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

一 站 式 滿 足 生 活 所 需
Enriching life

2017 Annual Report 年報

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, over 22 years ago, the Group has successfully opened 32 self-owned stores with a total gross floor area of 2,498,954 square meters and a total operating area of 1,687,846 square meters as at 31 December 2017. These stores span across four provinces and one municipality, namely Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai, covering 18 cities including Shanghai, Nanjing, Suzhou, Nantong, Yangzhou, 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 first- and second-tier cities as well as tapping into third-tier cities with immense potential for growth.

CONTINUING TO ENHANCE ORGANIC GROWTH AND DEVELOPING COMPREHENSIVE LIFESTYLE CENTERS

Capitalising on the mainstream customers' demands for consumption upgrade, the Group is developing itself into a professional operator which provides high quality, innovative and comprehensive services, prioritising the development of functions and product categories that enhance customers' shopping experience, with high growth potential and high gross margin, including lifestyle functions and amenities such as children's experience, maternity and baby care products, healthcare, lifestyle tourism, household, culture and creativity as well as automobile integrated services etc. in order to enhance its comprehensiveness for shopping, leisure and family gatherings. As at 31 December 2017, the Group operated 15 comprehensive lifestyle centers with a total gross floor area of 1,853,392 square meters. The operating area of the comprehensive lifestyle amenities accounted for 33.4% 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.

Corporate Profile

EMPHASISING ON INCREMENTAL DEVELOPMENT GROWTH, TAPPING TRENDS OF CONSUMPTION UPGRADE AND RISE OF EMERGING INDUSTRIES INCLUDING CHILDREN AND EDUCATION, HEALTHCARE AND MEDICAL, BUILDING UP ASSET-LIGHT BUSINESS MODEL AND INTEGRATED SERVICE PLATFORM

The Group will focus on development of three aspects in terms of the industry chain: (a) front-end industry chain development. By fully tapping into and utilising member resources, the Group will further integrate the member resources of its own industry or related industries, and market products effectively and accurately to a wider range of customers and provides comprehensive services in an expanded new retail platform; (b) back-end industry chain integration. The Group will connect existing customer and platform resources with suppliers' source products via the Group's self-owned operations under G • LIFE series, 7-Eleven convenience stores, self-owned brands such as Aquila Doro, etc. and accelerate the expansion of these resources outside the Group's existing network to result in more efficient and stable profitability, realise the interaction and development of both content and platform, and share successful operating results of the distinctive commercial brands; and (c) business management capability output. The Group will accelerate the pace of its business management operation output to solidify its asset-light business and inject new drivers for the overall business development.

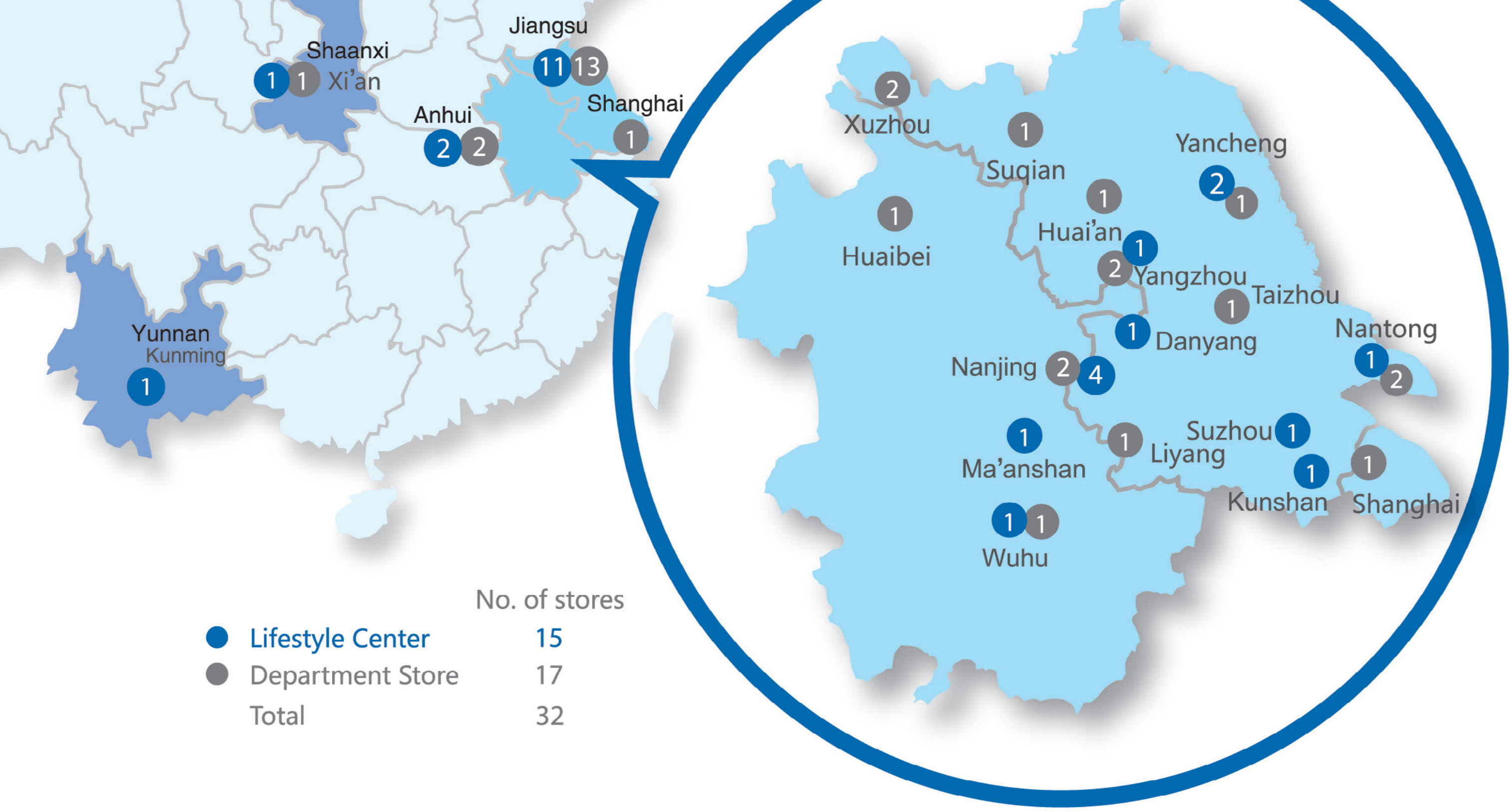
DEDICATED TO PROVIDING HIGH QUALITY AND INNOVATIVE VALUE-ADDED VIP SERVICES AND OMNI-CHANNEL SHOPPING EXPERIENCE

The Group fully utilises its omni marketing channels, through the use of mobile phone application "goodee mobile App" (掌上金鷹) (the "App"), the WeChat and Weibo social network platforms and the "Electronic VIP Card", the Group integrated its Jinying.com (金鷹購) online platform with its comprehensive lifestyle centers, G • LIFE series stores, 7-Eleven convenience stores and industry chain upstream and downstream resources. Coupled with quality and convenient comprehensive lifestyle service offerings, the Group has successfully created a "24-hour operating Golden Eagle" and achieved online and offline two-way marketing, thus driving a rapid growth of customer traffic and sales. As at 31 December 2017, the App has registered over 7.1 million downloads of which 1.9 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 2.9 million loyal VIP customers. During the period under review, spending of the VIP customers accounted for 56.1% of the Group's total gross sales proceeds.

LOCALISED OPERATION STRATEGIES WITH WORLDWIDE MANAGEMENT VISION

The Group appreciates the dedication and contribution of its employees and fosters their capabilities, competence and worldwide vision 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 with local expertise that the Group can utilise on respective markets. As at 31 December 2017, the Group had approximately 4,620 employees.

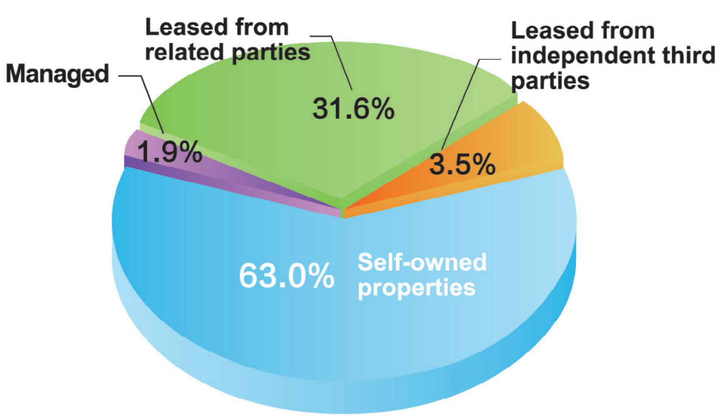
Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 63.0%* 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 Road 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 #	168,900	42,795	211,695
15	Anhui Huaibei Store		34,714	34,714
16	Suqian Store	65,410		65,410
17	Liyang Store	53,469	18,355	71,824
18	Xuzhou People's Square Store	37,457		37,457
19	Yancheng Outlet Store		18,377	18,377
20	Yancheng Julonghu Store #		110,848	110,848
21	Nantong Lifestyle Store #	94,700		94,700
22	Danyang Store #		52,976	52,976

	Gross Floor Area (square meters)	Owned	Leased	Sub-total
23	Kunshan Store #	118,500		118,500
24	Nanjing Jiangning Store #		144,710	144,710
25	Anhui Ma'anshan Store #		87,568	87,568
26	Nantong Renmin Road Store	30,191		30,191
27	Anhui Wuhu Store	30,629		30,629
28	Anhui Wuhu New City Store #	98,906		98,906
29	Xi'an Qujiang Store # @			48,502
30	Suzhou Store #	176,764		176,764
31	Golden Eagle World #		227,396	227,396
32	Yangzhou New City Center #	153,560		153,560
	Total			2,498,954 &



* As a percentage of total gross floor area (square meters) as at 31 December 2017
# In the format of lifestyle center
@ Managed store
& Excludes Jiahong and Lianyungang Supermarkets and Changzhou and Yancheng Aquariums, with total gross floor area of 24,300 sq.m..

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 KY1 -1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor, Tower A, Golden Eagle Center
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 Jiangsu
Bank of Nanjing
Bank of Ningbo
Bank of Shanghai
China Construction Bank
China Minsheng Bank
Industrial and Commercial Bank of China
Industrial Bank
Shanghai Pudong Development Bank

PRINCIPAL BANKERS IN HONG KONG

Bank of Communications
Bank of Jiangsu
Bank of Shanghai
China Everbright Bank
China Merchants Bank
China Minsheng Bank
East West Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial Bank
Shanghai Pudong Development Bank
Taipei Fubon Commercial Bank
The Bank of East Asia

Corporate Information

AUDITOR

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

HONG KONG LEGAL ADVISORS

Raymond Siu & Lawyers
Unit 1802, 18th Floor, Ruttonjee House
11 Duddell Street
Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

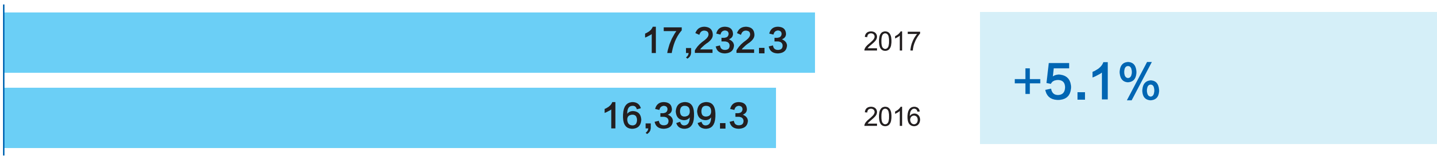
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

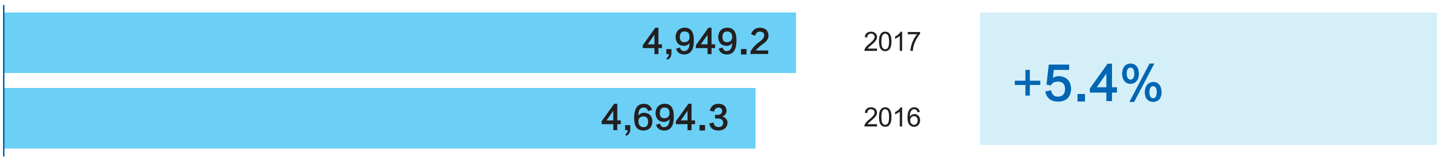
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

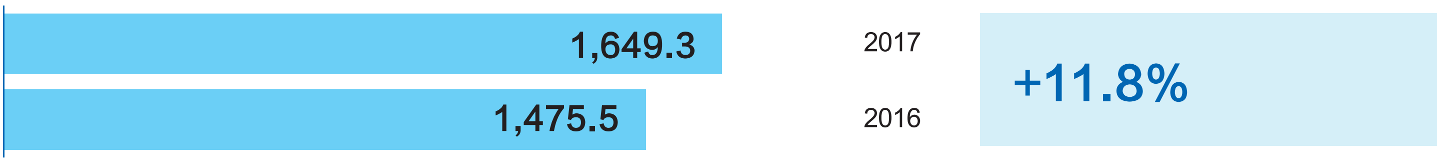
Gross Sales Proceeds (RMB Million)



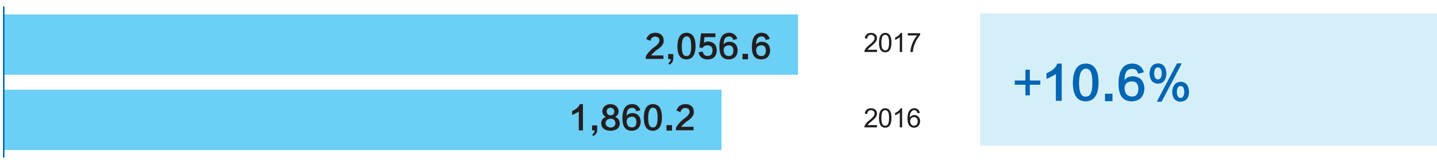
Revenue (RMB Million)



Profit from Operations (RMB Million)

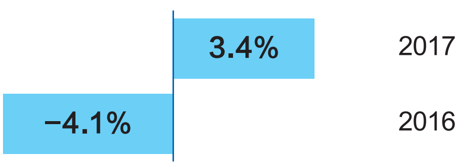


Profit from Operations before Depreciation and Amortisation (RMB Million)



Profit Attributable to Owners of the Company (RMB Million)

Same Store Sales Growth[1]



[1] Same store sales growth represents change in total gross sales proceeds for retail chain stores having operations throughout the comparable period.

Enriching life with styles!

Five Years Financial Summary

	2013 RMB'000 (note 1) & (note 2)	2014 RMB'000 (note 2) & (note 3)	2015 RMB'000 (note 2)	2016 RMB'000	**2017** **RMB'000**	**2016** **vs 2017** **%**
Consolidated Statement of Profit or Loss for the year ended 31 December						
Gross sales proceeds	17,196,658	16,253,971	16,291,796	16,399,291	**17,232,306**	5.1
Revenue	3,972,589	3,978,500	4,093,527	4,694,340	**4,949,180**	5.4
Profit from operations	1,521,854	1,330,905	1,208,442	1,475,520	**1,649,268**	11.8
Profit for the year attributable to owners of the Company	1,232,881	1,086,428	825,837	408,413	**1,278,143**	213.0
Basic earnings per share (RMB)	0.655	0.602	0.474	0.244	**0.763**	212.7
Consolidated Statement of Financial Position as at 31 December						
Non-current assets	8,337,759	10,123,614	12,066,106	12,612,387	**13,656,506**	8.3
Current assets	6,889,031	6,500,438	7,762,794	9,281,003	**11,375,372**	22.6
Total assets	15,226,790	16,624,052	19,828,900	21,893,390	**25,031,878**	14.3
Current liabilities	5,326,189	8,598,118	11,244,275	7,069,405	**14,273,493**	101.9
Non-current liabilities	4,625,721	2,578,017	3,475,941	9,776,877	**4,577,542**	(53.2)
Total liabilities	9,951,910	11,176,135	14,720,216	16,846,282	**18,851,035**	11.9
Net Assets	5,274,880	5,447,917	5,108,684	5,047,108	**6,180,843**	22.5
Capital and reserves						
Equity attributable to owners of the Company	5,272,691	5,443,140	5,089,513	5,032,753	**6,062,544**	20.5
Non-controlling interests	2,189	4,777	19,171	14,355	**118,299**	724.1
	5,274,880	5,447,917	5,108,684	5,047,108	**6,180,843**	22.5
Net assets per share attributable to owners of the Company (RMB)	2.865	3.048	3.016	3.005	**3.622**	20.5
Number of shares in issue (in thousand)	1,840,198	1,786,012	1,687,685	1,674,886	**1,673,820**	(0.1)

Five Years Financial Summary

Notes:

(1) 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.

(2) The financial information for each of the three years ended 31 December 2015 were adjusted due to the change of the Group's 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*.

(3) The consolidated statement of profit or loss for the year ended 31 December 2014 and the consolidated statement of financial position as at 31 December 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.

Chairman's Statement

INDUSTRY OVERVIEW

In 2017, the global economy sustained recovery and continued to expand. Inflation was generally moderate in light of a seemingly strong economic recovery in the United States, an improving Eurozone, a generally stabilising British economy under profound inflationary pressures, and a moderately recovering Japanese economy. The emerging market economies were reportedly under pressures to adjust and transform despite a relatively fast overall growth. Meanwhile, China's economy has shown a steady and upward trend with a GDP reaching RMB82.7 trillion, a year-on-year increase of 6.9%, ranking amongst the top around the world. The Chinese economy, characterised by high volume, rapid growth rate and high contribution, has become the poster child in the global economy. In the region of Jiangsu Province where the Group has already established a leading position in the market, major economic indicators such as provincial GDP, total retail sales of consumer goods, urban disposable income per capita, etc. continued to take the lead across the country in 2017, reflecting a strong spending power and market potentials in the region.

Looking at the development of the retail industry, 2017 is considered the "beginning year of new retail". With internet companies such as Alibaba, Tencent and Jingdong accelerated their offline business investment layout by launching and investing in innovative supermarkets such as Hema Xiansheng, Super Species, etc. and fresh-product convenience stores such as Yonghui Life positioned to capture the community consumption market, self-service retail has officially become the latest trend. Meanwhile, leading offline retailers have accelerated their transformation by vigorously deploying consumption upgrade and distinctive experience business model to optimise their merchandise and service offerings continuously. Improvements in competitiveness and operation performance were seen as a result of the digitalised transformation of traditional businesses and optimisation of value chains. The industry as a whole is showing a trend of online and offline convergence at an accelerating pace. The retail market competition has also extended from online or offline "platform competition" or "corporate competition" to "ecology competition", characterised by the synchronisation of all online and offline channels, all rounded shopping environment, all categories of customers and all relevant sectors of industry. In general, new business landscape has emerged.

OPERATION MANAGEMENT AND CORPORATE DEVELOPMENT

In 2017, the Group managed to actively leverage on the trends of economic transformation and upgrade in China and pressed on with the development direction of the "new retail" concept, through the development of an interactive Omni-channel retail platform meeting the needs of consumers' daily life, enhancing their shopping experience and emphasising on innovation and gradually enhancing the Group's organic growth and incremental development growth.

In terms of organic growth, the Group sustained an improvement in its operation performance and quality by strengthening its distinctive controllable merchandise resources, creative promotion and Omni-marketing channel activities. Through the endeavours of the Group and its staff, the Group's customer traffic[1] grew by 22.5% year-on-year to 132 million visits in 2017, realising a 5.1% year-on-year growth of gross sales proceeds ("GSP") to RMB17,232.3 million. Same-store sales growth ("SSSG") increased by 3.4%. Operating profit increased by 11.8% year-on-year to RMB1,649.3 million.

[1] *According to year-on-year analysis of data collected from the Group's chain stores with foot traffic statistics system installed*

Chairman's Statement

— The Group has been seeking breakthroughs and innovation in addition to its regular promotion activities. It organised unified large-scale marketing events across its chain stores, including Group Anniversary, VIP Day, Black Friday, etc. to effectively integrate the resources from distinctive merchandise resources and strategic partners, so as to increase customer traffic and enhance customer experience, thereby achieving the comprehensive growth of customer traffic, GSP and gross profit. The 3-day "Black Friday" event held at Nanjing Xinjiekou Store attracted more than 185,000 visits, a year-on-year increase of 11.6%, and generated a record-high GSP of RMB110 million, an increase of 8.4% year-on-year. Moreover, the Group directed its marketing strategy from traditional customer promotion to the more effective customer communication. Through the comprehensive and effective use of social media such as WeChat, Weibo, live broadcasting, etc., the Group has achieved effective communication and interaction with its VIP members on information such as the opening promotion of four comprehensive lifestyle centers, represented by Golden Eagle World, and other unified large-scale marketing events of the Group, so as to enhance customer shopping experience, drive customer consumption and effectively attracted high-quality VIP members through these promotions and communications. Furthermore, the Group uses a variety of effective ways to enhance its brand image. Such as hosting the opening ceremony of the exhibition "City Humanities Event - Nanjing Week", an important part of Golden Eagle World's opening events which is also an initiative of the Nanjing Municipal Government to promote the city with the aim to foster a better understanding of Nanjing City around the world and help enterprises in Nanjing, including the Group, to become internationalised. The exhibition has served to inject the elements of humanities, creativity and vitality into Golden Eagle World.

— The Group is keen to capture customers' strong demand for high quality lifestyle merchandise and omni-channel services. To cater for such demand, the Group has launched the "24 Solar Terms Featured Merchandise" on Jinying.com (金鷹購) mobile App in May 2017. Featuring carefully selected and well-known seasonal merchandise from its best place of origin according to China's 24 Solar Terms, leveraging on content marketing and the Group's Omni-marketing channels including offline stores and Jinying.com (金鷹購), the series was a strategy to increase customers' consumption loyalty. Another initiative worth mentioning is the Group's cooperation with WeBank to launch "Social Gift Card Program" in August 2017. Being the Group's bold attempt in social interactive marketing to explore potentials of its members on emotional based consumption on WeChat platform, the program generated a GSP of RMB40 million within its first 5 months of operations. In addition, as at 31 December 2017, the Group's "goodee mobile App" has registered over 7.1 million downloads, with over 1.9 million VIP members connected their VIP cards with the App. Average daily GMV (Gross Merchandise Value) achieved a rapid year-on-year growth of more than 350% to RMB1.2 million, with an average of 32,000 active daily users.

— The Group has created a proprietary merchandise supply chain with long-term sustainable competitive strengths by continuously developing distinctive controllable merchandise resources. To focus on middle class customers' demand for high quality lifestyle, the Group partnered with key fabric providers in China to develop a series of "premium quality single item merchandise" under 5 own brands, namely Aquila Doro, IVREA, RESTYLE, Wonderful Life and LISALEN. Currently, there are about 90 SKUs sold under these 5 brands, in an effort to provide distinctive controllable merchandise with high-value-for-money to its customers.

Chairman's Statement

— The Group's star business, G • MART premium supermarket, offers shoppers the world's fresh distinctive health food and exquisite lifestyle gadget. During the year, the Group introduced customers to safe and reliable merchandise and high-quality lifestyle experience through various interesting events including "Russian Food Festival", "Italian Food Festival", "American Food Festival", "Thai Food Festival", etc., generated a GSP of RMB662.3 million, a year-on-year growth of 17.3%.

2017 was a milestone year of the Group's commercial upgrade and development. During its strategic transformation, the Group achieved sustainable development through continuing to achieve organic growth by opening new comprehensive lifestyle centers, focusing on distinctive merchandise brand resources and exploring new retail business via various ways of investment and/or resources integration, developing its asset-light business model, along with the effective use of Omni-channels.

Through the endeavours of the Group and its staff, the Group successfully opened four comprehensive lifestyle centers, namely Suzhou Gaoxin Store, Nanjing Xianlin Hubin Tiandi Zone B, Golden Eagle World and Yangzhou New City Center, all of which have potential for contributing the Group's long-term competitive strengths and business growth. In the course of adding 726,620 square meters of commercial store space to the Group's portfolio, the efficiency of the preparations and the results of the store opening were found impressive by industry peers, thereby further consolidating and enhancing the Group's leading position in the industry in Jiangsu Province:

— On 18 January 2017, Suzhou Gaoxin Lifestyle Center commenced trial operation. Situated above Suzhou Metro Line 1 and Line 3 interchange station, it is located at the central business district of Gaoxin, Suzhou, adjacent to Suzhou Amusement Land with gross floor area ("GFA") of approximately 176,000 square meters. The lifestyle center featuring the Group's self-operated G • LIFE series, including premium supermarket and bookstore, and other organically integrated, multi-functional amenities such as parent-child experience playground and distinctive dinning, making it for families in Suzhou's Gaoxin district the first choice destination for shopping and leisure, thereby bringing new consumption experiences to local customers and attracting a large number of customer traffic.

— On 11 November 2017, Zone B of Nanjing Xianlin Hubin Tiandi commenced operation. Located at the central business district of Xianlin University City in East Nanjing, the commercial project enjoys access to Metro Line 2 with GFA of approximately 168,900 square meters. It features the self-operated G • MART premium supermarket, G • TAKAYA boutique bookstore, and G • BEAUTY beauty variety store, as well as various experience-based amenities such as children's education, distinctive dinning, arts, culture and creativity, and boutique cinemas, etc. Along with Zone A of Xianlin Hubin Tiandi, a mature operation of the Group for years, coupled with amenities such as open-air park and sunken square around the lake, the project becomes a part of the landmark lifestyle experience center of East Nanjing.

Chairman's Statement

— On 18 November 2017, Nanjing Golden Eagle World Commercial Podium ("Golden Eagle World"), the Group's new comprehensive lifestyle flagship proceeded to grand opening, attracting visitors of middle-class families and young people from Nanjing and surrounding cities for a refreshing in-store experience. Located at the intersection of Yingtian Avenue and Jiangdong Middle Road in the central business district of Nanjing Hexi, Golden Eagle World is connected to Nanjing Metro Line 2 and has an area of 500,000 square meters of commercial, parking spaces and affiliated area, making it Asia's largest comprehensive lifestyle center with multiple functions and amenities and a new commercial landmark in eastern China and nationwide. The store comprises three artistic atriums and 5,000 shop-level commercial parking spaces, embodying humanised design that satisfies the middle-class family life experience. Golden Eagle World features more than 400 international fashion and lifestyle brands from its first basement floor to the ninth floor, with some of these brands making their debut in Nanjing, including top international cosmetics and luxuries, children's education center, leisure and entertainment, luxury theatre, distinctive dinning, etc. Positioned as a new comprehensive retail platform and living space catering the needs for life, social activities, entertainment and services, Golden Eagle World also features the iconic 4,600-square-meter G • MART premium supermarket; 1,800-square-meter G • TAKAYA bookstore in a duplex layout that offers more than 50,000 books; G • PET pet caring centre and pet hospital that offers 5,000 best selected pet products around the world; 20,000-square-meter automobile museum that offers top-class vehicles and integrated automobile services; and a female-themed, artistic lifestyle market area on the fourth and fifth floors in a duplex layout, etc.

— On 30 December 2017, Yangzhou Golden Eagle New City Center, the Group's third store in Yangzhou following Wenchang Store and Jinghua City Store and its first comprehensive lifestyle center in the city proceeded to grand opening. Golden Eagle New City Center is located at the intersection of Wenchang East Road and Longchuan South Road in the central business area of Jiangdu District, covering Jiangdu District and Yangzhou Old City District as well as the huge consumer groups in the neighboring areas of Taizhou and Yancheng. Out of the total GFA of 369,000 square meters, approximately 153,000 square meters was opened as the first phase which features the self-operated G • MART premium supermarket, G • BEAUTY beauty variety store, and various organically integrated international fashion, children's experience, catering and leisure, daily life services, arts and culture such as Gymboree Play & Music, Hualuo Paradise Anime City, Lumière Cinema, etc., forming the largest commercial flagship of Yangzhou and the first choice for urban family leisure and social entertainment. Well-situated at the heart of Yangzhou along Wenchang Road encompassing three major business districts, Golden Eagle New City Center, together with the Group's Wenchang Store and Jinghua City Store, are set to bring a new metropolitan living experience to the entire city.

To satisfy customers' demand for high quality lifestyle services and experiences, the Group has integrated its long-accumulated distinctive controllable merchandise resources into the retail components of G • LIFE series modules, including supermarket, bookstore, beauty, infants and children, pets and healthcare, and further systematically organised customers by different categories so as to provide personalised experience to these customers. Through flexible and effective use of the Group's internal and external resources, the Group expects to increase customer traffic and improve performance, so as to solidify the core competitiveness of the Group. In 2017, the Group opened a total of 11 G • LIFE series stores, including: 4 G • MART premium supermarket, 3 G • TAKAYA boutique bookstore, 3 G • BEAUTY beauty variety store and 1 G • PET comprehensive pet service and care center.

Chairman's Statement

In response to the development trend of "new retail" concept and to meet consumers' demand for daily life services more closely, the Group has further explored online, offline and logistic solutions to this new concept. Pursuant to an agreement signed on 7 December 2017 with Seven-Eleven (China) Investment Co., Ltd., the Group was granted the franchise of 7-Eleven in Jiangsu Province for 20 years with the first batch of stores expected to open in Nanjing in the second quarter of 2018.

The Group integrated its operation model with the latest industry development trends, focusing on strategic investment and development in three major service categories, namely children and education, health and medical care and consumption upgrade, and organically integrated the distinctive commercial brand resources with the Group's extensive commercial platforms. During the year, the Group strategically invested in an American-based education group, G30 Project Ltd., to develop Whittle International School chain, which is committed to providing top education for students aged from 3 to 18 years old around the world. The Group anticipates the expansion of the strategic layout of "business + education" would bring more internationalised and comprehensive value-added services to its 3 million VIP member families. In addition, the Group entered into an investment cooperation with Jiangsu Xinhua Newspaper Group, leveraging on the outdoor LED screen resources owned by both parties to create the most influential news media platform for LED screen news and commercial marketing in Jiangsu Province. The Group also saw the listing of its investments, Pop Mart, Beijing's trendy IP, and ToeBox, South Korea children's footwear collection store, on China's National Equities Exchange and Quotations and Korea's KASDAQ in 2017, respectively.

OUTLOOK

Looking into the macro economy in 2018, steady recovery of major economies are expected. The Chinese economy is bound to focus on the "Belt and Road Initiative" and promote economic restructuring and structural reform from the supply end. Meanwhile, China's retail industry has entered into a period of rapid transition, innovation and technology application. The concept of "new retail" will also present new development trends that are reflected in a number of areas. Firstly, more focus will be placed on digital technology as a means to transform the business process and procedure of physical stores, so as to improve labour efficiency and operating standardisation. Secondly, the business transformation from products to users. Thirdly, the capability of online and offline integration of inventory, membership, services and marketing. Lastly, consumption upgrade, including the upgrade of product quality and service experience.

The management remains optimistic about China's retail market development in the future. In 2018, the Group will capture the development trends under the "new retail" concept; explore effective ways to enhance organic growth and incremental development growth. It will also integrate its existing business resources and further reinforce its efforts in exploring unique and new types of functions and amenities for its business to boost profitability. These measures include:

(i) organic growth. By developing itself into a professional retailer which provides quality and comprehensive services, the Group is committed to catering to mainstream customers' demands for consumption upgrade. The Group also prioritises the development of functions and product categories that enhance customers' shopping experience with high growth potential and high gross margin and increase the types of lifestyle functions including children's experience, maternity products, healthcare, lifestyle and tourism, as well as culture and creativity, etc. in order to enhance its comprehensiveness for shopping, leisure and family gatherings;

Chairman's Statement

(ii) incremental development growth. The Group will further obtain industry chain upstream and downstream core resources and formulate capabilities of self-owned asset-light output and integration: (a) front-end industry chain development. By fully tapping into and utilising member resources, the Group will further integrate the member resources of the industry or related industries, and market products effectively and accurately to a wider range of customers and provides comprehensive services in an expanded new retail platform; (b) back-end industry chain integration. The Group will connect existing customer and platform resources with suppliers' source products via the Group's self-owned operations under G • LIFE series, 7-Eleven convenience stores, self-owned brands such as Aquila Doro etc. and accelerate the expansion of these resources outside the Group's existing network to result in more efficient and stable profitability, realise the interaction and development of both content and platform, and share successful operating results of the distinctive commercial brands; and (c) business management capability output. The Group will accelerate the pace of its business management operation output to solidify its asset-light business and inject new drivers for the overall business development.

(iii) the utilisation of Omni-marketing channels. Through the effective utilisation of various Omni-marketing channels, including mobile phone application "goodee mobile App" (掌上金鷹), WeChat, Weibo, and the Electronic VIP Card, the Group integrated its Jinying.com (金鷹購) online platform with its comprehensive lifestyle centers, G • LIFE series stores, 7-Eleven convenience stores and industry chain upstream and downstream resources. Coupled with quality and convenient comprehensive lifestyle service offerings, the Group has successfully created a "24-hour operating Golden Eagle" and achieved online and offline two-way marketing, thus driving a rapid growth of customer traffic and sales.

In the forthcoming three years, the Group will continue to capture the opportunities presented by the "new retail" concept and continue to develop new chain stores at a steady pace. Leveraging on its leading position and strong competitive advantages in Jiangsu Province, the Group will focus on business development and resource integration in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai. It will focus on investment in areas of consumer upgrade, children and education, health and medical care while actively developing new business models with good prospects and enhancing its long-term competitive advantages, thereby ultimately achieving the long-term objectives of the Group's strategic transformation.

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 2018, the Group will continue to overcome difficulties, grasp opportunities for development and make effort to innovate as a cohesive force so as to achieve better results for shareholders.

Wang Hung, Roger
Chairman

20 March 2018

Management Discussion and Analysis

FINANCIAL REVIEW

GSP and Revenue

During the year under review, GSP of the Group increased to RMB17,232.3 million, representing a year-on-year growth of 5.1% or RMB833.0 million. The increase was mainly attributable to (i) a year-on-year increase of 3.4% in SSSG; and (ii) the inclusion of GSP of the Group's new stores, Suzhou Gaoxin Lifestyle Center, Golden Eagle World and Yangzhou New City Center which commenced operation during the year; and (iii) the launch of Xianlin Store's additional operating area on 11 November 2017 to increase its GFA from 42,795 square meters to 211,695 square meters.

The nine new lifestyle centers opened since September 2014, namely Yancheng Julonghu Store, Nantong Lifestyle Center, Danyang Store, Kunshan Store, Jiangning Store, Ma'anshan Store, Suzhou Gaoxin Lifestyle Center, Golden Eagle World and Yangzhou New City Center generated GSP in the aggregate sum of RMB2,765.4 million (2016: RMB2,012.9 million) which contributed 16.1% (2016: 12.3%) of the Group's total GSP during the year 2017.

During the year 2017, concessionaire sales contributed 81.4% (2016: 82.1%) of the Group's GSP, representing an increase of 4.2% to RMB14,023.2 million from RMB13,454.8 million, and direct sales contributed 13.0% (2016: 12.6%) of the Group's GSP, representing an increase of 8.0% to RMB2,236.7 million from RMB2,071.9 million. Rental income contributed 3.1% (2016: 2.0%) of the Group's GSP, representing an increase of 61.1% to RMB531.1 million from RMB329.7 million. Sales of properties contributed 1.9% (2016: 2.5%) of the Group's GSP, representing a decrease of 20.6% to RMB331.8 million from RMB417.7 million. Other income contributed the remaining 0.6% (2016: 0.8%) of the Group's GSP, representing a decrease to RMB109.5 million from RMB125.2 million.

Commission rate from concessionaire sales decreased to 17.7% (2016: 18.1%) while gross profit margin from direct sales increased to 15.7% (2016: 15.5%), resulting in a decrease in the overall gross profit margin from concessionaire sales and direct sales to 17.4% (2016: 17.8%). The decrease was mainly due to the net effects of (i) the increase in sales contribution from younger stores which carry lower commission rates as compared to mature stores like Nanjing Xinjiekou Store; and (ii) the Group's continuous efforts to raise sales productivity with reasonable profit margin.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed 48.9% (2016: 50.9%) of the GSP; sales of gold, jewellery and timepieces contributed 17.8% (2016: 16.9%); sales of cosmetics contributed 10.5% (2016: 9.6%); sales of outdoor, sports clothing and accessories contributed 7.5% (2016: 7.1%) and sales of other products such as electronics and appliances, tobacco and wine, household and handicrafts, supermarket, children's wear and toys contributed the remaining 15.3% (2016:15.5%) of the GSP.

Sales of properties amounted to RMB331.7 million (2016: RMB417.6 million) with a total GFA of 29,421 square meters (2016: 40,070 square meters) were sold during the year 2017. The sales were mainly contributed by the sales of properties of the Riverside Century Plaza Project located at Wuhu City, Anhui Province. It is one of the projects acquired by the Group in the year 2015. Construction of the project was completed in the year 2016 while sales and delivery of the pre-sold units commenced in the same year. Gross profit margin of the sales of properties during the year was 31.4% (2016: 27.9%).

The Group's total revenue amounted to RMB4,949.2 million, representing an increase of 5.4% from that of last year. The increase in revenue was generally in line with the increase in GSP and improvement in overall profit margins.

Management Discussion and Analysis

Other income, gains and losses

Other income, gains and losses mainly comprised (i) various miscellaneous income from suppliers and customers; (ii) net foreign exchange gain and loss resulting from the translation of foreign currencies in which the assets and liabilities were denominated into RMB; (iii) the gains and losses and dividend income derived from the Group's investments in securities; and (iv) the changes in the fair value of the Group's investment properties.

The net gain of other income, gains and losses increased by RMB767.1 million to RMB797.5 million for the year 2017 from RMB30.4 million for the year 2016. Such increase was primarily due to (i) the net foreign exchange difference of RMB959.6 million, a change from a net foreign exchange loss of RMB522.0 million in the year 2016 to a net foreign exchange gain of RMB437.6 million in the year 2017 as a result of the fluctuations in RMB exchange rates during the year under review; (ii) the decrease in fair value gains on the Group's investment properties from RMB193.8 million for the year 2016 to RMB37.4 million for the year 2017; (iii) the impairment loss recognised in the amount of RMB68.8 million in relation to suspension of operation of part of Changzhou Jiahong Store. The gross floor area of Changzhou Jiahong Store was reduced from 52,545 square meters to 18,362 square meters as at 31 December 2017; and (iv) the decrease in gains on disposals of the Group's securities investments by RMB41.4 million to RMB13.5 million from RMB54.9 million. As at 31 December 2017, the value of the Group's securities investments in aggregate amounted to RMB309.9 million (2016: RMB400.7 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 RMB38.5 million or 2.1% year-on-year to RMB1,841.9 million for the year 2017. The increase was generally in line with the increase in direct sales and decrease in sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB7.6 million or 1.6% year-on-year to RMB453.7 million for the year 2017. The decrease was primarily attributable to the net effects of: (i) the inclusion of Suzhou Gaoxin Lifestyle Center, Xianlin Store's additional operating area, Golden Eagle World and Yangzhou New City Center's employee benefits expense which commenced operation during the year; (ii) the inclusion of full period employee benefits expense of those stores which were re-launched in October 2016 after they completed the formulation of their precise market positioning and overall enhancement. Such stores included the Group's Shanghai Store, Nantong Renmin Road Store and Wuhu New City Store; (iii) the continuous efforts to streamline the roles and functions at all levels; and (iv) the continuous investment in human resources for the implementation and development of the Group's "comprehensive lifestyle concept" and "interactive retail platform".

Employee benefits expense as a percentage of GSP decreased by 0.2 percentage point to 3.1% from 3.3% last year.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment, intangible assets and release of prepaid lease payments on land use rights increased by RMB22.6 million or 5.9% year-on-year to RMB407.3 million for the year 2017. The increase was primarily due to the inclusion of Suzhou Gaoxin Lifestyle Center and Xianlin Store's additional operating area's depreciation and amortisation, which are operated at self-owned properties.

Depreciation and amortisation expenses as a percentage of GSP increased by 0.1 percentage point to 2.8% from 2.7% last year.

Management Discussion and Analysis

Rental expenses

Rental expenses increased by RMB35.4 million or 16.5% year-on-year to RMB250.0 million for the year 2017. This was because the Group's rental arrangements were mainly pegged to sales of the respective stores and the increase in rental expenses during the year under review was mainly attributable to the increase in sales contribution from stores such as Shanghai Store, Yancheng Julonghu Store, Jiangning Store and Ma'anshan Store which are operating in leased properties and paying rentals.

Rental expenses as a percentage of GSP increased by 0.2 percentage point to 1.7% from 1.5% last year.

Other expenses

Other expenses increased by RMB45.3 million or 6.8% year-on-year to RMB712.3 million for the year 2017. Other expenses mainly included expenses for water and electricity, expenditure on advertising and promotional activities, costs for repair and maintenance and fees for property management. The increase was primarily attributable to the net effects of: (i) the inclusion of other expenses of those stores which commenced operation in the year 2017; (ii) the inclusion of the full year other expenses of those stores which were re-launched in October 2016; and (iii) the management's consistent and disciplined approach to cost control during the year under review.

Other expenses as a percentage of GSP remained stable at 4.8% for both years.

Share of losses of associates and joint ventures

Share of losses of associates and joint ventures mainly represented the Group's share of the financial results of its 42.6%-owned (2016: 42.6%-owned) associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司).

Finance income

Finance income was mainly generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group in banks when the Group has surplus capital. Finance income increased by RMB35.1 million or 20.8% year-on-year to RMB204.0 million for the year 2017 which was primarily due to the net effects of: (i) more capital had been placed in banks as various short-term bank related deposits during the year under review following the steady increase in the Group's operating cash flows; and (ii) the decrease in interest income derived from the deposit paid for acquisition of a joint venture followed repayment of the deposit and the related interest thereon.

Finance costs

Finance costs comprised interest expenses for the Group's bank loans, senior notes and PRC medium-term notes. Finance costs increased by RMB48.1 million or 15.1% year-on-year to RMB366.3 million for the year 2017. The increase was primarily due to the increase in interest rates and the averaged borrowings compared with those in last year.

Income tax expense

Income tax expense of the Group increased by RMB1.3 million or 0.2% year-on-year to RMB563.5 million for the year 2017. Effective tax rate for the year under review was 30.7% (2016: 58.4%). The year-on-year decrease of 27.7 percentage points in effective tax rate was mainly due to the increase in offshore non-taxable income, namely net foreign exchange gain.

Management Discussion and Analysis

Profit for the year

Owing to the increase in profit from operations and increase in non-operating income, profit for the year increased by RMB868.9 million or 216.7% year-on-year to RMB1,270.0 million. Net profit margin which measured net profit as a percentage of GSP was 8.6% (2016: 2.9%) for the year 2017.

Profit from operations (net profit before interest, tax and other income and losses) increased by RMB173.8 million or 11.8% year-on-year to RMB1,649.3 million from RMB1,475.5 million, while profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses) increased by RMB196.3 million or 10.6% year-on-year to RMB2,056.6 million from RMB1,860.3 million.

Profit from retail operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses and excluding profit from property sales and hotel operations) increased by RMB229.3 million or 13.2% year-on-year to RMB1,970.0 million from RMB1,740.7 million.

As at 31 December 2017, excluding Changzhou Jiahong Store with operation partially suspended, the aggregate net operating losses generated by 6 (2016: 8) loss making stores amounted to RMB43.0 million (2016: RMB66.7 million). Among these stores, 2 stores were stores which commenced operation in the year 2017.

Capital expenditure

Capital expenditure of the Group for the year 2017 amounted to RMB962.1 million (2016: RMB447.5 million). The amount mainly comprised contractual payments made for acquisition of property, plant and equipment and land use rights, construction of chain store projects on greenfield sites 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, 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 RMB6,944.9 million (2016: RMB5,611.8 million) whereas the Group's total borrowings (including bank borrowings, senior notes and PRC medium-term notes) amounted to RMB8,745.0 million (2016: RMB9,428.1 million). For the year ended 31 December 2017, the Group's net cash generated from operating activities amounted to RMB3,136.1 million (2016: RMB1,436.2 million), the Group's net cash generated from investing activities amounted to RMB2,508.1 million (2016: net cash used in investing activities amounted to RMB2,230.5 million) and the Group's net cash used in financing activities amounted to RMB903.4 million (2016: RMB378.6 million). During the last quarter of the year, the Group upgraded its SAP system further and because of such upgrade, trade payables amounted to RMB1,340.2 million were paid in early January 2018. Had the amounts been paid prior to the year end date, the Group's cash and near cash would be amounted to RMB5,604.7 million (2016: RMB5,611.8 million) and the Group's net cash generated from operating activities would be amounted to RMB1,795.9 million (2016: RMB1,436.2 million).

Management Discussion and Analysis

As at 31 December 2017, the Group's bank borrowings amounted to RMB4,799.8 million (2016: RMB5,332.8 million) which comprised a three-year dual-currency syndicated loan of RMB4,799.8 million (2016: RMB5,242.8 million) to be due in April 2018. The Group is in the process of arranging another syndicated loan to re-finance the maturing syndicated loan which is expected to be closed in April 2018. The Group's bank borrowings in 2016 also included a secured bank loan of RMB90.0 million which was fully repaid in 2017. Senior notes of the Group amounted to RMB2,451.3 million (2016: RMB2,602.7 million) and its PRC medium-term notes amounted to RMB1,493.9 million (2016: RMB1,492.7 million) as at 31 December 2017.

Total assets of the Group as at 31 December 2017 amounted to RMB25,031.8 million (2016: RMB21,893.4 million) whereas total liabilities of the Group amounted to RMB18,851.0 million (2016: RMB16,846.3 million), resulting in a net assets position of RMB6,180.8 million (2016: RMB5,047.1 million). The gearing ratio, which is calculated by having the Group's total borrowings divided by its total assets, decreased to 34.9% as at 31 December 2017 (2016: 43.1%).

CONTINGENT LIABILITIES

As at 31 December 2017, 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. The Group has currently not entered into any contracts to hedge against its foreign currency exposure and will consider hedging measures should the needs arise. For the year ended 31 December 2017, the Group recorded a net foreign exchange gain of RMB437.6 million (2016: a net foreign exchange loss of RMB522.0 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2017, the Group employed a total of 4,620 employees (2016: 5,730 employees) with remuneration in an aggregate amount of RMB453.7 million (2016: RMB461.3 million). The Group's remuneration policies 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 69, 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 40 years of experience in the development and management of real estate and department store retailing and has served the Group for more than 25 years.

Ms. Wang Janice S. Y. (王宣懿), aged 34, joined the Group in 2006 and has held various positions in merchandising and retail operation. Ms. Wang has over 11 years of experience in retail management and has served the Group for more than 11 years. Ms. Wang currently serves as a member of the Chairman's Office and 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 and sits on the board of the Group's G30 education investment. 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 63, 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, Fortunet e-Commerce Group 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 was an independent non-executive director of PacRay International Holdings Limited (formerly known as PacMOS Technologies Holdings Limited) during the period between 9 August 1995 and 1 July 2014, an independent non-executive director of ENM Holdings Limited during the period between 17 June 2010 and 9 June 2017, and an independent non-executive director of Heng Xin China Holdings Limited during the period between 17 October 2016 and 19 September 2017, all of which are listed on the Stock Exchange. Mr. Wong has over 41 years of experience in finance, accounting and management and has served the Company since February 2006.

Mr. Lay Danny J (雷王鯤), aged 66, 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 a certified executive coach, through the Columbia University Executive Coaching Certification Program. Mr. Lay is a member of Hong Kong Independent Non-Executive Director Association. Directors and a member of the Board of Trustees at Drury University in Missouri of the United States of America. Mr. Lay has over 33 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 was 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, during the period between 14 September 2012 and 3 August 2015. He has served the Company since May 2015.

Directors and Management Profiles

Mr. Wang Sung Yun, Eddie (王松筠), aged 73, 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 40, 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 18 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 3 years.

Ms. Huang Yumin (黃玉敏), aged 52, is the executive vice president of the Group. Ms. Huang obtained a MBA degree from Nanjing University (南京大學) in 2003. She joined Golden Eagle International Group in April 2007 where she served as the director of the human resources department of Golden Eagle International Group, the assistant president and the managing director of Nanjing Xinbai Holding Group. Ms. Huang has over 31 years of experience in human resources management, merchandising and corporate management and was re-designated to the Group in July 2017 as the executive vice president of the Group.

Directors and Management Profiles

Ms. Wang Xuan (王軒), aged 44, 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, 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 23 years of experience in administration and human resources management and has served the Group for more than 13 years.

Ms. Zhang Wanyu (張文煜), aged 47, 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 26 years of experience in financial management and has served the Group for more than 6 years.

Ms. Tai Ping, Patricia (戴苹), aged 45, 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 22 years of experience in auditing and financial management and has served the Group for more than 9 years.

Mr. Tan Guanglin (談廣林), aged 38, is the assistant president of the Group. Mr. Tan joined the Group in 2002. He served as the director of Information Department of Yangzhou Store, the assistant to general manager and the deputy general manager of Yangzhou Store, the director, 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 the operation of e-commerce platform of the Group. Mr. Tan has more than 15 years of experience in information management and e-commerce operation and has served the Group for more than 15 years.

Mr. Fan Yi (范毅), aged 41, is the assistant president of the Group. Mr. Fan graduated from Nanjing Audit University (南京審計大學) in 1998, majoring in international finance, and obtained MBA degrees from University of Missouri-St.Louis of the United States of America and Nanjing University respectively. Mr. Fan joined the Group in 2008 and served as the deputy director and director of the Group's corporate development department. He was promoted as the assistant president of the Group in April 2017 and is responsible for the Group's strategic investment and development. Mr. Fan has over 19 years of experience in strategic investment and corporate development and has served the Group for more than 9 years.

Ms. Du Juan (杜娟), aged 40, is the assistant president of the Group. Ms. Du served as the manager and director of the merchandising department of Nanjing Xinjiekou Store, the assistant to general manager and managing deputy general manager of Xianlin Store of the Group from 1995 to 2013. She rejoined the Group in December 2017, served as the assistant president, and is responsible for merchandising management and operation of the Group. Ms. Du has more than 22 years of experience in merchandising management and operation.

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 2017.

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 and fulfil their fiduciary duties.

Decisions on the Group's day-to-day management and operations 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 procedures approved by the Board.

BOARD COMPOSITION

During the period between 1 January 2017 and 30 March 2017, 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. From 31 March 2017, Ms. Wang Janice S. Y. was appointed as an executive Director and the Board comprised 5 members. Ms. Wang Janice S. Y. is the daughter of Mr. Wang Hung, Roger. Save for the aforesaid and 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.

Corporate Governance Report

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 2017, 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 overall 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 2017, three Board meetings were held and three sets of unanimous written resolutions of the Directors were passed. 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 meetings (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 three Board meetings was as follows:-

Mr. Wang Hung, Roger (3/3)
Ms. Wang Janice S. Y. (appointed on 30 March 2017) (1/3)
Mr. Wong Chi Keung (3/3)
Mr. Lay Danny J (3/3)
Mr. Wang Sung Yun, Eddie (3/3)

During the year ended 31 December 2017, one general meeting was held. The individual attendance of each of the Directors at the general meeting was as follows:-

Mr. Wang Hung, Roger (1/1)
Ms. Wang Janice S. Y. (appointed on 30 March 2017) (0/1)
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.

Corporate Governance Report

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 2017. 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 2017. This responsibility has also been mentioned in the Independent Auditor's Report on pages 88 to 182 of this annual report.

In preparing the financial statements for the year ended 31 December 2017, 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 2017 and interim results of the Group for the six months ended 30 June 2017 were published within 3 months and 2 months respectively after the end of the relevant periods to provide stakeholders with transparent and updated financial information of the Group.

The statement by the auditors of the Company about their reporting responsibilities is set out on pages 83 to 87 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 2017 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 2017, 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 bi-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 2017 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 2017 is as follows:

	Reading	Attending training programs
Mr. Wang Hung, Roger	√	√
Ms. Wang Janice S. Y. (appointed on 30 March 2017)	√	√
Mr. Wong Chi Keung	√	√
Mr. Lay Danny J	√	√
Mr. Wang Sung Yun, Eddie	√	√

Corporate Governance Report

BOARD COMMITTEES

During the year ended 31 December 2017, 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 2017, 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 2017, 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 2017 and for the year ended 31 December 2017;

(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 2017.

During the year ended 31 December 2017, 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).

Corporate Governance Report

Remuneration Committee

During the year ended 31 December 2017, 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.

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 Directors and senior management; (iii) to assess the performance of the executive Directors; and (iv) to approve the terms of the service contracts of the executive Directors. The Directors and their associates do not participate in the decisions in relation to their own remuneration.

During the year ended 31 December 2017, 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 2017, 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 2017, one Nomination Committee meeting was held. The individual attendance of its members is as follows:-

Mr. Wang Hung, Roger (1/1), Mr. Wong Chi Keung (1/1) and Mr. Lay Danny J (1/1).

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.

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 2017 as required by the Listing Rules.

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 investing public through various channels including the Company's annual general meeting, analysts' briefings, press conferences following the announcements of interim and annual results, regular press releases, timely update of the Company's website as well as the availability of designated investor relationship agent to handle enquiries. The executive Directors and senior management, who together oversee our business operations, are committed to responding to enquiries from regulators, shareholders, investors and business partners.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always seeks to provide relevant information to existing and potential investors, not only to comply with the 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 and extraordinary general meetings
- 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 2017.

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 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 2017.

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 at a relatively 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 responsible;

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 responsible, but also 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. Majority of the electricity is consumed by the air conditioning systems, lifts and escalators, general lightings and plumbing and drainage systems. In comparison to electricity, water consumptions is relatively insignificant and mainly for sanitary facilities. 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-contracted to external contractors. Nevertheless, 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

Waste prevention and management play an indispensable role in our overall environmental policy. Accordingly, the Group has established an effective waste management approach to ensure that collection and treatment of waste were carried out in compliance with the relevant government regulations and would cause the least impact on the surrounding environment. The Group will strictly follow the relevant government requirements and engage government approved professional firms to carry out separation, recycling and removal of waste.

The Group strives to minimise its environmental impact by recycling the use of materials such as office supplies and reducing the consumption of electricity and water supply. For the purpose of conservation of 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, with high efficiency, long-life and low power consumption, have been gradually installed to replace 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 conservation of water, most of the taps in the retail chain stores and the Group's offices are installed with 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 the use of packaging materials and the usage of recycled packaging materials. To advocate environmental responsibility, 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.

Item		**2017**	**2017** (Intensity by square meter)
Emissions	Total ton CO^2e	285,687 tons	0.11 ton/m^2
Electricity consumption	Total kWh	353,311,156 kWh	141 kWh/m^2
Water consumption	Total cube meter	2,494,744 m^3	1.00 m^3/m^2
Total non-hazardous waste produced	Total ton	161,583 tons	0.06 ton/m^2

Note: Total gross floor area of 2,498,954 square meters is used for computation of intensity by square meter.

The Group will review its environmental conservation 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's impact on the environment which is already low.

The Group is not aware of any material non-compliance with the relevant laws and regulations including but not limited to《中華人民共和國環境保護法》(The PRC Laws on Environmental Protection) 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.

Environmental, Social and Governance Report

Stakeholders Engagement

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

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise staff with good performance 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 and enhancement of excellent customer service. A customer complaint handling measure is in place to receive, analyse and evaluate 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.

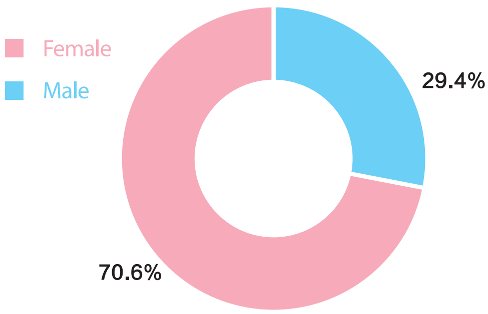
B. SOCIAL

Employment

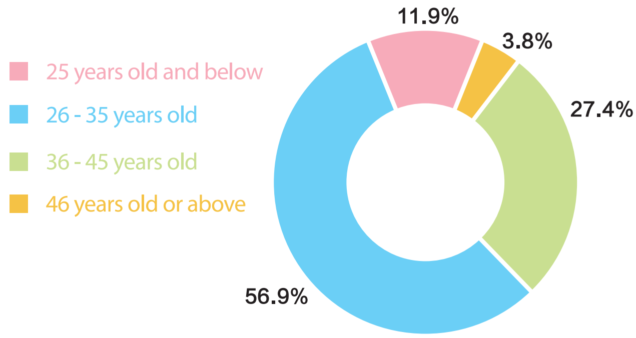
As at 31 December 2017, the Group had 3,800 employees (2016: 4,800 employees) in the operation of the lifestyle center and stylish department store chains in the PRC. All of the employees have entered into employment contracts with the Group that cover matters such as wages, working hours, rest periods, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis with reference to local labour market and the level of salaries and benefits in the same industry and takes into account of employees' performance and experience to ensure that competitive remuneration package are being offered so as to motivate continuous improvement and contribution to the Group. The Group grants discretionary bonuses and share options where appropriate to eligible employees based on operation results and individual performance. Through the assessment of employees' job performance, the Group promotes these with common values and professional ethics, and recognise employees who are self-motivated, responsible and honest in order to ensure the continued improvement of the Group's business. The employees are also entitled to various insurance coverage such as social welfare insurance and housing provident fund as required by law, safety insurance with reference to the relevant work responsibility and medical insurance. In terms of employee dismissal, we follow the local labour laws and regulations as stipulated by the government.

Environmental, Social and Governance Report

Gender Distributions



Age Group



Furthermore, the Group has taken steps and initiatives 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 loyalty 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 the applicable laws of 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 214 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 tutors 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' training and skills in terms of their role while working for the Group. In 2017, staff on average received no less than 80 training hours.

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 its 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 labour and forced labour.

Environmental, Social and Governance Report

Supply Chain Management

The Group sells merchandises through concessionaire, direct purchase 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 procurement policy and principles in which social responsibility is considered when making purchasing decisions. The Group promotes its implementation 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 assesses the business partners on whether they are in compliance with, according to their respective places of origin, all applicable laws and regulations, including 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.

Customers and business partners data protection

All personal data and other confidential information of our customers and business partners are strictly controlled. Any retrieval of personal data or confidential information are strictly restricted to authorized staff in order to ensure no leakage occur.

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 that 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 any defective goods for exchange within 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 corruption, bribery, extortion, fraud and money laundering. It is also the responsibility of all employees to maintain behavior with requisite integrity and ethical standards. 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 financial data are triple checked through different levels of personnel to ensure compliance with all applicable laws and regulations relating to corruption, 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 corruption, 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 19 charity events, such as increase the community awareness and supports for autistic children, left-behind children and elderly.

During the year 2017, some of the events organised by the Group were as follows:

1. In March 2017, Xuzhou Store and Xuzhou People's Square Store organised a charity sales event for Fangcun Village's 10,000 kilograms slow moving lotus roots. All the proceeds amounted to RMB10,000 were used to help the lotus famers in the area.

2. In March 2017, Xianlin Store teamed up with Nanjing Kefeiping Charity Foundation, China Lions Club Jiangsu Management Committee Shangshan Service Team and Nanjing Mingxin Kindergarten carried out a large-scale art exhibition and charity sales event "My painting, have you heard it?" to increase the community awareness and supports for autistic children.

3. In May 2017, Suzhou Store organised the "Care for Left-behind Children - Love for Left-behind Children in Dabie Mountains Anhui" event, organised 50 families to sell their idle items at the store, all funds raised were donated to those left-behind children in Dabie Mountains.

4. In November 2017, Kunshan Store teamed up with Kunshan City Spiritual Civilization Construction Committee Office and few other charitable organisations to organise a charitable performance and raised a total of RMB14,000 for students at Atushi, Xinjiang as education aid.

Environmental, Social and Governance Report

ENVIRONMENTAL PERFORMANCE

A.	Environmental	Description/ Section Reference
A1.	**Emissions**	
A.1.1	Types of emissions and respective emissions data	Environmental
A.1.2	Total greenhouse gas emission in total and intensity	Environmental
A.1.3	Total hazardous waste produced and, where appropriate, intensity	The Group does not produce any hazardous waste.
A.1.4	Total non-hazardous waste produced and, where appropriate, intensity	Environmental
A.1.5	Description of measures to mitigate emissions and results achieved	Environmental
A.1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	The Group does not produce any hazardous waste. For non-hazardous waste, reduction initiatives and results achieved, please refer to the section headed "Environmental"
A2.	**Use of Resources**	
A2.1	Direct and/or indirect energy consumption by type and intensity.	Environmental
A2.2	Water consumption in total and, where appropriate, intensity	Environmental
A2.3	Description of energy use efficiency initiatives and results achieved	Environmental
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water consumptions is relatively insignificant and mainly for sanitary facilities. In terms of conservation of water, most of the water taps in the retail chain stores and the Group's offices are installed with sensors to reduce the water consumption.
A2.5	Total packaging material used for finished products	Environmental

Environmental, Social and Governance Report

A3.	**The Environmental and Natural Resources**	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Due to the nature of the operation of the Group, its activities have minimal impacts on the environment and natural resources. Nevertheless, the Group strives to minimise its environmental impact by recycling the use of materials such as office supplies and reducing the consumption of electricity and water supply.

Social Performance

B.	**Social**	**Description/ Section Reference**
B1.	**Employment**	
B1.1	Total workforce by gender, employment type, age group and geographical region.	No. of employees: 3,800 No. of male employees: 1,120 No. of female employees: 2,680
B2.	**Health and Safety**	
B2.1	Number of work-related fatalities	0
B2.2	Lost days due to work injury	214 days
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employee Health and Safety

Environmental, Social and Governance Report

B3.	**Development and Training**	
B3.2	Average training hours completed per employee	80
B4.	**Labour Standard**	
B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards
B5.	**Supply Chain Management**	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management
B6.	**Product Responsibility**	
B6.3	Description of practices relating to observing and protecting intellectual property rights	Customers and business partners data protection
B6.4	Description of quality assurance process and recall procedures	Product Responsibility
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customers and business partners data protection
B7	**Anti-Corruption**	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period	0
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption
B8.	**Community Investment**	
B8.1	Focus areas of contribution	Community Involvement
B8.2	Total time contribution	The Group has organised 19 charity events and an aggregate of approximately 7,980 hours of work were completed by our employees.

Directors' Report

The Directors are pleased to present the 2017 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

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, in 2017, (i) the global economy sustained recovery and continued to expand, (ii) inflation was generally moderate in light of a seemingly strong economic recovery in the United States, an improving Eurozone, a generally stabilising British economy under profound inflationary pressures, and a moderately recovering Japanese economy; and (iii) China's economy has shown a steady and upward trend.

Looking at the development of the retail industry, 2017 is considered the "beginning year of new retail". With internet companies such as Alibaba, Tencent and Jingdong accelerated their offline business investment layout by launching and investing in innovative supermarkets such as Hema Xiansheng, Super Species, etc. and fresh-product convenience stores such as Yonghui Life positioned to capture the community consumption market, self-service retail has officially become the latest trend. Meanwhile, leading offline retailers have accelerated their transformation by vigorously deploying consumption upgrade and distinctive experience business model to optimise their merchandise and service offerings continuously. Improvements in competitiveness and operation performance were seen as a result of the digitalised transformation of traditional businesses and optimisation of value chains. The industry as a whole is showing a trend of online and offline convergence at an accelerating pace.

In 2017, the Group managed to actively leverage on the trends of economic transformation and upgrade in China and pressed on with the development direction of the "new retail" concept, through the development of an interactive Omni-channel retail platform meeting the needs of consumers' daily life, enhancing their shopping experience and emphasising on innovation and gradually enhancing the Group's organic growth and incremental development growth.

During the Group's strategic transformation, the Group achieved sustainable development through continuing to achieve organic growth by opening new comprehensive lifestyle centers, focusing on distinctive merchandise brand resources and exploring new retail business via various ways of investment and/or resources integration, developing its asset-light business model, along with the effective use of Omni-channels. Through the endeavours of the Group and its staff, the Group has successfully opened four comprehensive lifestyle centers, namely Suzhou Gaoxin Store, Nanjing Xianlin Hubin Tiandi Zone B, Golden Eagle World and Yangzhou New City Center.

During the year under review, (i) total gross sales proceeds of the Group increased to RMB17,232.3 million, representing a year-on-year growth of 5.1%, (ii) same store sales growth was 3.4% year-on-year, (iii) profit from operation increased to RMB1,649.3 million, representing an increase of 11.8% year-on-year, and (iv) profit from operation before depreciation and amortization amounted to RMB2,056.6 million, representing an increase of 10.6% year-on-year.

Directors' Report

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.

Looking into the macro economy in 2018, steady recovery of major economies are expected. The Chinese economy is bound to focus on the "Belt and Road Initiative" and promote economic restructuring and structural reform from the supply end. Meanwhile, China's retail industry has entered into a period of rapid transition, innovation and technology application. The concept of "new retail" will also present new development trends that are reflected in a number of areas. Firstly, more focus will be placed on digital technology as a means to transform the business process and procedure of physical stores, so as to improve labour efficiency and operating standardisation. Secondly, the business transformation from products to users. Thirdly, the capability of online and offline integration of inventory, membership, services and marketing. Lastly, consumption upgrade, including the upgrade of product quality and service experience.

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's remuneration policies are formulated with reference to market practices, experiences, skills and performance of individual employee and will be reviewed every year. The Group is of the view that the Group has good working relationship with its staff as a whole.

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 2017, the Group has donated a total of approximately RMB220,000 to charitable organisations.

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 strives to minimise its environmental impact by recycling the use of materials such as office supplies and reducing the consumption of electricity and water supply. The Group has also 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 reducing of energy consumption by switching off idle lightings, air conditioning and electrical appliances.

Directors' Report

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 2017.

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 47, 22 and 23 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 88.

The Directors now recommend the payment of a final cash dividend of RMB0.3 per share (2016: a final cash dividend of RMB0.0216 per share and a special dividend of RMB0.0772 per share, resulting an aggregate dividend of RMB0.0988 per share) to the shareholders appeared on the register of members of the Company on Wednesday, 30 May 2018. The final dividend (if approved) will be paid on or before Friday, 8 June 2018.

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 2017 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, pursuant to the general mandate given to the Directors of the Company, the Company repurchased an aggregate of 1,705,000 shares of its own issued ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HKD15.6 million (equivalent to approximately RMB13.1 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 35 to the consolidated financial statements.

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

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to shareholders amounted to approximately RMB1,034.2 million (2016: RMB166.9 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. Wang Hung, Roger and Mr. Lay Danny J will retire by rotation and, being eligible, will offer themselves for re-election.

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 2017, 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 interests	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)	1,250,591,412	74.73%
Ms. Wang Janice S.Y. ("Ms. Wang")	1,590,000	1,246,591,412 (Note)	1,248,181,412	74.59%
Mr. Su Kai	1,194,000	—	1,194,000	0.07%

Note: The corporate interests disclosed under Mr. Wang and Ms. Wang represent their deemed interests in the Shares by virtue of their family trust's interest in GEICO Holdings Limited, which in turn is interested in the entire issued share capital of Golden Eagle International Retail Group Limited, the beneficial owner of the 1,246,591,412 Shares. Mr. Wang is the trustee while Ms. Wang is one of the beneficiaries of the trust.

Long position in underlying Shares

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Ms. Janice S.Y.	100,000	0.01%

Save as disclosed above, as at 31 December 2017, 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 2017, 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	74.49%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,246,591,412	74.49%
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. Mr. Wang is the trustee while Ms. Wang is one of the beneficiaries of the trust.

Save as disclosed above, as at 31 December 2017, 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, directors, 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 2017, 273,000 share options were exercised and 2,420,000 share options were forfeited. Details of the Scheme are set out in note 37 to the consolidated financial statements. No new option was granted during the year.

As at 31 December 2017, there were a total of 14,079,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 0.8 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 2017 were as follows:

	Number of share options									
	Outstanding at 1 January 2017	Reclassification during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2017	Date of Grant	Exercise period (Note 1)	Exercise price HKD	Price of the Company's Share immediately before the grant date HKD	Price of the Company's Shares on the date immediately before the exercise date (Note 2) HKD
Executive Director	–	100,000	–	–	100,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	N/A
Key management	560,000	30,000	(40,000)	(170,000)	380,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	11.76
	1,600,000	200,000	–	(1,200,000)	600,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	12,212,000	(130,000)	(233,000)	(150,000)	11,699,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	11.78
	2,400,000	(200,000)	–	(900,000)	1,300,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	16,772,000	–	(273,000)	(2,420,000)	14,079,000					
Exercisable at 31 December 2017					13,509,000					

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' Report

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' 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 2017.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Lease of property for department store operation from Nanjing Zhujiang No. 1 by Nanjing Zhujiang Road 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.* ("Nanjing Golden Eagle"), or where the context so requires, the department store operated by such company ("Nanjing Zhujiang Road 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").

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 Road 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.

* *For identification purpose only*

The annual consideration for the lease shall be equivalent to 5% of the gross sales proceeds derived from the operations of Nanjing Zhujiang Road 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 Road 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 Road 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 Road 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 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 relating to 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 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 sales proceeds (less the relevant value-added tax) derived from the operation of supermarket.

Directors' Report

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 2017 amounted to RMB20,947,000.

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.* ("Shanghai Golden Eagle"), 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.

The aforesaid parties subsequently entered into (i) the first supplemental agreement on 19 December 2013 adjusting the annual rental payable by Shanghai Store to Shanghai Golden Eagle Tiandi for the year ended 31 December 2013 while the entire leased premise underwent internal renovation and adjusting the calculation of the annual rental subsequently payable; and (ii) the second supplemental agreement on 18 March 2015 extending the internal renovation period until 30 September 2015 (subject to adjustment as may be agreed between the parties) and further adjusting the calculation of the annual rental subsequently payable.

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 2017 amounted to RMB11,512,000 and RMB2,286,000.

* *For identification purpose only*

Directors' Report

On 29 December 2017, Shanghai Store and Shanghai Golden Eagle Tiandi entered into the third supplemental agreement, pursuant to which the parties agree that:

(a) Shanghai Golden Eagle Tiandi agrees to lease the Additional Shanghai Properties with the aggregate gross floor area of approximately 9,983 square metres to Shanghai Golden Eagle from 1 January 2018 to 27 May 2029; and

(b) with effect from 1 January 2018, the Shanghai Properties and the Additional Shanghai Properties (collectively referred to as the "Total Shanghai Properties") are subject to property management fee payable by Shanghai Store to Shanghai Golden Eagle Tiandi equivalent to the actual property management costs incurred plus a mark-up of 10%, which shall be payable monthly in arrears within 10 days after the end of the relevant month.

Subject to the aforesaid, all other major terms of the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement (as amended by the first, second and third supplemental agreements) (the "Shanghai Tenancy Agreements (as amended and supplemented)") remain unchanged and in full force and effect.

Pursuant to the Shanghai Tenancy Agreements (as amended and supplemented), the annual rental payable by Shanghai Store to Shanghai Golden Eagle Tiandi for the lease of the Total Shanghai Properties 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 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 concession (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 Total Shanghai Properties (less value-added tax and other relevant taxes).

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

On 3 June 2009, 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")) 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 commencing from 18 June 2009 in order to facilitate the Group to expand its business operations and increase its market share in Nanjing.

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, adjusting the calculation of the rentals.

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 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% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax);

* *For identification purpose only*

Directors' Report

(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 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 2017 in the sum of RMB8,855,000 included the rental expenses for the lease of the Ancillary Facilities.

Lease of property for department store operation from Xianlin Technology 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.* ("Nanjing Golden Eagle Shopping") or where the context so requires, the lifestyle center now 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 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 18 December 2009.

On 10 November 2010, the aforesaid parties entered into another lease agreement (the "Xianlin Additional Tenancy Agreement") in respect of the lease of 1st and 2nd floors of Blocks 3 and 5 and the 1st floor of Blocks 4 and 6 of Xianlin Golden Eagle Tiandi (the "Xianlin Additional Retail Area"), pursuant to which Xianlin Technology 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.

* *For identification purpose only*

Directors' Report

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, removing the minimum guaranteed rental under the Total Xianlin Tenancy Agreement with effect from 1 January 2013.

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 Technology under the Total Xianlin Tenancy Agreement (as amended and supplemented from 1 January 2015 onwards) 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 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 (less value-added tax) derived from the operation of supermarket

The 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 2017 amounted to RMB27,276,000.

Directors' Report

Lease of property for outlet store operation from Yancheng Technology 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 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 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.

On 19 December 2013, the aforesaid parties entered into a supplemental agreement, removing the minimum guaranteed rental with effect from 1 January 2013.

On 18 March 2015, Yancheng Outlet Store and Yancheng Technology 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 Technology for the lease of Yancheng Outlet Store 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 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 2017 amounted to RMB5,725,000.

* *For identification purpose only*

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 No.101, Hanzhong Lu, Nanjing City ("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.

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 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:

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 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 (less the relevant value-added tax) derived from the operation of supermarket during the first three years commencing from 26 April 2014;

(ii) 4% of the gross sales proceeds (less the relevant value-added tax) derived from the operation of supermarket commencing from 26 April 2017 onwards.

The 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 2017 amounted to RMB26,714,000.

Lease of property for department store operation from Yancheng Technology 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 lifestyle center 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 Technology 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 Technology Store to Yancheng Technology 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);

(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 (less the relevant value-added tax) derived from the operation of supermarket from 1 May 2015 to 30 September 2017;

(bb) 4% of the gross sales proceeds (less the relevant value-added tax) 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 Technology under the Yancheng Julonghu Tenancy Agreement for the year ended 31 December 2017 amounted to RMB25,896,000.

* *For identification purpose only*

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 lifestyle center 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;

(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 (less value-added tax) derived from the operation of supermarket from 1 May 2015 to 31 December 2017;

(bb) 4% of the gross sales proceeds (less value-added tax) 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 2017 amounted to RMB4,558,000.

* *For identification purpose only*

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 lifestyle center 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);

(c) with respect to supermarket operations:

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

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

* *For identification purpose only*

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 2017 amounted to RMB32,369,000.

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 lifestyle center 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:

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 (less value-added tax) derived from the operation of supermarket during the first three years commencing from 29 August 2015;

(ii) 4% of the gross sales proceeds (less value-added tax) 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 2017 amounted to RMB18,341,000.

* *For identification purpose only*

Directors' Report

Lease of property for supermarket operation from Lianyungang Properties 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 2017. 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 2017 amounted to RMB130,000.

Lease of property for aquarium operation from Yancheng Technology 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 Technology for a term of 3 years commencing from 1 January 2017. 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 Technology under the Yancheng Aquarium Tenancy Agreement for the year ended 31 December 2017 amounted to RMB105,000.

Lease of property for department store operation from Nanjing Jianye Properties by Nanjing Jianye Shopping

On 29 December 2017, 南京建鄴金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Co., Ltd.*) ("Nanjing Jianye Shopping") entered into a lease agreement in respect of the lease of a portion of basement 1st floor, 1st floor to 9th floor, Golden Eagle World ("Golden Eagle World Lease Area") with a gross floor area of approximately 227,396 square meters (the "Golden Eagle World Lease Agreement") with 南京建鄴金鷹置業有限公司 (Nanjing Jianye Golden Eagle Properties Co., Ltd.) ("Nanjing Jianye Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 20 years commencing from 18 November 2017. Golden Eagle World is the world's tallest asymmetric three-tower skyscraper under construction with a total gross floor area of approximately 920,000 square metres. Tower A is the tallest among the three towers with 368 metres and the other two towers with 328 metres and 300 metres respectively. The three towers are connected with a skyscraper corridor which is at 190 metres above the ground. Golden Eagle World Store is expected to become a new commercial landmark and tourism destination in eastern China and even the entire China. The opening of Golden Eagle World 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.

The rental payable by Nanjing Jianye Shopping to Nanjing Jianye Properties under the Golden Eagle World Lease Agreement shall be equivalent to the aggregate of:

* *For identification purpose only*

(a) with respect to those concessionaires:

(i) during the first two years commencing from 18 November 2017, 2% of the annual gross sales proceeds derived from the operation of those concessionaries (less value-added tax);

(ii) 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:

(aa) during the third year commencing from 18 November 2017, 4% of the annual gross sales proceeds derived from the operation of those concessionaries (less value-added tax);

(bb) commencing from 18 November 2020 onwards, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaries (less value-added tax);

(iii) 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, commencing from 18 November 2019 onwards the amount to be calculated in accordance with the following formula:

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

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

(i) during the first two years commencing from 18 November 2017, 25% of the rental proceeds derived from sub-letting the units in Golden Eagle World Lease Area (less value-added tax and other relevant taxes);

(ii) during the third year commencing from 18 November 2017, 30% of the rental proceeds derived from sub-letting the units in Golden Eagle World Lease Area (less value-added tax and other relevant taxes); and

(iii) commencing from 18 November 2020 onwards, 50% of the rental proceeds derived from sub-letting the units in Golden Eagle World Lease Area (less value-added tax and other relevant taxes);

(c) with respect to supermarket operations:

(i) 2% of the gross sales proceeds derived from the operation of supermarket (less value-added tax) during the first two years commencing from 18 November 2017;

(ii) 3% of the gross sales proceeds derived from the operation of supermarket (less value-added tax) during the third year commencing from 18 November 2017; and

(iii) 4% of the gross sales proceeds derived from the operation of supermarket (less value-added tax) commencing from 18 November 2020 onwards.

The consideration was arrived at after arm's length negotiations taking into account the Golden Eagle World Lease Area will be delivered to the Group at renovated state and with reference to the prevailing market rate. Since the first rental payment is only payable after the Golden Eagle World Lease Agreement becoming effective, no rental expenses had been incurred by the Group for the year ended 31 December 2017.

Directors' Report

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 2017 amounted to RMB8,473,000.

On 29 December 2017, Golden Eagle Trading and Golden Eagle International Group entered into another Cooperation Agreement on Property Lease (Offices), pursuant to which Golden Eagle International Group agrees to lease to Golden Eagle Trading or its invested entities, including its subsidiaries, various office premises owned by Golden Eagle International Group or its subsidiaries located in various parts of the PRC, including, inter alia, Nanjing City, commencing from 1 January 2018 or the date on which the relevant parties have entered into formal leasing agreement from time to time (whichever is the later) until 31 December 2020, the rental of which shall be at a discount to the prevailing market rate.

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 terms 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 2017.

* *For identification purpose only*

Directors' Report

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 2017 amounted to RMB1,878,000.

On 29 December 2017, Yunnan Shangmei and Kunming Property Management entered into the Kunming Carpark Leasing Agreement for the lease of Kunming Golden Eagle Carpark for a term of 3 years commencing from 1 January 2018. The rental payable to Yunnan Shangmei for the lease of Kunming Carpark shall be equivalent to 92% of the revenue (after the relevant taxes) received by Kunming Property Management, which shall be payable quarterly in arrears within 25 days after the end of the relevant Quarter. The terms of the Kunming Carpark Leasing Agreement were arrived at after arm's length negotiations taking into account the costs of managing the car park.

Suzhou Carpark 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 with a gross floor area of approximately 39,270 square meters ("Suzhou Golden Eagle Carpark") 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. The rental received by the Group under the Suzhou Carpark Leasing Agreement for the year ended 31 December 2017 amounted to RMB755,000.

* *For identification purpose only*

Directors' Report

On 29 December 2017, Suzhou Gaoxin and Suzhou Property Management entered into the Suzhou Carpark Leasing Agreement for the lease of Suzhou Golden Eagle Carpark for a term of 3 years commencing from 1 January 2018. The rental payable to Suzhou Gaoxin for the lease of Suzhou Golden Eagle Carpark shall be equivalent to 92% of the revenue, after the deduction of relevant operating costs and taxes, received by Suzhou Property Management, which shall be payable quarterly in arrears within 25 days after the end of the relevant quarter. The terms of the Suzhou Carpark Leasing Agreement were arrived at after arm's length negotiations taking into account the costs of managing the car park.

Xianlin Carpark Leasing Agreement

On 29 December 2017, Xianlin Golden Eagle Shopping and 南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Asset Management Co., Ltd.*) ("Nanjing Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, entered into a carpark leasing agreement ("Xianlin Carpark Leasing Agreement") in respect of the lease of the carpark situated at basements 1 and 2 of Xianlin Golden Eagle Tiandi Zone B located at No. 1 Xuehai Road, Qixia District, Nanjing City with a total gross floor area of approximately 78,653 square metres ("Xianlin Carpark") for a term of 3 years commencing from 1 January 2018. The annual rental payable to Xianlin Golden Eagle Shopping for the lease of Xianlin Carpark shall be equivalent to 92% of the revenue, after the deduction of relevant operating costs and taxes, received by Nanjing Golden Eagle Properties, which shall be payable quarterly in arrears within 25 days after the end of the relevant quarter. The entering into of the Xianlin Carpark Leasing Agreement enables the Group to save the time and resources in managing Xianlin 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 terms of the Xianlin Carpark Leasing Agreement were arrived at after arm's length negotiations taking into account the costs of managing the car park.

Wuhu Carpark Leasing Agreement

On 29 December 2017, 蕪湖金鷹國際實業有限公司 (Wuhu Golden Eagle International Enterprises Co., Ltd.*) ("Wuhu Golden Eagle Enterprises") and 南京金鷹國際物業發展有限公司蕪湖分公司 (Nanjing Golden Eagle International Properties Development Co., Ltd. (Wuhu Branch)*) ("Nanjing International Properties (Wuhu Branch)"), 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 "Wuhu Carpark Leasing Agreement") in respect of the lease of carpark situated at ground floor and basements 1 and 2 of Wuhu Golden Eagle International Plaza located at 77 Zhongshanbei Road, Jinghu District, Wuhu City with a total gross floor area of approximately 13,498 square metres which is legally and beneficially owned by Wuhu Golden Eagle Enterprises ("Wuhu Car Park") for a term of 3 years commencing from 1 January 2018. The annual rental payable to Wuhu Golden Eagle Enterprises for the lease of Wuhu Carpark shall be RMB450,000 per year, which shall be payable quarterly in arrears within 25 days during the last month of each quarter. The entering into of the Wuhu Carpark Leasing Agreement enables the Group to save the time and resources in managing Wuhu 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 terms of the Wuhu Carpark Leasing Agreement were arrived at after arm's length negotiations taking into account (i) the car parking revenue expecting to be generated from Wuhu Carpark; and (ii) the costs of managing the car park.

* *For identification purpose only*

Master Property Management Services Agreements

On 23 December 2016, (i) Golden Eagle (China) and Nanjing Golden Eagle Properties, (ii) Nanjing Golden Eagle and Nanjing Zhujiang No. 1, (iii) 泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.* ("Taizhou Golden Eagle Shopping"), 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"), (iv) Xianlin Golden Eagle Shopping and Xianlin Technology, (v) Wuhu Golden Eagle Enterprises, 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") and 南京金鷹國際發展有限公司 (Nanjing Golden Eagle International Properties Development Co., Ltd.) ("Nanjing Golden Eagle International Properties"), (vi) Shanghai Golden Eagle 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, including, as at the date of this report, 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, 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, Anhui Ma'anshan Store, Suzhou Store, Yangzhou New City Center, Changzhou Aquarium and Yancheng Aquarium;

- Nanjing Golden Eagle agreed to engage Nanjing Zhujiang No. 1 to provide property management services to Nanjing Zhujiang Road Store;

- Taizhou Golden Eagle Shopping agreed to engage Taizhou Golden Eagle Tiandi to provide property management services to Taizhou Store;

- Xianlin Golden Eagle Shopping agreed to engage Xianlin Technology to provide property management services to Nanjing 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 Anhui Wuhu Store, Anhui Wuhu New City Store and Anhui Wuhu Hotel; and

- Shanghai Golden Eagle 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 to 31 December 2019.

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

* *For identification purpose only*

The entering into of the aforesaid master property management services agreements enable the Group to focus on the development and operations of lifestyle center and stylish 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 based on the principle of fairness and reasonableness 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 2017 amounted to RMB81,548,000.

Carpark Management Services Agreements

On 23 December 2016, each of (i) Nanjing Zhujiang Road 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 "Carpark Management Services Agreements") for a term of 3 years commencing from 1 January 2017. Xuzhou Golden Eagle Properties is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang.

Pursuant to the Carpark Management Services Agreements, 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 RMB8.0 per hour and 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 2017 amounted to RMB1,856,000.

* *For identification purpose only*

Directors' Report

Project Management Services Agreement

On 23 December 2016, 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 2017, pursuant to which Golden Eagle International Group shall provide project management services including design, purchase of building materials and construction of the Group's new stores to Golden Eagle (China).

The entering into of the Project Management Services Agreement enables the Group to focus on the development and operation of 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 not exceeding 5% of the total estimated construction 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 2017 amounted to RMB69,795,000.

Decoration Services Agreement

On 23 December 2016, Golden Eagle (China) entered into a third supplemental agreement to the decoration services agreement dated 26 February 2006 (as supplemented by the supplemental agreements dated 18 December 2007, 16 November 2010 and 19 December 2013) 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 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 2017 amounted to RMB120,408,000.

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Motor Group Management Agreement

On 3 December 2014, Golden Eagle (China) entered into a management agreement (the "Motor Group 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 2017 amounted to RMB472,000.

Golden Eagle Investment Management and Nanjing Golden Eagle Motor are connected persons (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 "2015 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 219,684 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 2015 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*

Directors' Report

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.

On 29 December 2017, since the above contract would expire on 31 December 2017, the aforesaid parties entered into another street shop management agreement to extend the service period for a term of three years commencing from 1 January 2018 ("2017 Street Shop Management Agreement"). During the term of the 2017 Street Shop Management Agreement, 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) for existing Street Shop Properties currently managed by Golden Eagle (China) or its subsidiaries under the 2015 Street Shop Management Agreement, 20% of the net rental income of the immediate preceding year (the "Base Management Fee"); and

(b) 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.

For new Street Shop Properties, 50% of the Net Rental Income generated during the first year of management shall be deemed as the management fee payable under the 2017 Street Shop Management Agreement and also be deemed as the Base Management Fee for the management fee calculation for the following 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 2015 Street Shop Management Agreement for the year ended 31 December 2017 amounted to RMB22,213,000.

Jinjiao Market Management Agreement

On 29 December 2017, 南京金鷹貿易有限公司第一分公司 (Nanjing Golden Eagle (1st Branch) Co., Ltd.) ("Nanjing Golden Eagle (1st Branch)") and 南京金橋市場管理有限公司 (Nanjing Jinqiao Market Management Co., Ltd.) ("Nanjing Jinqiao Market") and 南京金橋燈飾市場經營管理有限公司 (Nanjing Jinqiao Lighting Market Management Co., Ltd.) ("Nanjing Jinqiao Lighting Market"), connected person (as defined in the Listing Rules) of the Company as they are companies ultimately and wholly-owned by Mr. Wang, entered into a management agreement (the "Jinqiao Market Management Agreement") in respect of those wholesale and retail markets which are being owned, or will be owned, by Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market (the "Jinqiao Markets"), pursuant to which Nanjing Golden Eagle (1st Branch) is delegated with the tasks of managing the daily operation of the Jinqiao Markets during the period between 1 August 2017 and 31 December 2019.

As at the date of this report, these properties include three large scale wholesale and retail markets with aggregate leasable area of approximately 106,584 square meters for general merchandise, decorative materials, lighting and curtain fabrics located at Nanjing City.

Through the entering into of the Jinqiao Market Management Agreement, synergies are expected to be created among the existing stores of the Group at Nanjing City and the Jinqiao Markets (collectively, the "Extended Retail Contents"), which are reflected in the following manner: (i) Jinqiao Markets are in different retail format and contents as compared to the Group's (retail stores versus wholesale and retail markets) which allows the Group to extend its retail contents, to enlarge and enrich the offerings of its value-for-money merchandise and lifestyle elements, and the target customers can now experience a more dynamic shopping experience, thus enhancing VIP customers' satisfaction and loyalty, so as to enhance the operating performance of the Group's chain stores and the Jinqiao Markets; (ii) with the Group's well-established and experienced operating teams, operating costs of the Jinqiao Markets are expected to decrease and profitability will be improved; and (iii) with the Jinqiao Markets, the Group is able to enlarge its operating area and extend its retail contents without incurring additional costs and the management fee provides another source of income for the Group and thus improve the Group's profit margin.

During the term of the Jinqiao Market Management Agreement, the management fee payable by Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market to Nanjing Golden Eagle (1st Branch) shall be calculated as follows:

(a) for the period from 1 August 2017 to 31 December 2017, the management fee shall be RMB2,500,000, which was calculated on a pro-rata basis on the annual base management fee of RMB6,000,000 (the "Annual Base Management Fee");

(b) for each of the two years ending 31 December 2019, the management fee shall be equivalent to the aggregate amount of:

   (i) the Annual Base Management Fee; and

   (ii) 50% of the increase in net profit, excluding the Annual Base Management Fee from the net profit calculation, as compared with the immediately preceding year.

* *For identification purpose only*

The management fee was arrived at after arm's length negotiations and with reference to the scope of services to be provided by Nanjing Golden Eagle (1st Branch). The management fee income received by the Group under the Jinqiao Market Management Agreement for the year ended 31 December 2017 amounted to RMB2,359,000.

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 2017 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 2017, the continuing connected transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the relevant announcements made by the Company.

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

The related party transactions with fellow subsidiaries of the Group as disclosed in note 43 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.

CONNECTED TRANSACTIONS

COMPLETED CONNECTED TRANSACTION

The following were the status of the Group's non-exempt connected transaction which was completed during the year:

Jilin Golden Eagle Share Purchase Agreement

On 8 December 2017, Golden Eagle (China) and Golden Eagle International Group entered into a share purchase agreement (the "Jilin Golden Eagle Share Purchase Agreement"), pursuant to which Golden Eagle International Group agreed to sell, and Golden Eagle (China) agreed to purchase, 51% equity interest in 吉林金鷹正業置業股份有限公司 (Jilin Golden Eagle Property Holdings Company Limited*) ("Jilin Golden Eagle Property").

Jilin Golden Eagle Property intends to bid for a parcel of land located on the east by Wukaihe Main Street, on the south by Lianhua Mountain Lifestyle Tourism Resort East Jilin Main Road, on the north by Lianhuashan Main Road, Changchun City, Jilin Province, the PRC and on the west by the forest land with a total site area of approximately 858,000 square metres through tender, auction or listing-for-sale by the PRC governmental authority. If Jilin Golden Eagle Property succeeds in such auction, Jilin Golden Eagle Property intends to develop the land into a large scale low density commercial complex which houses a comprehensive lifestyle center surround by residential units. The land is currently a vacant site.

The agreed consideration for the acquisition of the Sale Shares is RMB102,000,000, which shall be paid in lump sum in cash within 7 business days after completion of all change of business registration. The change of business registration procedures were completed. Jilin Golden Eagle Property succeeded in the land auction and the consideration was fully paid in 2017.

Details of the transaction have been disclosed in the Company's announcement dated 11 December 2017.

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 is legally and beneficially owned 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.

* *For identification purpose only*

Directors' Report

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. As at the date of this report, the Group was still liaising with the relevant governmental authorities on the acquisition and considering other alternatives in the event that there are any hurdles in the acquisition.

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 is legally and beneficially owned 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 2019.

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.

* *For identification purpose only*

Directors' Report

REPORT ON REVENUE GUARANTEE

Reference is made to the announcement of the Company dated 2 December 2014 (the "2014 Announcement") in relation to the equity transfer agreement dated 2 December 2014 entered into between Golden Star Hong Kong Development Limited (as vendor) ("Golden Star") and Golden Eagle Trading (as purchaser).

As disclosed in the 2014 Announcement, Golden Star has undertaken that it shall procure that the revenue of 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") for each of the three years ended 31 December 2017 shall not be less than RMB13 million (the "Revenue Guarantee"), otherwise Golden Star shall compensate the shortfall of that year to Changzhou Ocean World.

According to the management account of Changzhou Ocean World prepared in accordance with the generally accepted accounting principles in the People's Republic of China for the year ended 31 December 2017, the revenue of Changzhou Ocean World was RMB11,800,000 and therefore was unable to achieve the Revenue Guarantee.

In light of the aforesaid, Golden Star is required to compensate the shortfall in the sum of RMB1,200,000 to Changzhou Ocean World for the year ended 31 December 2017 and such shortfall compensation had been included in the Group's income statement for the year.

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 was due for full repayment in April 2018 (the "Syndicated Loan Facility Agreement").

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 2017. The Group is in the process of arranging another syndicated loan to re-finance the maturing syndicated loan which is expected to be closed in April 2018.

* *For identification purpose only*

Directors' Report

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") executed by Mr. Wang, 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 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.

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.

Directors' Report

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 2017.

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

20 March 2018

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 88 to 182, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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.

Independent Auditor's Report

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 32 to the consolidated financial statements)	
We have identified prepayments 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 2017, the balance of prepayments from customers recorded under deferred revenue amounted to approximately RMB2,302 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 analysis 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 documents for the transactions and the cash collection records, on a sample basis.

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.

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 Wong Shun Yu.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	NOTES	**2017**	2016
		RMB'000	RMB'000
Revenue	6	**4,949,180**	4,694,340
Other income, gains and losses	8	**797,535**	30,371
Changes in inventories of merchandise		**(1,626,526)**	(1,516,604)
Cost of properties sold		**(215,380)**	(286,802)
Employee benefits expense		**(453,706)**	(461,316)
Depreciation and amortisation of property, plant and equipment and intangible asset		**(363,659)**	(353,846)
Release of prepaid lease payments on land use rights		**(43,675)**	(30,906)
Rental expenses		**(249,966)**	(214,533)
Other expenses		**(712,273)**	(667,004)
Share of loss of associates		**(81,949)**	(80,497)
Share of loss of joint ventures		**(3,803)**	(662)
Finance income	9	**203,978**	168,917
Finance costs	10	**(366,305)**	(318,208)
Profit before tax		**1,833,451**	963,250
Income tax expense	11	**(563,498)**	(562,228)
Profit for the year	12	**1,269,953**	401,022
Profit (loss) for the year attributable to:			
Owners of the Company		**1,278,143**	408,413
Non-controlling interests		**(8,190)**	(7,391)
		1,269,953	401,022
Earnings per share			
– Basic (RMB per share)	15	**0.763**	0.244
– Diluted (RMB per share)	15	**0.760**	0.243

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**1,269,953**	401,022
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Loss on fair value changes of available-for-sale investments	**(11,574)**	(25,949)
Reclassified to profit or loss on disposal of available-for-sale investments	**(33,146)**	(71,487)
Share of exchange difference of associates	**(6,442)**	24,132
Income tax expenses relating to items that may be reclassified to profit or loss	**11,172**	15,625
	(39,990)	(57,679)
Items that may not be reclassified subsequently to profit or loss:		
Gain on revaluation of property, plant and equipment and land use rights on transfer of investment properties	**95,350**	203,998
Income tax expenses relating to item that may not be reclassified to profit or loss	**(23,837)**	(51,000)
	71,513	152,998
Other comprehensive income for the year, net of tax	**31,523**	95,319
Total comprehensive income for the year	**1,301,476**	496,341
Total comprehensive income attributable to:		
Owners of the Company	**1,309,666**	503,732
Non-controlling interests	**(8,190)**	(7,391)
	1,301,476	496,341

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	16	**8,733,659**	7,755,446
Land use rights - non-current portion	17	**2,150,477**	2,086,013
Investment properties	18	**1,880,520**	1,461,760
Intangible asset	19	**13,247**	—
Deposits and prepayments	20	**—**	60,219
Goodwill	21	**17,664**	17,664
Interests in associates	22	**410,270**	327,341
Interests in joint ventures	23	**27,476**	386,583
Available-for-sale investments	24	**309,920**	400,668
Deferred tax assets	25	**113,273**	116,693
		13,656,506	12,612,387
Current assets			
Inventories		**433,409**	443,518
Properties under development for sale		**1,444,051**	910,814
Completed properties for sale		**1,309,835**	1,500,590
Trade and other receivables	26	**1,100,261**	707,109
Land use rights - current portion	17	**57,746**	56,382
Amounts due from fellow subsidiaries	27	**40,647**	39,189
Tax assets		**44,563**	11,590
Structured bank deposits	28	**717,933**	4,455,740
Investments in interest bearing instruments	28	**310,315**	—
Restricted cash	28	**116,286**	96,499
Bank balances and cash	28	**5,800,326**	1,059,572
		11,375,372	9,281,003

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	31 December 2017 RMB'000	31 December 2016 RMB'000
Current liabilities			
Bills, trade and other payables	29	**6,445,641**	3,609,845
Amounts due to related companies	30	**305,690**	671,007
Bank loans	31	**4,799,852**	170,696
Tax liabilities		**395,166**	387,528
Deferred revenue	32	**2,327,144**	2,230,329
		14,273,493	7,069,405
Net current (liabilities) assets		**(2,898,121)**	2,211,598
Total assets less current liabilities		**10,758,385**	14,823,985
Non-current liabilities			
Bank loans	31	**—**	5,162,068
Senior notes	33	**2,451,306**	2,602,694
PRC medium-term notes	34	**1,493,850**	1,492,681
Deferred tax liabilities	25	**632,386**	519,434
		4,577,542	9,776,877
Net assets		**6,180,843**	5,047,108
Capital and reserves			
Share capital	35	**176,368**	176,456
Reserves	36	**5,886,176**	4,856,297
Equity attributable to owners of the Company		**6,062,544**	5,032,753
Non-controlling interests		**118,299**	14,355
Total equity		**6,180,843**	5,047,108

The consolidated financial statements on pages 88 to 182 were approved and authorised for issue by the board of directors on 20 March 2018 and are signed on its behalf by:

WANG HUNG, ROGER	**WANG JANICE S.Y.**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company													
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 36)	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 36)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	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
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
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	1,278,143	1,278,143	(8,190)	1,269,953
Other comprehensive income (expense) for the year	–	–	–	–	–	71,513	(33,548)	(6,442)	–	–	–	31,523	–	31,523
Total comprehensive income (expense) for the year	–	–	–	–	–	71,513	(33,548)	(6,442)	–	–	1,278,143	1,309,666	(8,190)	1,301,476
Shares repurchased and cancelled	(112)	–	(1,309)	112	–	–	–	–	–	–	(8,911)	(10,220)	–	(10,220)
Shares repurchased but not cancelled	–	(31)	(369)	–	–	–	–	–	–	–	(2,480)	(2,880)	–	(2,880)
Exercise of share options	24	–	1,678	–	–	–	–	–	(687)	–	–	1,015	–	1,015
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	–	–	–	–	(13,371)	–	13,371	–	–	–
Reversal of equity-settled share-based payments	–	–	–	–	–	–	–	–	(3,595)	–	–	(3,595)	–	(3,595)
Appropriation	–	–	–	–	–	–	–	–	–	25,976	(25,976)	–	–	–
Dividends recognised as distribution (note 14)	–	–	–	–	–	–	–	–	–	–	(264,195)	(264,195)	–	(264,195)
Acquisition of assets in a subsidiary (note 38)		–	–	–	–	–	–	–	–	–	–	–	98,000	98,000
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	14,134	14,134
At 31 December 2017	176,368	(31)	–	27,106	217,228	224,511	(26,373)	4,141	31,628	1,021,871	4,386,095	6,062,544	118,299	6,180,843

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Operating activities		
Profit before tax	**1,833,451**	963,250
Adjustments for:		
Depreciation and amortisation of property, plant and equipment and intangible asset	**363,659**	353,846
Interest expenses	**366,305**	318,208
Release of prepaid lease payments on land use rights	**43,675**	30,906
Net foreign exchange (gain) loss	**(437,566)**	522,034
Impairment losses in relation to store suspensions	**68,810**	—
Gain on partial disposal/disposal of interest in an associate	**(19,626)**	(5,822)
Gain on deemed disposal of an associate	**(1,280)**	(3,267)
Equity-settled share-based payments	**(3,595)**	—
Fair value change of investment properties	**(37,411)**	(193,827)
Fair value change of financial liabilities at fair value through profit or loss	**8,293**	17,646
Loss on disposal/write-off of property, plant and equipment	**2,672**	2,216
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**(33,146)**	(71,487)
Income from investments in interest bearing instruments	**(43,140)**	(8,788)
Income from structured bank deposits	**(153,410)**	(132,309)
Interest income	**(7,428)**	(27,820)
Dividend income from equity investments	**(3,372)**	(3,089)
Share of loss of associates	**81,949**	80,497
Share of loss of joint ventures	**3,803**	662
Operating cash flows before movements in working capital	**2,032,643**	1,842,856
Decrease in long-term rental deposits	**—**	14,200
(Increase) decrease in inventories	**(810,574)**	59,844
Increase in trade and other receivables	**(224,072)**	(34,324)
(Increase) decrease in amounts due from fellow subsidiaries	**(1,458)**	12,350
Increase in bills, trade and other payables	**2,435,944**	223,886
Increase (decrease) in amounts due to related companies	**30,048**	(331,313)
Increase (decrease) in deferred revenue	**96,815**	(12,305)
Net cash generated from operations	**3,559,346**	1,775,194
PRC income tax and land appreciation tax paid	**(423,200)**	(338,961)
Net cash generated from operating activities	**3,136,146**	1,436,233

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Investing activities			
Investments in structured bank deposits		**(56,766,880)**	(35,564,440)
Redemption of structured bank deposits		**60,494,760**	32,942,530
Income received from structured bank deposits		**163,337**	115,126
Investments in interest bearing instruments		**(5,612,360)**	(329,000)
Redemption of investments in interest bearing instruments		**5,312,360**	479,000
Income received from investments in interest bearing instruments		**32,825**	10,263
Placement of restricted cash		**(116,286)**	(96,499)
Withdrawal of restricted cash		**96,499**	90,352
Purchase of available-for-sale investments		**(1,135,842)**	(1,963,254)
Proceeds from disposal of available-for-sale investments		**1,215,016**	1,933,583
Addition to property, plant and equipment		**(748,410)**	(447,544)
Proceeds from disposal of property, plant and equipment		**911**	3,729
Proceeds from disposal of an investment property		**6,149**	—
Purchase of franchise right		**(13,302)**	—
Payment on lease payment of land use rights		**(213,641)**	—
Acquisition of the assets of a subsidiary	38	**(101,815)**	77,395
Withdrawal (placement) of deposit for acquisition of a joint venture	20	**10,219**	(10,219)
Capital contribution to associates		**(185,705)**	(72,359)
Capital contribution to joint ventures		**(14,720)**	(16,638)
Proceeds from partial disposal/disposal of interest in an associate		**35,291**	—
Interest received from bank deposits		**7,428**	4,858
Dividends received from equity investments		**3,372**	3,089
Deposit refunded and related interest received for acquisition of Suzhou Qianning		**38,841**	263,000
Repayment from a joint venture		**—**	346,522
Net cash generated from (used in) investing activities		**2,508,047**	(2,230,506)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Financing activities		
Dividends paid to owners of the Company	**(264,195)**	(466,952)
Proceeds on exercise of share options	**1,015**	297
Repurchase of shares	**(13,100)**	(93,837)
New bank loans raised	**—**	458,658
Repayment of bank loans	**(268,545)**	(1,397,981)
Interest paid	**(364,455)**	(354,933)
Capital contribution from non-controlling interests	**14,134**	2,575
Amounts raised from financial liabilities at fair value through profit or loss	**550,333**	945,107
Repayment of financial liabilities at fair value through profit or loss	**(558,626)**	(962,753)
Proceeds from the PRC medium- term notes issued	**—**	1,491,227
Net cash used in financing activities	**(903,439)**	(378,592)
Net increase (decrease) in cash and cash equivalents	**4,740,754**	(1,172,865)
Cash and cash equivalents at beginning of the year	**1,059,572**	2,232,437
Cash and cash equivalents at end of the year	**5,800,326**	1,059,572

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 47, 22 and 23 respectively.

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

2. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 31 December 2017, its current liabilities exceeded its current assets by approximately RMB2,898,121,000. Taking into account the internally generated funds and unutilised banking facilities, the Directors of the Company considered that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED 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 Hong Kong Accounting Standard ("HKAS") 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

Except as described below, 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.

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 46. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 46, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[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 9	*Prepayment Features with Negative Compensation*[2]
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 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

[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 2021

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

New and revised 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.

- 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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.

Key requirements of HKFRS 9 are described below:

- 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 *Financial Instruments: Recognition and Measurement*, 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.

- For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification. Currently, the Group revises the effective interest rates for non-substantial modification of financial liabilities with no gain/loss being recognised in profit or loss.

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

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

HKFRS 9 Financial Instruments *(Continued)*

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 24: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value losses accumulated in the investment revaluation reserve amounting to RMB26,373,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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. Upon application of 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 by the Group.

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

New and revised 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.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB417,223,000 (2016: RMB424,905,000) as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

4. 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.

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*.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for business combination involving business under common control (Continued)

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.

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 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.

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, or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 investment 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 investment 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 investment 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.

4. 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) upon disposal/partial disposal of the relevant associate or joint venture.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

If an item of property, plant and equipment 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.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

4. 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 and intangible 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 and intangible 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 relevant 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 asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

4. 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.

4. 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 45.

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 are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments 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).

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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 fellow subsidiaries, investments in interest bearing instruments, structured bank deposits, restricted cash and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 an 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 45.

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.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Sales of goods that result in award credits for customers, under the Group's customer loyalty programme, 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 granted. 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 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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.

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 the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

4. 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 of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 4, 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, and other 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 2017, a deferred tax asset of RMB79,399,000 (2016: RMB133,509,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB164,361,000 (2016: RMB147,961,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 amount of investment properties at 31 December 2017 was RMB1,880,520,000 (2016: RMB1,461,760,000).

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 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 the 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:

	2017	2016
	RMB'000	RMB'000
Commission income from concessionaire sales	**2,116,830**	2,086,558
Direct sales	**1,918,650**	1,783,487
Sales of properties	**314,013**	397,954
Rental income	**498,927**	311,017
Management fees	**35,923**	48,947
Hotel operations	**40,066**	39,163
Automobile services fees	**24,771**	27,214
	4,949,180	4,694,340

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

Gross sales proceeds	**2017**	2016
	RMB'000	RMB'000
Concessionaire sales	**14,023,243**	13,454,809
Direct sales	**2,236,675**	2,071,905
Sales of properties	**331,746**	417,648
Rental income	**531,123**	329,731
Management fees	**38,324**	52,115
Hotel operations	**42,673**	41,679
Automobile service fees	**28,522**	31,404
	17,232,306	16,399,291

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.

The Group's operating and reportable segments are now as follows:

– Retail operations consists of:

  • Southern Jiangsu Province, including stores at Nanjing, Suzhou, 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, Huaibei, Ma'anshan and Wuhu

– Property development and hotel operations

– Other operations represent the total of other operating segments that are individually not reportable

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").

7. SEGMENT INFORMATION (CONTINUED)

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.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable 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 2017							
Gross sales proceeds	6,195,820	8,132,111	2,371,943	16,699,874	393,372	139,060	17,232,306
Segment revenue	2,023,222	1,935,635	545,028	4,503,885	371,917	73,378	4,949,180
Segment results	629,397	860,576	223,164	1,713,137	65,158	(36,174)	1,742,121
Central administration costs and Directors' salaries							(92,853)
Finance income							203,978
Finance costs							(366,305)
Other gains and losses							432,262
Share of loss of associates							(81,949)
Share of loss of joint ventures							(3,803)
Profit before tax							1,833,451
Income tax expense							(563,498)
Profit for the year							1,269,953

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 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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. 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 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 2017

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 2017							
Depreciation and amortisation of property, plant and equipment and intangible asset	**138,207**	**124,056**	**53,525**	**315,788**	**21,462**	**26,409**	**363,659**
Release of prepaid lease payments on land use rights	**29,564**	**13,042**	**12,932**	**55,538**	**–**	**–**	**55,538**
Less: amounts capitalised	**(9,729)**	**(2,134)**	**–**	**(11,863)**	**–**	**–**	**(11,863)**
	19,835	**10,908**	**12,932**	**43,675**	**–**	**–**	**43,675**
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

8. OTHER INCOME, GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Other income		
Income from suppliers and customers	**341,673**	291,701
Government grants	**19,486**	13,998
Others	**4,114**	6,489
	365,273	312,188
Other gains and losses		
Net foreign exchange gain (loss)	**437,566**	(522,034)
Gain on partial disposal/disposal of interest in an associate (note 22)	**19,626**	5,822
Gain on deemed disposal of an associate (note 22)	**1,280**	3,267
Dividend income from equity investments	**3,372**	3,089
Fair value change of investment properties	**37,411**	193,827
Fair value change of held for trading investments	**(23,036)**	(19,629)
Fair value change of financial liabilities at fair value through profit or loss	**(8,293)**	(17,646)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**33,146**	71,487
Impairment losses in relation to store suspensions	**(68,810)**	—
	432,262	(281,817)
	797,535	30,371

During the year, the relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB19,486,000 (2016: RMB13,998,000) 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

	2017 RMB'000	2016 RMB'000
Income from structured bank deposits	**153,410**	132,309
Interest income on bank deposits	**7,428**	4,858
Income from investments in interest bearing instruments	**43,140**	8,788
Interest income on deposit paid for acquisition of Suzhou Qianning (note 26)	**—**	22,962
	203,978	168,917

10. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest expenses on:		
Bank loans	**230,399**	237,019
Senior notes	**119,083**	118,403
PRC medium- term notes	**61,769**	18,030
	411,251	373,452
Less: amounts capitalised in the cost of qualifying assets		
Property, plant and equipment under constructions	**(34,936)**	(51,953)
Properties under development for sale	**(10,010)**	(3,291)
	366,305	318,208

Finance costs capitalised are calculated by applying a weighted average capitalisation rate of 4.6% (2016: 4.3%) per annum.

11. INCOME TAX EXPENSE

	2017	2016
	RMB'000	RMB'000
PRC Enterprise Income Tax:		
Current year	**373,099**	358,880
LAT	**24,866**	30,346
(Over) under provision in prior years	**(99)**	3,542
	397,866	392,768
Withholding tax on distribution of earnings from the PRC subsidiaries	**71,425**	75,000
Deferred tax charge:		
Current year	**94,207**	94,460
	563,498	562,228

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arose in nor 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% (2016: 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.

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.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

11. INCOME TAX EXPENSE (CONTINUED)

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 liabilities" of the consolidated financial statements.

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

	2017	2016
	RMB'000	RMB'000
Profit before tax	**1,833,451**	963,250
Tax at the applicable tax rate of 25% (2016: 25%)	**458,363**	240,813
Tax effect of share of loss of associates	**20,487**	20,125
Tax effect of gain on partial disposal/disposal of interest in an associate	**—**	5,070
Tax effect of gain on deemed disposal of an associate	**(320)**	(817)
Tax effect of share of loss of joint ventures	**951**	166
Tax effect of expenses not deductible for tax purpose	**112,953**	199,745
Tax effect of income not taxable for tax purpose	**(110,354)**	(10,886)
Tax effect of tax losses not recognised	**9,248**	21,092
LAT	**24,866**	30,346
Tax effect of LAT	**(6,217)**	(7,587)
Utilisation of tax losses previously not recognised	**(5,148)**	(1,862)
(Over) under provision in prior years	**(99)**	3,542
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**71,425**	75,000
Income tax at concessionary rate	**(12,657)**	(12,519)
Tax charge for the year	**563,498**	562,228

12. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**447**	431
Other staff:		
Salaries and other benefits	**407,934**	407,152
Retirement benefits schemes contributions	**48,920**	53,733
Equity-settled share-based payments	**(3,595)**	—
	453,706	461,316
Auditor's remuneration	**2,380**	2,380
Depreciation and amortisation of property, plant and equipment and intangible asset	**363,659**	353,846
Release of prepaid lease payments on land use rights	**55,538**	56,387
Less: amounts capitalised	**(11,863)**	(25,481)
	43,675	30,906
Loss on disposal/write-off of property, plant and equipment	**2,672**	2,216
Gross rental income from investment properties	**(72,818)**	(49,181)
Less: direct operating expenses incurred for investment properties	**7,893**	3,170
	(64,925)	(46,011)

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

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

	2017					2016				
		Other emoluments					Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits schemes contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits schemes contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive Directors										
Mr. Wang Hung, Roger	–	–	–	–	–	–	–	–	–	–
Ms Wang Janice S. Y. (Note)	–	96	5	6	107	–	–	–	–	–
Sub-total	–	96	5	6	107	–	–	–	–	–
Independent non-executive Directors										
Mr. Wong Chi Keung	191	–	–	–	191	185	–	–	–	185
Mr. Lay Danny J	128	–	–	–	128	123	–	–	–	123
Mr. Wang Sung Yun, Eddie	128	–	–	–	128	123	–	–	–	123
Sub-total	447	–	–	–	447	431	–	–	–	431
Chief Executive Officer										
Mr. Su Kai	–	851	63	–	914	–	847	72	–	919
Total	447	947	68	6	1,468	431	847	72	–	1,350

Note: Ms. Wang Janice S.Y. was appointed as an executive Director of the Company with effect from 30 March 2017.

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 (2016: one) was the Chief Executive Officer of the Company whose emoluments are included above. The emoluments of the remaining four (2016: four) individuals were as follows:

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

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	2,793	2,484
Retirement benefits schemes contributions	199	216
Equity-settled share-based payments	109	540
	3,101	3,240

Their emoluments were within the following bands:

	2017 No. of employees	2016 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

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution during the year:		
2016 Final dividend of RMB0.0216 per share (2015 Final dividend: RMB0.060)	35,853	101,865
2016 Final special dividend of RMB0.0772 per share (2015 Final special dividend: nil)	128,145	—
2017 Interim dividend of RMB0.060 per share (2016 Interim dividend: RMB0.050)	100,197	83,736
2016 Interim special dividend of RMB0.168 per share (2017 Interim special dividend: nil)	—	281,351
	264,195	466,952

14. DIVIDENDS (CONTINUED)

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of RMB0.3 per share (2016: a final dividend of RMB0.0216 per share and a special cash dividend of RMB0.0772 per share, resulting an aggregate dividend of RMB0.0988 per share), in an estimated aggregate amount of RMB501,896,000 (2016: RMB163,998,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,278,143**	408,413

	2017	2016
	`000	`000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,674,684**	1,676,864
Effect of dilutive potential ordinary shares attributable to share options	**7,379**	6,815
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,682,063**	1,683,679

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 2017 and 31 December 2016 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 2016	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 38)	—	—	—	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
Acquisition of assets in a subsidiary (note 38)	—	—	—	144	—	—	—	144
Additions	—	78,868	2,353	7,896	1,781	182	1,344,663	1,435,743
Transfers	2,306,315	57,769	182	4,951	—	—	(2,369,217)	—
Transfers from properties under development for sale	—	—	—	—	—	—	151,854	151,854
Disposals	(1,584)	(51,732)	(690)	(12,885)	(1,400)	(68)	—	(68,359)
Transfers to investment properties	(195,384)	—	—	—	—	—	—	(195,384)
At 31 December 2017	9,349,069	1,275,586	139,090	239,071	9,418	2,951	56,360	11,071,545

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 2016	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
Provided for the year	197,974	126,956	10,175	26,472	1,379	648	–	363,604
Eliminated on disposals	(576)	(6,553)	(418)	(9,459)	(811)	(2)	–	(17,819)
At 31 December 2017	1,226,545	848,984	101,648	152,180	5,987	2,542	–	2,337,886
CARRYING VALUES								
At 31 December 2017	8,122,524	426,602	37,442	86,891	3,431	409	56,360	8,733,659
At 31 December 2016	6,210,575	462,100	45,354	103,798	3,618	941	929,060	7,755,446

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.

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 RMB4,826,063,000 (2016: RMB2,702,725,000).

17. LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**2,150,477**	2,086,013
Current assets	**57,746**	56,382
	2,208,223	2,142,395

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 RMB566,092,000 (2016: RMB725,588,000).

18. INVESTMENT PROPERTIES

	Amount RMB'000
Fair Value	
At 1 January 2016	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
Transferred from property, plant and equipment (note 16)	240,406
Transferred from land use rights	142,603
Net change in fair value recognised in profit or loss	37,411
Disposals	(1,660)
At 31 December 2017	1,880,520

All of the Group's property interests are completed investment properties 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 (2016: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), independent qualified professional valuers not connected to the Group.

18. INVESTMENT PROPERTIES (CONTINUED)

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

Investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Wuhu New City Plaza located in Wuhu	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.5% (2016: 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 RMB183 (2016: 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	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5.25% - 6.25% (2016: 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 RMB273 (2016: 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.

18. INVESTMENT PROPERTIES (CONTINUED)

Investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Baxian City located in Nantong	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% (2016: 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 RMB234 (2016: 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.
Suzhou Gaoxin Golden Eagle Commercial Plaza located in Suzhou	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5% - 6% (2016: N/A).	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 RMB288 sqm per month (2016: N/A) for the base level.	An increase in the market rent used would result in an increase in fair value, and vice versa.
Xianlin Golden Eagle Store located in Nanjing	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6% (2016: N/A).	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 RMB306 sqm per month (2016: N/A) 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)

Investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Other 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%. (2016: 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 RMB94 to RMB258 (2016: RMB90 to RMB255) 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.

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:

	Level 3 and fair value as at	
	31 December 2017	31 December 2016
	RMB'000	RMB'000
Wuhu New City Plaza located in Wuhu	**496,000**	507,000
Baxian City located in Nantong	**282,000**	276,000
Nantong Renmin Road Store located in Nantong	**274,000**	280,900
Xianlin Golden Eagle Store located in Nanjing	**220,600**	—
Suzhou Gaoxin Golden Eagle Commercial Plaza located in Suzhou	**198,700**	—
Other properties	**409,220**	397,860
	1,880,520	1,461,760

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

19. INTANGIBLE ASSET

	Franchise right RMB'000
COST	
Additions during the year and at 31 December 2017	13,302
AMORTISATION	
Provided for the year and at 31 December 2017	55
CARRYING VALUE	
At 31 December 2017	13,247

On 30 November 2017, the Group entered into a purchase agreement with Seven-Eleven (China) Investment Co., Ltd. for the acquisition of the 7-Eleven franchise right in Jiangsu Province, which is amortised on a straight-line basis over its franchise term of 20 years.

20. DEPOSITS AND PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Prepayments for construction and acquisition of property, plant and equipment	–	50,000
Deposit paid for acquisition of a joint venture	–	10,219
	–	60,219

21. GOODWILL

	Amount RMB'000
COST	
At 1 January 2016, 31 December 2016 and 31 December 2017	263,179
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2016, 31 December 2016 and 31 December 2017	245,515
CARRYING VALUE	
At 31 December 2017 and 31 December 2016	17,664

21. 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 2017 and 31 December 2016 RMB'000
Nantong Golden Eagle Yuanrong Shopping Centre Co., Ltd. (Note)	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

Note: During the year ended 31 December 2017, Nantong Golden Eagle Yuanrong Shopping Centre Co., Ltd. absorbed Nantong Golden Eagle International Shopping Centre Co., Ltd..

No impaired loss on goodwill is recognised by the Group in 2016 and 2017.

The recoverable amounts of the 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 % (2016: 10%) per annum.

21. 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.

22. INTERESTS IN ASSOCIATES

	2017 **RMB'000**	2016 RMB'000
Cost of investments in associates		
Listed	**310,067**	266,559
Unlisted	**250,099**	125,054
Share of post-acquisition losses and other comprehensive income	**(149,896)**	(64,272)
	410,270	327,341
Fair value of listed investments	**254,639**	164,371

22. 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
			2017	2016	
中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.)	Taiwan	Share capital – Taiwan Dollar 2,250,000,000	**42.6%**	42.6%	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.) ("Pop Mart Beijing") (Note 1)	PRC	Registered capital – RMB25,495,047	**10%**	18.2%	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.)	PRC	Registered capital – RMB20,000,000	**48%**	48%	Branded fashion toys retailer
Toebox Korea Ltd. ("Toebox") (Note 2)	Korea	Share capital – Korea (South) Won 3,625,248,700	**18.8%**	23.4%	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%**	45%	Branded jewellery retailer
上海存立眾創空間管理有限公司 (Shanghai Cunli Maker Space Management Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**25%**	N/A	Operation of share office
G30 Project Ltd. ("G30 Project") (Note 3)	Cayman Islands	Share capital – USD112,558,749	**10%**	N/A	Operation of private school

22. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

1. In 2017, the Group disposed of 8.2% equity interest in Pop Mart Beijing to an independent third party at a consideration of RMB35,291,000. On completion of the disposal, the Group's equity interests in Pop Mart Beijing were reduced from 18.2% to 10%. The gain on partial disposal of interest in Pop Mark Beijing amounted to RMB19,626,000 is included in the consolidated statement of profit or loss for the year ended 31 December 2017. The Group is still able to continue 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's board of directors in accordance with its articles of association.

   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 was included in the consolidated statement of profit or loss for the year ended 31 December 2016.

2. During the year ended 31 December 2017, Toebox entered into a merge and listing agreement (the "Merge and Listing Agreement") with an independent third party. On completion of the Merge and Listing Agreement, the Group's equity interests in Toebox were reduced from 23.4% to 18.8%. The gain on such deemed disposal amounted to RMB1,280,000 is included in the consolidated statement of profit or loss for the year ended 31 December 2017. The Group is still able to continue to exercise significant influence over Toebox because it has the power to appoint one out of the nine directors of Toebox's board of directors in accordance with its articles of association.

3. On 31 May 2017, the Group entered into an investment agreement (as supplemented and amended by a supplemental agreement dated 27 November 2017) with G30 Project and its investors to subscribed for 9.98% equity interest of G30 Project at an aggregate consideration of USD26,823,000 (equivalent to approximately RMB180,705,000). The Group is able to exercise significant influence over G30 Project because it has the power to appoint one out of the eight directors of G30 Project's board of directors in accordance with its articles of association.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

22. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates (Continued)

	Allied		G30 Project
	2017	2016	**2017**
	RMB'000	RMB'000	**RMB'000**
Current assets	**88,013**	98,700	**395,972**
Non-current assets	**338,672**	507,878	**372,701**
Current liabilities	**79,475**	84,969	**65,026**
Non-current liabilities	**39,048**	35,475	**272,111**
Revenue	**96,012**	128,516	**—**
Loss for the year	**(160,662)**	(186,767)	**(112,792)**
Other comprehensive (expense) income for the year	**(17,383)**	54,326	**(3,260)**
Total comprehensive expense for the year	**(178,045)**	(132,441)	**(116,052)**

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

	Allied		G30 Project
	2017	2016	**2017**
	RMB'000	RMB'000	**RMB'000**
Net assets	**308,162**	486,134	**431,536**
Proportion of the Group's ownership interest	**42.6%**	42.6%	**10%**
Goodwill	**—**	—	**126,056**
Others	**1,570**	1,570	**—**
Carrying amount of the Group's interest	**132,847**	208,712	**169,123**

Aggregate information of associates that are not individually material

	2017	2016
	RMB'000	RMB'000
The Group's share of post-tax loss and total comprehensive expenses	**944**	3,333
Aggregate carrying amount of the Group's interests in these associates	**108,300**	118,629

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

23. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investments in joint ventures		
Unlisted	**31,359**	388,938
Share of post-acquisition losses and other comprehensive expenses	**(3,883)**	(2,355)
	27,476	386,583

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

Name of joint venture	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 2017	2016	Principal activities
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") (Note)	PRC	Registered capital – RMB800,000,000	**N/A**	51%	Investment holding
Golden Eagle & Shinwon Trading Co., Limited	Hong Kong	Share capital – USD5,000,000	**50%**	50%	Branded fashion retailer
江蘇新華金鷹傳媒股份有限公司 (Jiangsu Xinhua Golden Eagle Media Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**49%**	N/A	Design, production and dissemination of advertisement
蘇州明謙金鷹咖啡有限公司 (Suzhou Mingqian Golden Eagle Coffee Co., Ltd.)	PRC	Registered capital – RMB2,000,000	**40%**	N/A	Branded coffeehouse chain
南京金鷹柯娜寵物有限公司 (Nanjing Golden Eagle KONA Pets Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**40%**	N/A	Branded pet service chain
南京千可果業有限公司 (Nanjing Qianke Drink Co., Ltd.)	PRC	Registered capital – RMB1,020,400	**51%**	N/A	Branded beverage chain

23. INTERESTS IN JOINT VENTURES (CONTINUED)

Note: In 2016, the Group held 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 was jointly controlled by the Group and an independent third party because the financial and operating decisions relating to the operation of Yangzhou Golden Eagle New City required unanimous consent of the Group and the independent third party. Therefore, Yangzhou Golden Eagle New City was classified as a joint venture of the Group as at 31 December 2016. In 2017, Yangzhou Golden Eagle New City was deregistered upon the unanimous decision of the shareholders.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	RMB'000
Equity securities stated at fair value		
– listed in the PRC	**189,495**	217,929
– listed in Hong Kong	**120,425**	182,739
Total	**309,920**	400,668

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

25. DEFERRED TAXATION

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

	2017	2016
	RMB'000	RMB'000
Deferred tax assets	**113,273**	116,693
Deferred tax liabilities	**(632,386)**	(519,434)
	(519,113)	(402,741)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

25. 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	Fair value adjustment on property, plant and equipment, investment properties and property under development for sale arising from acquisition of subsidiaries	Undistributable profits of the PRC subsidiaries	LAT	Start up costs	Tax losses	Revaluation of available for-sale investments	Deferred revenue	Fair value adjustment on investment properties	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	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) charge to other comprehensive income	–	–	–	–	–	–	(15,625)	–	51,000	–	35,375
Acquisition of assets in a subsidiary (note 38)	–	–	–	–	–	(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
Charge (credit) for the year (note 11)	42,075	(6,379)	71,425	(6,263)	365	54,110	–	(1,116)	9,353	2,062	165,632
(Credit) charge to other comprehensive income	–	–	–	–	–	–	(11,172)	–	23,837	–	12,665
Reversal on payment of withholding tax	–	–	(61,925)	–	–	–	–	–	–	–	(61,925)
At 31 December 2017	250,329	154,425	15,750	42,561	(1,218)	(79,399)	(11,644)	(6,233)	132,880	21,662	519,113

25. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has unused tax losses of RMB481,957,000 (2016: RMB681,997,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB317,596,000 (2016: RMB534,036,000) 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 RMB164,361,000 (2016: RMB147,961,000) 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 RMB1,591 million as at 31 December 2017 (2016: RMB1,751 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.

26. TRADE AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables	**174,992**	101,306
Advance to suppliers	**64,141**	51,657
Deposits	**132,248**	88,778
Deposits paid for purchases of goods	**10,472**	5,790
Other taxes recoverable	**222,106**	122,344
Deposit refundable and related interest receivable for acquisition of Suzhou Qianning (Note)	**—**	45,657
Other receivables and prepayments	**496,302**	291,577
	1,100,261	707,109

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 interests in Suzhou Qianning Property Co., Ltd. ("Suzhou Qianning") and a refundable deposit of RMB300 million, which was secured by equity interests of certain companies 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 refundable deposit and the related interest receivables were fully settled during the year ended 31 December 2017.

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

Trade receivables amounted of RMB151,025,000 (2016: RMB92,304,000) 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.

27. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2017 RMB'000	2016 RMB'000
南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.)	11,494	8,716
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.)	8,835	7,573
昆山金鷹置業有限公司 (Kunshan Golden Eagle Real Estate Co., Ltd.)	6,023	2,111
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.)	2,354	2,893
泰州金鷹天地投資管理有限公司 (Taizhou Golden Eagle Tiandi Investment Management Co., Ltd.)	683	3,109
馬鞍山金鷹天地實業有限公司 (Ma'anshan Golden Eagle Tiandi Industry Co., Ltd.)	452	2,791
Others	10,806	11,996
	40,647	39,189

At 31 December 2017, the amount due from Nanjing Golden Eagle International Group Co., Ltd. is related to payments made for acquisition and construction of property, plant and equipment, and the remaining amounts represent prepayments made for the Group's operations which are unsecured, interest free and repayable on demand, all aged within 30 days.

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

	2017	2016
	RMB'000	RMB'000
Structured bank deposits (Note 1)	**717,933**	4,455,740
Investments in interest bearing instruments (Note 2)	**310,315**	—
Restricted cash (Note 3)	**116,286**	96,499
Bank balances and cash (Note 4)	**5,800,326**	1,059,572
	6,944,860	5,611,811

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 3.4% to 5.1% (2016: 1.95% 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. At 31 December 2017, included in investments in interest bearing instruments of RMB310,315,000 represent the Group's investments in restricted low risk debt instruments arranged by a bank in the PRC (the "Restricted Instruments"). The Restricted Investments are principal guaranteed which carry variable rate of interests and are stated at amortised cost with effective interest ranging from 3.0% to 3.7% per annum for a term of one year.

3. Restricted cash represents balances for the purpose of syndicated loan interest payments (note 31), bank deposits restricted for settlement of bills payables and concessionaire sales of precious metal.

4. Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for various periods ranging from 1 to 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The effective interest rate for short-term bank deposits during the year ended 31 December 2017 is approximately 0.3% (2016: 0.3%) per annum.

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

29. BILLS, TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**2,833,271**	1,981,208
Bills payables	**95,600**	76,950
Total trade payables	**2,928,871**	2,058,158
Deposits and prepayments received from pre-sale of properties	**1,395,995**	504,960
Payables for property, plant and equipment	**955,410**	289,583
Suppliers' deposits	**265,114**	178,115
Accrued expenses	**169,437**	140,469
Other taxes payables	**137,515**	104,512
Accrued salaries and welfare expenses	**62,255**	51,465
Interest payable	**30,081**	30,913
Other payables	**500,963**	251,670
	6,445,641	3,609,845

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

	2017 RMB'000	2016 RMB'000
0 to 30 days	**2,194,097**	1,596,395
31 to 60 days	**217,729**	167,332
61 to 90 days	**97,948**	78,200
Over 90 days	**419,097**	216,231
	2,928,871	2,058,158

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

30. AMOUNTS DUE TO RELATED COMPANIES

	2017 RMB'000	2016 RMB'000
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) (Note 1)	**131,996**	178,678
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 1)	**69,154**	47,814
昆山金鷹置業有限公司 (Kunshan Golden Eagle Real Estate Co., Ltd.) (Note 1)	**56,287**	56,287
鹽城金鷹科技實業有限公司 (Yancheng Golden Eagle Technology Industrial Co. Ltd.) (Note 1)	**10,259**	7,763
南京江寧金鷹科技實業有限公司 (Nanjing Jiangning Golden Eagle Technology Industrial Co. Ltd.) (Note 1)	**9,873**	6,467
南京仙林金鷹天地科技實業有限公司 (Nanjing Xianlin Golden Eagle Tiandi Technology Industrial Co. Ltd.) (Note 1)	**8,147**	—
Yangzhou Golden Eagle New City (Note 2)	**—**	369,948
Others (Note 1)	**19,974**	4,050
	305,690	671,007

The amounts due to Nanjing Golden Eagle Construction and Development Co., Ltd., Nanjing Golden Eagle International Group 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. A joint venture of the Group.

31. BANK LOANS

	2017 RMB'000	2016 RMB'000
Bank loans	—	90,000
Syndicated Loan (defined as below)	**4,799,852**	5,242,764
	4,799,852	5,332,764
Secured	**4,799,852**	5,332,764
Carrying amount repayable*:		
Within one year	**4,799,852**	170,696
More than one year, but not exceeding two years	—	5,072,068
More than five years	—	90,000
	4,799,852	5,332,764
Less: Amount due within one year shown under current liabilities	**4,799,852**	170,696
Amount due after one year	—	5,162,068

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

At 31 December 2017, syndicated secured loan represents a dual currency three-year term loan, dominated in HKD and USD amounted to HKD1,014,999,000 and USD603,500,000 (2016: HKD1,052,000,000 and USD625,500,000), equivalent to RMB849,882,000 and RMB3,949,970,000 respectively (2016: RMB934,666,000 and RMB4,308,098,000) 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% (2016: HIBOR/LIBOR plus 2.3%) per annum. The effective interest rate for the Syndicated Loan is 3.2% to 4.6% (2016: 3.6% to 4.2%) per annum.

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

	2017 RMB'000	2016 RMB'000
USD	**3,949,970**	4,308,098
HKD	**849,882**	934,666
	4,799,852	5,242,764

31. BANK LOANS (CONTINUED)

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

	2017		2016	
	RMB'000	**%**	RMB'000	%
Fixed rate bank loans	**—**	**N/A**	90,000	4.4
Floating rate bank loans	**4,799,852**	**3.2 - 4.6**	5,242,764	3.6 - 4.2
	4,799,852	**N/A**	5,332,764	N/A

32. DEFERRED REVENUE

	2017	2016
	RMB'000	RMB'000
Prepayments from customers	**2,301,648**	2,209,408
Deferred revenue arising from the Group's customer loyalty programme	**25,496**	20,921
	2,327,144	2,230,329

33. SENIOR NOTES

	2017	2016
	RMB'000	RMB'000
Senior notes	**2,451,306**	2,602,694
Interest payable within one year reclassified as current liabilities under other payables	**13,505**	13,560
	2,464,811	2,616,254
Carrying amount repayable:		
Within one year	**13,505**	13,560
More than five years	**2,451,306**	2,602,694
	2,464,811	2,616,254
Less: Amount due within one year shown under current liabilities	**13,505**	13,560
Amount due after one year	**2,451,306**	2,602,694

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.

33. SENIOR NOTES (CONTINUED)

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 (2016: 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.

34. PRC MEDIUM-TERM NOTES

	2017 **RMB'000**	2016 RMB'000
PRC medium-term notes	**1,493,850**	1,492,681
Interest payable within one year reclassified as current liabilities under other payables	**16,576**	16,576
	1,510,426	1,509,257
Carrying amount repayable:		
Within one year	**16,576**	16,576
More than five years	**1,493,850**	1,492,681
	1,510,426	1,509,257
Less: Amount due within one year shown under current liabilities	**16,576**	16,576
Amount due after one year	**1,493,850**	1,492,681

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.

35. SHARE CAPITAL

	Number of shares	Amount HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2016	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
Shares repurchased and cancelled	(1,339,000)	(134)
Exercise of share options	273,000	27
At 31 December 2017	1,673,820,000	167,382

	RMB'000
Shown in the consolidated statement of financial position:	
At 31 December 2017	**176,368**
At 31 December 2016	176,456

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 2017				
September 2017	**1,339,000**	**9.48**	**9.02**	**12,201**
November 2017	**254,000**	**9.33**	**9.23**	**2,364**
December 2017	**112,000**	**9.43**	**9.23**	**1,053**
	1,705,000			**15,618**

35. SHARE CAPITAL (CONTINUED)

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

In addition, during the year ended 31 December 2017, a total of 273,000 (2016: 158,000) ordinary shares of HKD0.10 each of the Company were issued at HKD4.20 (2016: 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 2017, a total of 1,705,000 shares were repurchased and a total of 1,339,000 shares were cancelled in 2017, the remaining 366,000 shares were subsequently cancelled in February 2018. These 366,000 shares were recognised as treasury shares at 31 December 2017 in the consolidated statement of changes in equity.

36. RESERVES

Special reserve

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

Statutory 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.

36. RESERVES (CONTINUED)

Statutory surplus reserve (Continued)

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

Appropriation from the PRC Accounting Profit to the enterprise expansion fund is at the discretion of the board of directors of the FIE Subsidiaries. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital. No appropriation to the enterprise expansion fund has been made by the FIE Subsidiaries since their establishments.

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.

37. SHARE-BASED PAYMENTS

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

37. SHARE-BASED PAYMENTS (CONTINUED)

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.

Details of specific categories of options are as follows:

Option series	Share option 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

37. 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 during the year	Exercised during the year	Forfeited during the year	Outstanding at end of the year
For the year ended 31 December 2017					
Executive director	**—**	**100,000**	**—**	**—**	**100,000**
Key management	**2,160,000**	**230,000**	**(40,000)**	**(1,370,000)**	**980,000**
Other employees	**14,612,000**	**(330,000)**	**(233,000)**	**(1,050,000)**	**12,999,000**
	16,772,000	**—**	**(273,000)**	**(2,420,000)**	**14,079,000**
Exercisable at 31 December 2017					**13,509,000**
Weighted average exercise price (HKD)	**7.96**	**—**	**4.20**	**17.87**	**6.33**
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

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HKD11.80 (2016: HKD9.65).

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 or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

38. ACQUISITIONS OF ASSETS IN SUBSIDIARIES NOT CONSISTITUTING A BUSINESS COMBINATION

On 8 December 2017, the Group entered into an acquisition agreement with Nanjing Golden Eagle International Group Company Limited, an indirect wholly-owned subsidiary of GEICO, to acquire 51% equity interests in 吉林金鷹正業置業股份有限公司 (Jilin Golden Eagle Property Holdings Company Limited) ("Jilin Golden Eagle") for a cash consideration of RMB102,000,000, which was settled in 2017. After the acquisition, Jilin Golden Eagle became a subsidiary of the Group.

Net assets acquired in the transaction are as follows:

Jilin Golden Eagle

	Total RMB'000
Property, plant and equipment	144
Other receivables	173,989
Properties under development for sales	25,844
Bank balances and cash	185
Other payables	(162)
Net assets	200,000
Satisfied by:	
Cash consideration paid	102,000
Non-controlling interests	98,000
	200,000
Net cash outflow on acquisition	
Cash consideration paid	102,000
Less: cash and cash equivalents acquired	(185)
	101,815

38. ACQUISITIONS OF ASSETS IN SUBSIDIARIES NOT CONSISTITUTING A BUSINESS COMBINATION (CONTINUED)

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 with 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.

Net assets acquired in the transaction are as follows:

Yangzhou New City Center Development

	Total RMB'000
Bank balances and cash	77,395
Other receivables	27,255
Properties under development for sales	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)

In the opinion of the Directors of the Company, the above acquisitions do not constitute business combination in accordance with HKFRS 3 Business Combination as these represent acquisition of properties under development held by Jilin Golden Eagle and Yangzhou New City Center Development respectively, and as such, the acquisitions have been accounted for as acquisition of assets.

39. OPERATING LEASES

The Group as leasee

	2017	2016
	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the year	**27,440**	22,498

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:

	2017	2016
	RMB'000	RMB'000
Within one year	**27,431**	28,119
In the second to fifth year inclusive	**98,445**	97,534
Over five years	**291,347**	299,252
	417,223	424,905

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:

	2017	2016
	RMB'000	RMB'000
Within one year	**—**	3,979
In the second to fifth year inclusive	**—**	1,457
	—	5,436

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 2017 amounted to RMB222,526,000 (2016: RMB192,035,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

39. OPERATING LEASES (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:

	2017	2016
	RMB'000	RMB'000
Within one year	**573,753**	164,342
In the second to fifth year inclusive	**967,771**	473,005
Over five years	**379,294**	159,632
	1,920,818	796,979

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.

40. CAPITAL COMMITMENTS

	2017	2016
	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	**2,420**	869,006
– investment in an associate	**23,400**	24,200
– investments in joint ventures	**41,436**	17,343
	67,256	910,549
Other commitment:		
– construction of properties under development (Note)	**316,493**	768,607

Note: Included in the balance is RMB30,259,000 (2016: RMB51,446,000) capital expenditure contracted for with fellow subsidiaries of the Group.

41. PLEDGE OF ASSETS

At the end of the reporting period, 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:

	2017	2016
	RMB'000	RMB'000
Available-for-sale investments	**120,425**	182,739
Restricted cash	**44,613**	42,956
Bank balances and cash	**887,428**	50,348
	1,052,466	276,043

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

	2017	2016
	RMB'000	RMB'000
Land use rights	**—**	138,078
Restricted cash	**69,690**	49,466
	69,690	187,544

42. 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 RMB48,920,000 (2016: RMB53,733,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at end of the reporting period, there was no outstanding contributions payable to the schemes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

43. 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**	**2017 RMB'000**	2016 RMB'000
Fellow subsidiaries	Decoration service fee paid	**120,408**	56,403
	Property and ancillary facilities rentals paid	**193,187**	160,202
	Property management fee paid	**81,548**	57,025
	Project management service fee paid	**69,795**	17,841
	Carpark management service fee paid	**1,856**	2,149
	Management fee received	**26,176**	40,449
	Carpark rental income received	**2,633**	2,499
	Guarantee income received	**1,200**	—
Associate	Purchase of merchandise	**—**	7,855

b) Compensation of key management personnel:

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

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**4,997**	4,322
Retirement benefits schemes contributions	**461**	427
Equity-settled share-based payments	**368**	658
	5,826	5,407

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.

44. 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 31, 33 and 34 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

45. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Available-for-sale investments	**309,920**	400,668
Loans and receivables	**7,616,154**	6,077,684
	7,926,074	6,478,352
Financial liabilities		
Amortised cost	**(13,697,715)**	(12,921,404)

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 fellow subsidiaries, 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.

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk

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 amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**6,414,781**	6,924,394	**817,820**	3,689
HKD	**849,882**	934,666	**213,053**	224,972

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% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 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% (2016: 5%) change in foreign currency rates.

	USD Impact		**HKD Impact**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
(Decrease) increase in profit for the year:				
if RMB weakens against foreign currency	**(279,848)**	(346,035)	**(31,841)**	(35,485)
if RMB strengthens against foreign currency	**279,848**	346,035	**31,841**	35,485

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk (Continued)

Currency risk (Continued)

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 both years

(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, 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.

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 (2016: 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 (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by RMB23,999,000 (2016: decrease/increase by RMB26,214,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk (Continued)

Other price risk

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 analysis below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analyses purposes, the sensitivity rates are 15 % and 30% (2016: 15% and 30%) respectively in the current year as a result of the volatile financial market.

- If equity prices had been 15% (2016: 15%) higher/lower, investment revaluation reserve would increase/decrease by RMB39,382,000 (2016: RMB51,928,000), as a result of changes in fair value of available-for-sale investments.
- If equity prices had been 30% (2016: 30%) higher/lower, investment revaluation reserve would increase/decrease by RMB78,764,000 (2016: RMB103,856,000), as a result of changes in fair value of available-for-sale investments.

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

Credit risk

As at 31 December 2017, 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 fellow subsidiaries 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 fellow subsidiaries, with exposure spread over a large number of counterparties and customers.

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequately 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 ensures 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 loans, senior notes and PRC medium-term notes as additional sources of liquidity. As at 31 December 2017, the Group has available unutilised banking facilities of RMB16,000 million (2016: RMB16,000 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.

Liquidity and interest risk table

	Weighted average effective interest rate %	Within 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017						
Non-derivative financial liabilities:						
Bills, trade and other payables	–	4,647,017	–	–	4,647,017	4,647,017
Amounts due to related companies	–	305,690	–	–	305,690	305,690
Bank loans	4.50	4,848,259	–	–	4,848,259	4,799,852
Senior notes	4.80	121,437	485,746	2,686,373	3,293,556	2,451,306
PRC medium-term notes	4.17	59,313	1,544,484	–	1,603,797	1,493,850
		9,981,716	2,030,230	2,686,373	14,698,319	13,697,715
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

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.

45. 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
	31.12.2017 RMB'000	31.12.2016 RMB'000			
1) Available-for-sale listed equity securities	**309,920**	400,668	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 2017, 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.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans RMB'000	Senior notes RMB'000	PRC medium-term notes RMB'000	Dividends payable RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2017	5,332,764	2,616,254	1,509,257	–	–	9,458,275
Financing cash flows	(454,334)	(118,066)	(60,600)	(264,195)	(8,293)	(905,488)
Foreign exchange translation	(308,977)	(152,460)	–	–	–	(461,437)
Finance costs recognised	230,399	119,083	61,769	–	–	411,251
Dividend declared	–	–	–	264,195	–	264,195
Fair value adjustments	–	–	–	–	8,293	8,293
At 31 December 2017	4,799,852	2,464,811	1,510,426	–	–	8,775,089

47. 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 2017	2016	Principal activities
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
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

47. 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
			2017	2016	
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 – HKD60,000,000	**51%**	51%	Investment holding
Golden Eagle Media Enterprises Company Limited	Hong Kong	Share capital – HKD1	**100%**	100%	Inactive
Golden Eagle & Toebox Co., Limited	Hong Kong	Share capital – HKD12,000,000	**66%**	66%	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
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

47. 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
			2017	2016	
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
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 Zhujiang Road 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

47. 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
			2017	2016	
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
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

47. 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
			2017	2016	
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
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%	Inactive
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

47. 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
			2017	2016	
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 – RMB220,000,000	**100%**	100%	Operation of lifestyle center
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

47. 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
			2017	2016	
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
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
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.) ("Shanghai Jinhengsheng") (Note 2)	PRC	Registered capital – USD300,000	**100%**	100%	Jewellery trading

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

47. 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 2017	2016	Principal activities
南京金恒升珠寶有限公司 Nanjing Jinhengsheng Jewellery Co., Ltd. ("Nanjing Jinhengsheng") (Note 2)	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
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 department store
南京金鷹教育產業投資有限公司 (formerly known as 南京金鷹超市有限公司) (Nanjing Golden Eagle Education Investment Co., Ltd.)	PRC	Registered capital – RMB90,000,000	**100%**	100%	Education Investment

47. 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
			2017	2016	
南京嘟寶兒童用品有限公司 (Nanjing Toebox Children's Accessories Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	100%	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%**	100%	Property development and operation of lifestyle center
南京金鷹便利超市管理有限公司 (Nanjing Golden Eagle Convenience Store and Supermarket Management Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	N/A	Operation of supermarket
吉林金鷹正業置業股份有限公司 (Jilin Golden Eagle Property Holdings Co., Ltd.)	PRC	Registered capital – RMB200,000,000	**51%**	N/A	Property development and investment
南京美悦雅集化妝品有限公司 (Nanjing Beauty Collections Cosmetics Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	N/A	Trading of cosmetic products

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 Jinhengsheng 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	2017	2016
	RMB'000	RMB'000
Assets		
Equipment	**2**	3
Available-for-sale investments	**2,715**	2,615
Interests in and amounts due from unlisted subsidiaries	**3,724,825**	3,021,960
Other receivables	**5**	11
Amounts due from fellow subsidiaries	**519**	421
Bank balances and cash	**7,447**	13,204
	3,735,513	3,038,214
Liabilities		
Other payables	**16,818**	17,875
Senior notes	**2,451,306**	2,602,694
	2,468,124	2,620,569
Net assets	**1,267,389**	417,645
Capital and reserves		
Share capital (see note 35)	**176,368**	176,456
Reserves	**1,091,021**	241,189
Total equity	**1,267,389**	417,645

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

Movement in reserves

	Retained profits RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2016	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 (expense) 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
Profit for the year	1,129,519	—	—	—	—	1,129,519
Net gain on fair value changes of available-for-sale investments	—	—	—	100	—	100
Total comprehensive income for the year	1,129,519	—	—	100	—	1,129,619
Shares repurchased and cancelled	(8,911)	—	112	—	—	(8,799)
Shares repurchased but not cancelled	(2,480)	(31)	—	—	—	(2,511)
Exercise of share options	—	—	—	—	(687)	(687)
Transfer of share option reserve upon forfeiture of share options	13,371	—	—	—	(13,371)	—
Reversal of equity-settled share-based payments	—	—	—	—	(3,595)	(3,595)
Dividends recognised as distribution	(264,195)	—	—	—	—	(264,195)
At 31 December 2017	1,034,181	(31)	27,106	(1,863)	31,628	1,091,021