanjing Golden Eagle Pop Mart Trading Co., Ltd.) ("Pop Mart Nanjing")	PRC	Registered capital – RMB20,000,000	**48%**	48%	Branded fashion toys retailer

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21. INTERESTS IN ASSOCIATES (CONTINUED)

Name of associate	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
			2016	2015	
Toebox Korea Ltd.	Korea	Share capital – Korea (South) Won 633,190,000	**23.4%**	NA	Branded footwear retailer
南京彼愛一生珠寶有限公司 (Nanjing Beloves Co., Ltd.)	PRC	Registered capital – RMB60,000,000	**45%**	NA	Branded fashion

Notes:

1. In 2016, the Group disposed of its 30% equity interest in Anhui Sanxin to an independent third party at a consideration of RMB32,580,000. The gain on disposal is calculated as follows:

	RMB'000
Proceeds receivable	32,580
Less: carrying amount of the 30% equity interest on the date of loss of significant influence	26,758
Gain on disposal	5,822

2. On 4 February 2016, the Group subscribed 19,025,593 shares of the 25,000,000 equity shares issued additionally by Allied at an issue price of TWD10.15 per share of TWD193,110,000 (equivalent to approximately RMB37,998,000) (the "Subscription"). Upon the completion of the Subscription, the Group owned 42.6% equity interest of Allied.

3. During the year ended 31 December 2016, Pop Mart Beijing and independent third parties (the "Investors") entered into share subscription agreements (the "Share Subscription Agreements"), pursuant to which Pop Mart Beijing issued and allotted 12.14% of its share capital to the Investors. On completion of the Share Subscription Agreements, the Group's equity interests in Pop Mart Beijing were reduced from 20.7% to 18.2%. The gain on deemed disposal amounted to RMB3,267,000 is included in the consolidated statement of profit or loss for the year ended 31 December 2016. The Group is still able to exercise significant influence over Pop Mart Beijing because it has the power to appoint one out of the nine directors of Pop Mart Beijing in accordance with its Articles of Association.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate, Allied, which represents amounts shown in Allied's financial statements prepared in accordance with HKFRSs, is set out below.

Allied

	2016 RMB'000	2015 RMB'000
Current assets	98,700	125,533
Non-current assets	507,878	619,719
Current liabilities	84,969	150,326
Non-current liabilities	35,475	25,085
Revenue	128,516	172,036
(Loss) profit for the year	(186,767)	14,018
Other comprehensive income for the year	54,326	24,562
Total comprehensive (expense) income for the year	(132,441)	38,580

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

	2016 RMB'000	2015 RMB'000
Net assets of Allied	486,134	569,841
Proportion of the Group's ownership interest in Allied	42.6%	38.4%
Others	1,570	6,327
Carrying amount of the Group's interest in Allied	208,712	225,146

Aggregate information of associates that are not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of post-tax loss (profit) and total comprehensive expense	3,333	(291)
Aggregate carrying amount of the Group's interests in these associates	118,629	109,692

22. INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Cost of investments in joint ventures		
Unlisted	388,938	372,300
Share of post-acquisition losses and other comprehensive expenses	(2,355)	(1,693)
	386,583	370,607

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

Name of joint venture	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 2016	2015	Principal activity
揚州金鷹新城市中心實業有限公司 (Yangzhou Golden Eagle New City Centre Industrial Co., Ltd.) ("Yangzhou Golden Eagle New City")	PRC	Registered capital – RMB800,000,000	51% (Note)	51%	Investment holding
Golden Eagle & Shinwon Trading Co., Limited	Hong Kong	Share capital – USD5,000,000	50%	NA	Branded fashion retailer

Note: The Group holds 51% of the registered capital and voting power in general meeting of Yangzhou Golden Eagle New City. However, under the joint venture agreement, Yangzhou Golden Eagle New City is jointly controlled by the Group and the other party because the financial and operating decisions relating to the operation of Yangzhou Golden Eagle New City require unanimous consent of the Group and the other party. Therefore, Yangzhou Golden Eagle New City is classified as a joint venture of the Group.

Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture, Yangzhou Golden Eagle New City, which represents amounts shown in Yangzhou Golden Eagle New City's financial statements prepared in accordance with HKFRSs, is set out below.

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Yangzhou Golden Eagle New City

	2016 RMB'000	2015 RMB'000
Current assets	**724,975**	1,236,365
Non-current assets	**82**	125
Current liabilities	**—**	509,810
Revenue	**—**	—
Loss for the year and total comprehensive expense for the year	**(1,624)**	(3,320)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yangzhou Golden Eagle New City recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of Yangzhou Golden Eagle New City	**725,057**	726,680
Proportion of the Group's ownership interest in Yangzhou Golden Eagle New City	**51%**	51%
Carrying amount of the Group's interest in Yangzhou Golden Eagle New City	**369,779**	370,607

Aggregated information of joint venture that is not individually material:

	2016 RMB'000	2015 RMB'000
The Group's share of profit and total comprehensive expense	**166**	—
Aggregated carrying amount of the Group's interest in the joint venture	**16,804**	—

23. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	RMB'000	RMB'000
Equity securities stated at fair value		
– listed in the PRC	**217,929**	182,946
– listed in Hong Kong	**182,739**	214,000
Total	**400,668**	396,946

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

24. DEFERRED TAXATION

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

	2016	2015
	RMB'000	RMB'000 (restated)
Deferred tax assets	**116,693**	156,325
Deferred tax liabilities	**(519,434)**	(433,187)
	(402,741)	(276,862)

24. DEFERRED TAXATION (CONTINUED)

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

	Accelerated Depreciation and amortisation allowances RMB'000	Fair value adjustment on property, plant and equipment, investment properties and property under development for sale arising from acquisition of subsidiaries RMB'000 (restated)	Undistributable profits of the PRC subsidiaries RMB'000	LAT RMB'000 (restated)	Start up costs RMB'000	Tax losses RMB'000 (restated)	Revaluation of available for-sale investments RMB'000	Deferred revenue RMB'000	Fair value adjustment on investment properties RMB'000 (restated)	Others RMB'000	Total RMB'000 (restated)
At 1 January 2015 (originally stated)	137,797	–	1,750	–	(6,747)	(110,409)	5,335	(7,859)	–	9,730	29,597
Effect on change in the accounting policy (note 4)	–	–	–	–	–	–	–	–	1,007	–	1,007
At 1 January 2015 (restated)	137,797	–	1,750	–	(6,747)	(110,409)	5,335	(7,859)	1,007	9,730	30,604
Charge (credit) for the year (note 11) (restated)	33,216	–	80,000	–	3,028	(19,197)	–	(370)	(774)	4,255	100,158
Charge to other comprehensive income	–	–	–	–	–	–	9,818	–	–	–	9,818
Acquisition of subsidiaries (note 37) (restated)	–	164,055	–	62,331	–	(14,825)	–	(185)	–	–	211,376
Disposal of a subsidiary (note 38)	–	–	–	–	–	406	–	–	–	–	406
Reversal on payment of withholding tax	–	–	(75,500)	–	–	–	–	–	–	–	(75,500)
At 31 December 2015 (restated)	171,013	164,055	6,250	62,331	(3,719)	(144,025)	15,153	(8,414)	233	13,985	276,862
Charge (credit) for the year (note 11)	37,241	(3,251)	75,000	(13,507)	2,136	14,472	–	3,297	48,457	5,615	169,460
Credit to other comprehensive income	–	–	–	–	–	–	(15,625)	–	51,000	–	35,375
Acquisition of assets in a subsidiary (note 39)	–	–	–	–	–	(3,956)	–	–	–	–	(3,956)
Reversal on payment of withholding tax	–	–	(75,000)	–	–	–	–	–	–	–	(75,000)
At 31 December 2016	208,254	160,804	6,250	48,824	(1,583)	(133,509)	(472)	(5,117)	99,690	19,600	402,741

24. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has unused tax losses of RMB681,997,000 (2015: RMB702,388,000 (restated)) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB534,036,000 (2015: RMB576,102,000 (restated)) of such losses which were tax losses arising from the 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 RMB147,961,000 (2015: RMB126,286,000 (restated)) which were mainly arising from Hong Kong and may be carried forward indefinitely, due to the unpredictability of future profit streams.

Pursuant to 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 RMB1,751 million as at 31 December 2016 (2015: RMB2,504 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.

25. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables	**101,306**	57,911
Advance to suppliers	**51,657**	61,544
Deposits	**88,778**	94,869
Deposits paid for purchases of goods	**5,790**	5,046
Other taxes recoverable	**122,344**	90,377
Deposit refundable and related interest receivable for acquisition of Suzhou Qianning (Note)	**45,657**	285,696
Other receivables and prepayments	**291,577**	248,002
	707,109	843,445

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Note: On 28 December 2014, the Group entered into an agreement with the vendors and the vendors' guarantors pursuant to which the Group will acquire 51% of the equity interest in Suzhou Qianning Property Co., Ltd. ("Suzhou Qianning") and a refundable deposit of RMB300 million, which was secured by 97.167% equity interest in 南京東方投資集團有限公司 (Nanjing Oriental Investment Group Co., Ltd.) and the entire equity interest in 江蘇天地實業投資集團有限公司 (Jiangsu Tiande Industrial Investment Group Co., Ltd.) held by the vendors' guarantors, was paid in the same year. On 30 October 2015, the Group entered into a termination agreement with the vendors and vendors' guarantors pursuant to which the deposit would be refunded in two instalments, namely no less than RMB50 million before 30 October 2015 and the balance before 15 December 2015. The two instalments would bear interest at the rate of 12% per annum, with the default rate of 18% per annum. The first instalment amounted of RMB50 million was received on 30 October 2015 and part of the second instalment together with the interests accrued thereon amounted of RMB263 million was received in the current period. As of 31 December, 2016, remaining deposit refundable and related interest receivables due from Suzhou Qianning amounted of RMB45.7 million. In the opinion of the Directors of the Company, the remaining amount would be settled within the next twelve months.

For the operations other than property development business, the Group's trade customers mainly settled their debts by cash payments, either in the form of cash or debit cards, or by 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 for credit card sales will normally be settled within 15 days. There is no trade receivable in property development business at the end of the reporting periods.

Trade receivables amounted of RMB92,304,000 (2015: RMB55,705,000) for department store operations were aged within 15 days from the respective reporting dates and the remaining trade receivables were aged within 90 days from the respective reporting dates.

26. AMOUNTS DUE FROM RELATED COMPANIES

	2016	2015
	RMB'000	RMB'000
南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.) (Note 1)	**8,716**	—
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 1)	**7,573**	36,704
泰州金鷹天地投資管理有限公司 (Taizhou Golden Eagle Tiandi Investment Management Co., Ltd.) (Note 1)	**3,109**	634
南京仙林金鷹天地科技實業有限公司 (Nanjing Xianlin Golden Eagle Tiandi Technology Industry Co., Ltd.) (Note 1)	**2,893**	1,018
馬鞍山金鷹天地實業有限公司 (Ma'anshan Golden Eagle Tiandi Industry Co., Ltd.) (Note 1)	**2,791**	1,882
Yangzhou Golden Eagle New City (Note 2)	**—**	150,000
Yangzhou New City Center Development (as defined in note 39) (Note 3)	**—**	359,825
Others (Note 1)	**14,107**	11,227
	39,189	561,290

At 31 December 2016, the amounts due from Nanjing Golden Eagle International Industry Co., Ltd. and Nanjing Golden Eagle International Group Co., Ltd. are related to payments made for acquisition and construction of property, plant and equipment, and the remaining amounts represented prepayments made for the Group's operations which are unsecured, interest free and repayable on demand, all aged within 30 days.

Notes:

1. Fellow subsidiaries of the Group.

2. A joint venture of the Group.

3. Yangzhou New City Center Development was a wholly-owned subsidiary of a joint venture of the Group as at 31 December 2015 and became a wholly-owned subsidiary of the Group during the year ended 31 December 2016.

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

	2016	2015
	RMB'000	RMB'000
Structured bank deposits (Note 1)	**4,455,740**	1,816,647
Restricted cash (Note 2)	**96,499**	90,352
Bank balances and cash (Note 3)	**1,059,572**	2,232,437
Investments in interest bearing instruments (Note 4)	**—**	151,475
	5,611,811	4,290,911

Notes:

1. Structured bank deposits represent foreign currency or interest rate 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 1.95% to 5.0% (2015: 2.8% to 5.0%) per annum with reference to the performance of foreign currency or interest rate during the investment period and the principal sums are denominated in RMB. In the opinion of the Directors of the Company, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

2. Restricted cash represents balances for the purpose of syndicated loan interest payments (note 30) and bank deposits restricted for settlement of bills payables and concessionaire sales of precious metal.

3. 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 2016 is approximately 0.3% (2015: 0.3%) per annum.

4. At 31 December 2015, included in investments in interest bearing instruments of RMB151,475,000 represented the Group's investment in a restricted low risk debt instrument arranged by a bank in the PRC (the "Restricted Instrument"). The investment was principal guaranteed which carried variable rate of interest and was stated at amortised cost with effective interest of 3.9% per annum for a term of six months to one year.

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.

28. BILLS, TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**1,981,208**	1,474,200
Bills payables	**76,950**	72,800
Total trade payables	**2,058,158**	1,547,000
Deposits and prepayments received from pre-sale of properties	**504,960**	360,232
Payables for property, plant and equipment	**289,583**	201,685
Suppliers' deposits	**178,115**	144,126
Accrued expenses	**140,469**	140,604
Other taxes payables	**104,512**	84,400
Accrued salaries and welfare expenses	**51,465**	64,069
Interest payable	**30,913**	12,395
Other payables	**251,670**	252,976
	3,609,845	2,807,487

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

	2016 RMB'000	2015 RMB'000
0 to 30 days	**1,596,395**	1,121,814
31 to 60 days	**167,332**	180,230
61 to 90 days	**78,200**	103,832
Over 90 days	**216,231**	141,124
	2,058,158	1,547,000

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

Notes to the Consolidated Financial Statements

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29. AMOUNTS DUE TO RELATED COMPANIES

	2016	2015
	RMB'000	RMB'000
Yangzhou Golden Eagle New City (Note 1)	**369,948**	—
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) (Note 1)	**178,678**	186,353
昆山金鷹置業有限公司 (Kunshan Golden Eagle Real Estate Co., Ltd.) (Note 1)	**56,287**	56,287
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 1)	**47,814**	56,275
鹽城金鷹科技實業有限公司 (Yancheng Golden Eagle Technology Industrial Co. Ltd.) (Note 1)	**7,763**	6,275
南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.) (Note 1)	**—**	348,366
Others (Note 2)	**10,517**	5,149
	671,007	658,705

The amounts due to Yangzhou Golden Eagle New City and Nanjing Golden Eagle International Industry Co., Ltd. are non-trade in nature. The amounts due to Nanjing Golden Eagle Construction and Development Co., Ltd. and Kunshan Golden Eagle Real Estate Co., Ltd. are related to acquisition and construction of property, plant and equipment. The remaining amounts represent trade payables to related companies which aged within 90 days. All the amounts are unsecured, interest free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. Fellow subsidiaries and an associate of the Group.

30. BANK LOANS

	2016 RMB'000	2015 RMB'000
Bank loans	**90,000**	1,012,219
Syndicated secured loan	**5,242,764**	4,866,367
	5,332,764	5,878,586
Secured	**5,332,764**	5,644,867
Unsecured	**—**	233,719
	5,332,764	5,878,586
Carrying amount repayable*:		
Within one year	**170,696**	402,719
More than one year, but not exceeding two years	**5,072,068**	102,000
More than two years, but not exceeding five years	**—**	335,000
More than five years	**90,000**	172,500
	5,332,764	1,012,219
that is repayable on demand due to breach of covenants (shown under current liabilities)	**—**	4,866,367
	5,332,764	5,878,586
Less: Amounts due within one year shown under current liabilities	**170,696**	5,269,086
Amounts due after one year	**5,162,068**	609,500

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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30. BANK LOANS (CONTINUED)

At 31 December 2016, syndicated secured loan represents a dual currency three-year term loan, dominated in HKD and USD amounted to HKD1,052,000,000 and USD625,500,000, equivalent to RMB934,666,000 and RMB4,308,098,000 respectively (2015: RMB867,551,000 and RMB3,998,816,000) from a group of financial institutions which will be due for full repayment in April 2018 (the "Syndicated Loan"). The Syndicated Loan carries interest at HIBOR/LIBOR plus 2.3% (2015: HIBOR/LIBOR plus 2.3%) per annum. The effective interest rate for the Syndicated loan is 3.6% to 4.2% (2015: 3.6% to 3.7%) per annum.

During the year ended 31 December 2015, the Group has breached certain financial covenants imposed by the terms of Syndicated Loan. The Directors of the Company were of the view that it is unlikely the lenders will demand immediate repayment and on discovery of such breach, the management of the Company commenced negotiations with the lenders for a consent wavier. As at 31 December 2015, the negotiations had not been concluded and the Syndicated Loan had been classified under current liability as at 31 December 2015. On 24 June 2016, such consent wavier was obtained and the Syndicated Loan was therefore reclassified under non-current liability as at 31 December 2016.

Bank loans denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2016	2015
	RMB'000	RMB'000
USD	**4,308,098**	3,998,816
HKD	**934,666**	1,096,270
	5,242,764	5,095,086

The carrying amount of the bank loans and the weighted average effective interest rates are as below:

	2016		2015	
	RMB'000	**%**	RMB'000	%
Fixed rate bank loans	**90,000**	**4.4**	783,500	5.4 - 6.6
Floating rate bank loans	**5,242,764**	**3.6 - 4.2**	5,095,086	2.0 - 3.7
	5,332,764	**NA**	5,878,586	NA

31. DEFERRED REVENUE

	2016 RMB'000	2015 RMB'000
Prepayments from customers	**2,209,408**	2,207,826
Deferred revenue arising from the Group's customer loyalty programme	**20,921**	34,808
	2,230,329	2,242,634

32. SENIOR NOTES

On 21 May 2013, the Company issued senior notes in the aggregate principal amount of USD400.0 million (equivalent to RMB2,476.2 million) (the "2013 Notes") at USD398.4 million (equivalent to RMB2,466.1 million). The 2013 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 2013 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 2013 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 2013 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

The 2013 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 2013 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 4.796% per annum (2015: 4.796%) 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.

During the year ended 31 December 2015, senior notes with principal amount of USD21,500,000 (equivalent to RMB134,784,000) were redeemed by the Group at discounted prices and net gains of approximately RMB25,822,000 were recognised in the profit or loss. No senior notes were redeemed during the year ended 31 December 2016.

33. PRC MEDIUM-TERM NOTES

On 21 September 2016, the Company issued medium-term notes in an aggregate principal amount of RMB1.5 billion at par (the "2016 Notes") in the national inter-bank market in the PRC. The 2016 Notes carry fixed coupon rate of 3.9% per annum, payable annually in arrears, and will be matured on 21 May 2019. The interest charged for the year is calculated by applying an effective interest rate of approximately 4.166% per annum since the 2016 Notes were issued.

34. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2015 and 31 December 2015 and 31 December 2016	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2015	1,786,012,000	178,601
Shares repurchased and cancelled	(98,548,000)	(9,855)
Exercise of share options	221,000	22
At 31 December 2015	1,687,685,000	168,768
Shares repurchased and cancelled	(12,954,000)	(1,295)
Cancellation of treasury shares	(3,000)	—
Exercise of share options	158,000	16
At 31 December 2016	1,674,886,000	167,489

	RMB'000
Shown in the consolidated statement of financial position:	
At 31 December 2016	**176,456**
At 31 December 2015	177,532

34. 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 HKD	Price per share Lowest HKD	Aggregate consideration paid HKD'000
For the year ended 31 December 2016				
January 2016	**8,356,000**	**8.80**	**8.34**	**71,811**
April 2016	**2,706,000**	**8.96**	**8.85**	**24,201**
May 2016	**1,119,000**	**8.95**	**8.17**	**9,521**
June 2016	**773,000**	**8.60**	**7.93**	**6,470**
	12,954,000			**112,003**
For the year ended 31 December 2015				
March 2015	1,754,000	9.15	9.08	16,037
April 2015	4,816,000	11.50	10.88	54,364
May 2015	8,283,000	12.64	11.18	98,009
June 2015	25,170,000	11.70	10.14	274,410
July 2015	24,171,000	10.52	8.98	243,587
August 2015	11,992,000	8.93	8.27	102,752
September 2015	17,510,000	9.14	8.30	150,358
October 2015	3,098,000	9.70	8.86	28,876
November 2015	729,000	9.90	9.80	7,172
December 2015	1,028,000	9.85	9.37	10,041
	98,551,000			985,606

During the year, nominal value of HKD1,295,000 (2015: HKD9,855,000) (equivalent to RMB1,089,000 (2015: RMB7,768,000)) 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 HKD110,708,000 (2015: HKD975,751,000) (equivalent to RMB92,748,000 (2015: RMB779,815,000)) was charged against share premium and retained profits accounts of the Company.

34. SHARE CAPITAL (CONTINUED)

In addition, during the year ended 31 December 2016, a total of 158,000 (2015: 221,000) ordinary shares of HKD0.10 each of the Company were issued at HKD4.20 (2015: HKD4.20) per share upon exercise of share options. These shares issued rank pari passu in all respects with the then existing shares.

During the year ended 31 December 2016, a total of 12,954,000 shares were repurchased and a total of 12,957,000 shares were cancelled.

During the year ended 31 December 2015, a total of 98,551,000 shares were repurchased, in which 98,548,000 shares were cancelled in 2015 and the remaining 3,000 shares were subsequently cancelled in January 2016. These 3,000 shares were recognised as treasury shares at 31 December 2015 in the consolidated statement of changes in equity.

35. 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 surplus 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.

35. RESERVES (CONTINUED)

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

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.

36. 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 remained effective for a period of ten years commencing from 26 February 2006 and has expired on 25 February 2016. The terms of the Share Option Scheme will remain effective on those options which are outstanding but not yet lapsed, forfeited or exercised.

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.

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.

36. SHARE-BASED PAYMENTS (CONTINUED)

Details of specific categories of options are as follows:

Option series	Share options granted	Date of grant	Vesting proportion	Exercise period	Exercise price HKD
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

36. SHARE-BASED PAYMENTS (CONTINUED)

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 2016					
Key management	**2,195,000**	**—**	**(35,000)**	**—**	**2,160,000**
Other employees	**15,395,000**	**—**	**(123,000)**	**(660,000)**	**14,612,000**
	17,590,000	**—**	**(158,000)**	**(660,000)**	**16,772,000**
Exercisable at 31 December 2016					**11,113,000**
Weighted average exercise price (HKD)	**8.23**	**—**	**4.20**	**16.13**	**7.96**
For the year ended 31 December 2015					
Key management	3,130,000	(520,000)	(115,000)	(300,000)	2,195,000
Other employees	15,729,000	520,000	(106,000)	(748,000)	15,395,000
	18,859,000	—	(221,000)	(1,048,000)	17,590,000
Exercisable at 31 December 2015					11,309,000
Weighted average exercise price (HKD)	8.71	—	4.20	17.73	8.23

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HKD9.65 (2015: HKD10.59).

The Group recognised total expenses of RMB5,120,000 for the year ended 31 December 2015 in relation to share options granted by the Company (2016: nil).

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.

37. ACQUISITIONS OF SUBSIDIARIES

On 11 November 2015, the Group entered into an agreement with an independent third party to acquire 100% equity interests in Nantong Global Era Real Estate Development Co., Ltd. (thereafter renamed as Nantong Golden Eagle Real Estate Development Co., Ltd.), Nantong Global Era Enterprises Co., Ltd. (thereafter renamed as Nantong Golden Eagle Enterprises Co., Ltd.) and Wuhu Global Era Enterprises Co., Ltd. (thereafter renamed as Wuhu Golden Eagle Enterprises Co., Ltd.) (hereinafter collectively referred to as the "Global Era Group") at an aggregated cash consideration of RMB100,000,000 (the "Global Era Acquisition"). The Global Era Group are principally engaged in the business of property development, construction and investment, hotel development and operation and department store development and operation in Nantong City, Jiangsu Province and Wuhu City, Anhui Province. The acquisition has been accounted for using the acquisition method and completed on 31 December 2015.

Global Era Group was acquired to diversify the Group's business scope in the regions of Jiangsu and Anhui Provinces.

During the year ended 31 December 2016, as a result of the finalisation of the Global Era Acquisition, the provisional bargain purchase gain previously recognised was subsequently reduced by an amount of RMB211,561,000 comprising of deferred tax assets of RMB14,825,000 and net deferred tax liabilities of RMB226,386,000. The deferred tax assets were arising from tax losses. Net deferred tax liabilities were arising from RMB20,428,000 provision of LAT on properties sold, RMB41,903,000 from provision of LAT on properties under development for sale, and RMB164,055,000 from the fair value adjustments in the Global Era Acquisition. The comparative figures of the Group's consolidated statement of financial position at 31 December 2015 and the Group's consolidated profit or loss and other comprehensive income for the comparative twelve months ended 31 December 2015 have been restated as if the initial accounting had been completed from the acquisition date. Details of these are set out in note 4.

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37. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

Assets acquired and liabilities recognised of the Global Era Group at the date of acquisition are as below:

	31 December 2015 RMB'000 (restated)
Current assets	
Bank balance and cash	14,254
Restricted cash	10,000
Trade and other receivables	44,541
Tax asset	10,030
Properties under development for sale	1,447,755
Completed properties for sale	14,799
Inventories	2,553
Non-current assets	
Property, plant and equipment	810,454
Investment properties	781,636
Deferred tax assets	15,010
Current liabilities	
Bills, trade and other payables	545,514
Amounts due to related companies	348,366
Amounts due to the Group	591,578
Short-term bank loans	169,000
Deferred revenue	964
Non-current liability	
Bank loans	609,500
Deferred tax liabilities	226,386
Fair value of identifiable net assets acquired	659,724

37. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

Goodwill arising on acquisition

	Global Era Group RMB'000 (restated)
Consideration transferred	100,000
Less: fair value of identifiable net assets acquired	659,724
Bargain purchase gain	(559,724)

In the opinion of Directors of the Company, no material profit and revenue were attributable by the Global Era Group to the Group for the year ended 31 December 2015, as the acquisition was completed on 31 December 2015.

Had this acquisition been completed on 1 January 2015, the revenue of the Group would have been RMB4,178,820,000 and profit for the year of the Group would have been RMB701,191,000 (restated). The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor was it intended to be a projection of future results.

Net cash flow on the Global Era Acquisition for the year ended 31 December 2015 are shown as below:

	2015 RMB'000
Consideration paid in cash	(100,000)
Amounts due from Global Era Group	(591,578)
Less: cash and cash equivalent balances acquired	14,254
	(677,324)

38. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2015, the Group entered into an agreement with an associate, Pop Mart Beijing, to dispose of its 32.1% equity interests in Pop Mart Nanjing, which carried out trading of branded fashion toys, to Pop Mart Beijing. The disposal was completed on 31 August 2015. The Group's equity interest in Pop Mart Nanjing was reduced from 80.1% to 48%. Since the control over Pop Mart Nanjing was lost, Pop Mart Nanjing became an associate of the Group.

Consideration received

	2015
	RMB'000
Cash	6,937

Analysis of assets and liabilities of Pop Mart Nanjing over which control was lost

	31 August 2015
	RMB'000
Current assets	
Bank balances and cash	1,292
Trade and other receivables	2,910
Inventories	4,820
Non-current assets	
Property, plant and equipment	3,202
Deferred tax assets	406
Current liability	
Bills, trade and other payables	3,850
	8,780

38. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Gain on disposal of a subsidiary

	2015
	RMB'000
Consideration received	6,937
Interest in an associate	4,214
Non-controlling interests	1,747
Net assets disposed of	(8,780)
Gain on disposal	4,118

Net cash inflow on disposal of a subsidiary

	2015
	RMB'000
Consideration received in cash	6,937
Less: cash and cash equivalent balances disposed of	(1,292)
	5,645

39. ACQUISITION OF ASSETS IN A SUBSIDIARY NOT CONSTITUTING A BUSINESS

On 23 December 2016, the Group entered into an acquisition agreement with Yangzhou Golden Eagle New City, a joint venture of the Group for the acquisition of 100% equity interests in 揚州金鷹新城市中心開發有限公司 Yangzhou Golden Eagle New City Center Development Co., Ltd. ("Yangzhou New City Center Development") for a consideration of RMB1,940,000, which was subsequently set off against by netting off of the amounts due from Yangzhou Golden Eagle New City. On the date of acquisition, Yangzhou New City Center Development owned a development site in Yangzhou City, Jiangsu Province. After the acquisition, Yangzhou New City Center Development became a wholly-owned subsidiary of the Group.

In the opinion of the Directors of the Company, the above acquisition does not constitute business combination in accordance with HKFRS 3 *Business Combination* as this represents acquisition of properties under development held by Yangzhou New City Center Development, and as such, the acquisition has been accounted for as acquisition of assets.

39. ACQUISITION OF ASSETS IN A SUBSIDIARY NOT CONSTITUTING A BUSINESS (CONTINUED)

Net assets acquired in the transaction are as follows:

	Yangzhou New City Center Development RMB'000
Bank balances and Cash	77,395
Other receivables	27,255
Properties under development	910,814
Property, plant and equipment	945
Deferred tax assets	3,956
Tax recoverable	6,473
Other payables	(503,858)
Amounts due to the Group	(165,169)
Amount due to Yangzhou Golden Eagle New City	(359,751)
	(1,940)
Satisfied by:	
Amounts due from Yangzhou Golden Eagle New City	1,940
Net cash inflow on acquisition	
Cash consideration paid	—
Less: cash and cash equivalents acquired	77,395
	(77,395)

40. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, deposits for acquisition of property, plant and equipment amounted to RMB434,163,000 had been transferred to property, plant and equipment account upon the completion of construction of the relevant department stores (2016: nil).

41. OPERATING LEASE ARRANGEMENTS

The Group as leasee

	2016	2015
	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the year	**22,498**	32,483

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of certain office, warehouses and departments store properties for business, which are negotiated for terms ranging from 1 to 20 years with fixed and/or contingent rents. The future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016	2015
	RMB'000	RMB'000
Within one year	**28,119**	47,008
In the second to fifth year inclusive	**97,534**	189,777
Over five years	**299,252**	658,452
	424,905	895,237

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:

	2016	2015
	RMB'000	RMB'000
Within one year	**3,979**	6,090
In the second to fifth year inclusive	**1,457**	164
	5,436	6,254

The above minimum lease commitments represent only the basic rents and do not include contingent rental payable to landlords under certain lease contracts, including fellow subsidiaries of the Group, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after deduction of related sales tax and discounts. It is not possible to estimate in advance the amount of such contingent rental payable. Rental expenses paid under these lease contracts during the year ended 31 December 2016 amounted to RMB192,035,000 (2015: RMB173,300,000).

41. OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants which are negotiated for terms ranging from 1 to 15 years for the following future minimum lease payments in respect of department store properties:

	2016	2015
	RMB'000	RMB'000
Within one year	**164,342**	187,654
In the second to fifth year inclusive	**473,005**	459,468
Over five years	**159,632**	144,993
	796,979	792,115

The above minimum lease arrangements represent only the basic rents and do not include contingent rental receivable from tenants under certain lease contracts, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on tenants' monthly gross sales or gross profit.

42. CAPITAL COMMITMENTS

	2016	2015
	RMB'000	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)	**869,006**	354,274
– acquisition of an associate	**24,200**	30,764
– interest in a joint venture	**17,343**	35,700
	910,549	420,738
Other commitment:		
– construction of properties under development	**768,607**	218,632

Note: Included in the balance is RMB51,446,000 (2015: RMB25,069,000) capital expenditure contracted for with fellow subsidiaries of the Group.

43. PLEDGE OF ASSETS

At 31 December 2016, the Group has pledged the equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the Syndicated Loan granted to the Group. Assets with the following carrying amounts have been pledged to secure the Syndicated Loan:

	2016	2015
	RMB'000	RMB'000
Available-for-sale investments	**182,739**	214,000
Restricted cash	**42,956**	39,945
Bank balances and cash	**50,348**	129,694
	276,043	383,639

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	2016	2015
	RMB'000	RMB'000
Land use rights	**138,078**	—
Restricted cash	**49,466**	44,224
Property, plant and equipment	**—**	1,104,204
	187,544	1,148,428

44. 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 RMB52,671,000 (2015: RMB56,003,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2016 and 31 December 2015, there was no outstanding contributions payable to the schemes.

45. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in elsewhere in the consolidated financial statements, the Group had the following significant transactions with related companies:

a) Transactions:

Relationship with related companies	**Nature of transactions**	**2016** **RMB'000**	2015 RMB'000
Fellow subsidiaries	Decoration service fee paid	**56,403**	121,554
	Property and ancillary facilities rentals paid	**160,202**	128,916
	Property management fee paid	**57,025**	70,465
	Project management service fee paid	**17,841**	8,991
	Carpark management service fee paid	**2,149**	2,492
	Management fee received	**40,449**	3,783
	Rental income received	**2,499**	2,203
Associates	Purchase of merchandise	**7,855**	7,688

b) Compensation of key management personnel:

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

	2016 **RMB'000**	2015 RMB'000
Salaries and other benefits	**4,322**	5,093
Retirement benefits schemes contributions	**427**	518
Equity-settled share-based payments	**658**	1,638
	5,407	7,249

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.

46. 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 liabilities, which includes the bank loans, senior notes and PRC medium-term notes disclosed in notes 30, 32 and 33, 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.

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Available-for-sale investments	**400,668**	396,946
Loans and receivables	**6,077,684**	4,882,520
	6,478,352	5,279,466
Financial liabilities		
Amortised cost	**(12,921,404)**	(11,189,274)

Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, trade and other receivables, investments in interest bearing instruments, structured bank deposits, restricted cash, bank balances and cash, amounts due from related companies, amounts due to related companies, bills, trade and other payables, bank loans, senior notes and PRC medium-term 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.

47. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

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 HKD or USD which expose the Group to foreign currency risk attributable to the fluctuations in the exchange rates of USD/HKD 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	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**6,924,394**	6,508,112	**3,689**	76,026
HKD	**934,666**	1,110,085	**224,972**	333,991

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

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2015: 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% (2015: 5%) change in foreign currency rates.

47. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

	USD Impact		HKD Impact	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in post-tax profit for the year:				
if RMB weakens against foreign currency	**(346,035)**	(321,604)	**(35,485)**	(38,805)
if RMB strengthens against foreign currency	**346,035**	321,604	**35,485**	38,805

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.

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 2016 and 31 December 2015.

(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 fixed-rate bank deposits, bank loans, senior notes and PRC medium-term 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.

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47. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk (Continued)

Interest rate risk (Continued)

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, investments in interest bearing instruments and bank balances 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 (2015: 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 (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease/increase by RMB26,214,000 (2015: decrease/increase by RMB29,387,000).

Other price risks

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 % (2015: 15% and 30%) respectively in the current year as a result of the volatile financial market.

- If equity prices had been 15% (2015: 15%) higher/lower, investment revaluation reserve would increase/decrease by RMB51,928,000 (2015: RMB52,681,000), as a result of changes in fair value of available-for-sale investments.

- If equity prices had been 30% (2015: 30%) higher/lower, investment revaluation reserve would increase/decrease by RMB103,856,000 (2015: RMB105,362,000), as a result of changes in fair value of available-for-sale investments.

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.

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47. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Credit risk

As at 31 December 2016, 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 material receivables and amounts due from related companies 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 mainly 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 related companies, with exposure spread over a large number of counterparties and customers.

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, senior notes and PRC medium-term notes as additional sources of liquidity. As at 31 December 2016, the Group has available unutilised banking facilities of RMB16,000 million (2015: RMB19,000 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. 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.

47. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average effective interest rate	Within 1 year	1-5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016						
Non-derivative financial liabilities:						
Bills, trade and other payables	–	2,822,258	–	–	2,822,258	2,822,258
Amounts due to related companies	–	671,007	–	–	671,007	671,007
Bank loans	4.11	174,665	5,363,242	101,576	5,639,483	5,332,764
Senior notes	4.80	121,437	485,746	2,807,809	3,414,992	2,602,694
PRC medium-term notes	4.17	59,313	1,618,625	–	1,677,938	1,492,681
		3,848,680	7,467,613	2,909,385	14,225,678	12,921,404
At 31 December 2015						
Non-derivative financial liabilities:						
Bills, trade and other payables	–	2,218,729	–	–	2,218,729	2,218,729
Amounts due to related companies	–	658,705	–	–	658,705	658,705
Bank loans (Note)	3.95	5,515,004	549,362	213,369	6,277,735	5,878,586
Senior notes	4.80	113,675	454,698	2,742,014	3,310,387	2,433,254
		8,506,113	1,004,060	2,955,383	12,465,556	11,189,274

Note: As set out in note 30, syndicated loan of approximately RMB4,866 million has been reclassified as current liability as at 31 December 2015 in view of the breach of certain financial covenants under the terms of the Syndicated Loan (as defined in note 30).

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.

47. FINANCIAL INSTRUMENTS (CONTINUED)

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		Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs	Significant unobservable inputs
	31.12.2016 RMB'000	31.12.2015 RMB'000			
1) Available-for-sale listed equity securities	**400,668**	396,946	Level 1	Quoted prices in active markets	N/A

(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)

At 31 December 2016, the Directors of the Company consider that the carrying amounts of financial assets and financial liabilities which are carried at amortised cost in the consolidated financial statements approximate their fair values.

48. 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		Principal activities
			2016	2015	
Goldjoint Group Limited (Note 1)	British Virgin Islands	Share capital – USD1	**100%**	100%	Investment holding
Eagle Ride Ventures Limited (鷹威企業有限公司)	British Virgin Islands	Share capital – USD300	**100%**	100%	Investment holding

48. 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 2016	2015	Principal activities
Golden Eagle International Trading Limited (金鷹國際貿易有限公司)	Hong Kong	Share capital – HKD10,000	**100%**	100%	Investment holding
Golden Eagle (Korea) Company Limited (金鷹(韓國)有限公司)	Hong Kong	Share capital – HKD7,800,000	**51%**	51%	Investment holding
Golden Ning (Hong Kong) Limited (金寧(香港)有限公司)	Hong Kong	Share capital – HKD100	**100%**	100%	Investment holding
Jin Heng Sheng (HK) Jewelry Co. Limited (香港金恒升珠寶有限公司)	Hong Kong	Share capital – HKD94	**100%**	100%	Investment holding
iPoints Reward (HK) Company Limited (愛積分(香港)有限公司)	Hong Kong	Share capital – HKD1	**100%**	100%	On-line trading
Golden Eagle & Wonderplace Fashion (HK) Co. Ltd.	Hong Kong	Share capital – HKD13,000,000	**51%**	51%	Investment holding
Golden Eagle Media Enterprises Company Limited	Hong Kong	Share capital – HKD1	**100%**	N/A	Media business
Golden Eagle & Toebox Co., Limited (Note 4)	Hong Kong	Share capital – HKD6,000,000	**66%**	N/A	Investment holding
Make The Brand Limited	Hong Kong	Share capital – HKD10	**60%**	60%	Investment holding
Make The Brand Inc.	United States	Share capital – nil	**60%**	60%	Investment holding
Skinmint Holdings LLC	United States	Share capital – USD100,000	**60%**	60%	Launch and management of Contemporary fashion brands

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48. 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
			2016	2015	
金鷹國際商貿股份有限公司	Taiwan	Share – TWD10,000,000	**100%**	100%	Inactive
Golden Eagle Co., Ltd.	Korea	Registered capital – Korea (South) Won 1,000,000,000	**51%**	51%	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 lifestyle center
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
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%	Inactive
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

48. 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
			2016	2015	
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 lifestyle center
南京金鷹珠江路購物中心有限公司 (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 lifestyle center
上海金鷹國際購物廣場有限公司 (Shanghai Golden Eagle International Shopping Plaza 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 – RMB300,000,000	**100%**	100%	Operation of lifestyle center

48. 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
			2016	2015	
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 supermarket
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 lifestyle center
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 lifestyle center
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
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%	Inactive
安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB15,000,000	**100%**	100%	Inactive

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48. 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
			2016	2015	
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%	Inactive
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%	Inactive
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%	Inactive

48. 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
			2016	2015	
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%**	100%	Operation of lifestyle center
蘇州高新金鷹商業廣場有限公司 (Suzhou Gaoxin Golden Eagle Commercial Plaza Co., Ltd.)	PRC	Registered capital – RMB641,430,000	**100%**	100%	Operation of lifestyle center
南京金鷹購電子商務有限公司 (Nanjing iPoints Business Management Co., Ltd.)	PRC	Registered capital – RMB23,000,000	**100%**	100%	On-line trading
南京金鷹優享餐飲管理有限公司 (Nanjing Golden Eagle Enjoy Excellent Catering Trade Management Co., Ltd.)	PRC	Registered capital – RMB500,000	**100%**	100%	Inactive
丹陽金鷹國際購物中心有限公司 (Danyang Golden Eagle International Shopping Centre Co., Ltd.) ("Danyang Golden Eagle") (Note 2)	PRC	Registered capital – USD20,000,000	**100%**	100%	Operation of lifestyle center
鹽城金鷹聚龍湖購物中心有限公司 (Yancheng Golden Eagle Julonghu Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of lifestyle center
南通金鷹圓融購物中心有限公司 (Nantong Golden Eagle Yuanrong Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB200,000,000	**100%**	100%	Operation of lifestyle center

48. 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
			2016	2015	
常州創達資產經營有限公司 (Changzhou Chuangda Assets Management Co., Ltd.)	PRC	Registered capital – RMB80,000,000	**100%**	100%	Property holding
金鷹國際海洋世界 (常州) 有限公司 (Golden Eagle International Ocean World (Changzhou) Co., Ltd.) ("Changzhou Ocean World") (Note 2)	PRC	Registered capital – USD6,500,000	**100%**	100%	Operation of aquarium
金鷹國際海洋世界 (南京) 管理有限公司 (Golden Eagle International Ocean World (Nanjing) Management Co., Ltd.) ("Nanjing Ocean World") (Note 2)	PRC	Registered capital – RMB62,000,000	**100%**	100%	Investment holding
金鷹國際海洋世界鹽城有限公司 (Golden Eagle International Ocean World Yancheng Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Operation of aquarium
金鷹國際海洋世界宿遷有限公司 (Golden Eagle International Ocean World Suqian Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Inactive
南京金鷹奇迹商貿有限公司 (Nanjing Golden Eagle Wonderplace Trading Co., Ltd.) ("Golden Eagle Wonderplace") (Note 2)	PRC	Registered capital – RMB40,000,000	**51%**	51%	Branded fashion retailer

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48. 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
			2016	2015	
馬鞍山金鷹國際購物中心有限公司 (Ma'anshan Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of lifestyle center
上海金恒升珠寶有限公司 (Shanghai Jinhengsheng Jewellery Co., Ltd.) (formerly known as 上海恒一鑽石貿易有限公司) ("Shanghai Jinhengsheng") (Note2)	PRC	Registered capital – USD300,000	**100%**	100%	Jewellery trading
南京金恒升珠寶有限公司 Nanjing Jinhengsheng Jewellery Co., Ltd. (formerly known as 南京恒一國際貿易有限公司) ("Nanjing Jinhengsheng") (Note2)	PRC	Registered capital – RMB22,000,000	**100%**	100%	Jewellery trading
南京金鷹蘇星汽車銷售服務有限公司 (Nanjing Golden Eagle Suxing Motor Sales Co., Ltd.)	PRC	Registered capital – RMB11,000,000	**100%**	100%	Automobile sales
南京金鷹蘇星機動車檢測有限公司 (Nanjing Golden Eagle Suxing Motor Inspection Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	100%	Provision of automobile inspection services
南京蘇星汽車銷售服務有限公司 (Nanjing Suxing Motor Sales Co., Ltd.)	PRC	Registered capital – RMB2,000,000	**100%**	100%	Automobile distribution and exhibition
南通金鷹國際房地產開發有限公司 (Nantong Golden Eagle Real Estate Development Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Operation of department store

48. 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
			2016	2015	
南通金鷹國際實業有限公司 (Nantong Golden Eagle Enterprises Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Property investment
蕪湖金鷹國際實業有限公司 (Wuhu Golden Eagle Enterprises Co., Ltd.)	PRC	Registered capital – RMB253,599,156	**100%**	100%	Investment holding, property development and investment and operation of department store
蕪湖金鷹濱江世紀發展有限公司 (Wuhu Golden Eagle Riverside Century Development Co., Ltd.)	PRC	Registered capital – RMB550,000,000	**100%**	100%	Property development and investment, hotel operation and operation of lifestyle center
南京金鷹超市有限公司 (Nanjing Golden Eagle Supermarket Co., Ltd.) (Note 4)	PRC	Registered capital – RMB20,000,000	**100%**	N/A	Operation of supermarket
南京嘟寶兒童用品有限公司 (Nanjing Toebox Children's Accessories Co., Ltd.) (Note 4)	PRC	Registered capital – RMB10,000,000	**100%**	N/A	Branded footwear retailer
揚州金鷹新城市中心開發有限公司 (Yangzhou Golden Eagle New City Center Development Co., Ltd.)	PRC	Registered capital – RMB400,000,000	**100%**	N/A	Property development

48. PARTICULARS OF SUBSIDIARIES (CONTINUED)

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, Danyang Golden Eagle, Changzhou Ocean World, Nanjing Ocean World, Golden Eagle Wonderplace, Shanghai Hengyi and Nanjing Jinhengsheng which are registered as a wholly-foreign owned enterprise with limited liability 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.

4. Established/incorporated by the Group during the year.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	2016	2015
	RMB'000	RMB'000
Assets		
Property, plant and equipment	**3**	7
Available-for-sale investments	**2,615**	3,096
Interests in and amounts due from unlisted subsidiaries	**3,021,960**	2,742,027
Trade and other receivables	**11**	16
Amounts due from fellow subsidiaries	**421**	337
Bank balances and cash	**13,204**	61,665
	3,038,214	2,807,148
Liabilities		
Bills, trade and other payables	**17,875**	16,523
Senior notes	**2,602,694**	2,433,255
	2,620,569	2,449,778
Net assets	**417,645**	357,370
Capital and reserves		
Share capital (see note 34)	**176,456**	177,532
Reserves	**214,189**	179,838
Total equity	**417,645**	357,370

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in reserves

	Retained profits RMB'000	Capital redemption reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2015	446,897	18,137	(573)	47,008	511,469
Profit for the year	898,242	—	—	—	898,242
Net loss on fair value changes of available-for-sale investments	—	—	(909)	—	(909)
Total comprehensive income (expenses) for the year	898,242	—	(909)	—	897,333
Shares repurchased and cancelled	(787,583)	7,768	—	—	(779,815)
Shares repurchased but not cancelled	(23)	—	—	—	(23)
Exercise of share options	1,085	—	—	(368)	717
Transfer of share option reserve upon forfeiture of share options	1,884	—	—	(1,884)	—
Recognition of equity-settled share-based payments	—	—	—	5,120	5,120
Dividends recognised as distribution	(454,963)	—	—	—	(454,963)
At 31 December 2015	105,539	25,905	(1,482)	49,876	179,838
Profit for the year	621,248	—	—	—	621,248
Net loss on fair value changes of available-for-sale investments	—	—	(481)	—	(481)
Total comprehensive income (expenses) for the year	621,248	—	(481)	—	620,767
Shares repurchased and cancelled	(93,837)	1,089	—	—	(92,748)
Exercise of share options	552	—	—	(268)	284
Transfer of share option reserve upon forfeiture of share options	327	—	—	(327)	—
Dividends recognised as distribution	(466,952)	—	—	—	(466,952)
At 31 December 2016	166,877	26,994	(1,963)	49,281	241,189