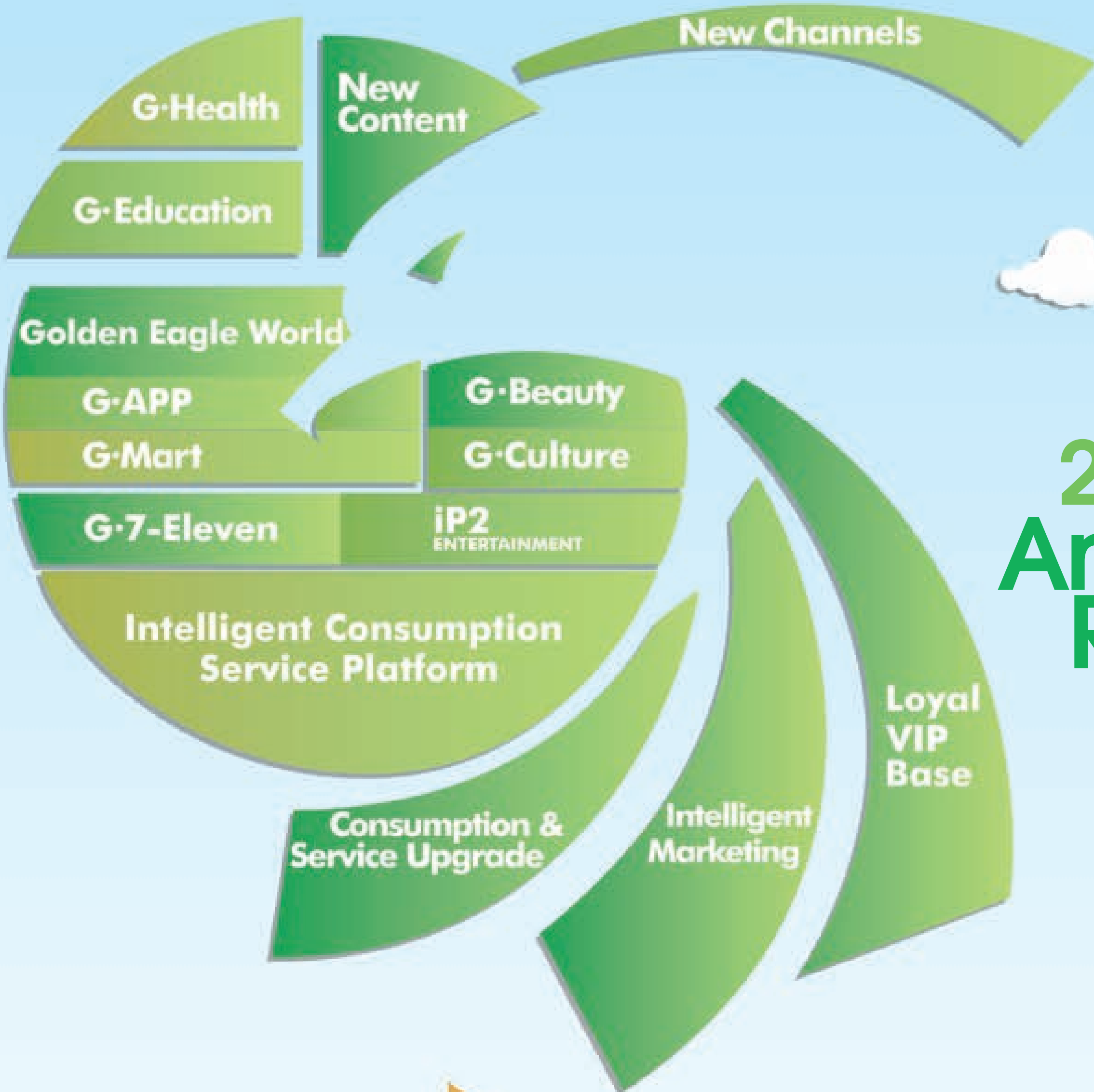
金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

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

一 站 式 滿 足 生 活 所 需
Enriching Life



2018 年報
Annual Report

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 23 years ago, the Group has successfully opened 32 self-owned stores in the PRC a total gross floor area of 2,489,807 square meters and a total operating area of 1,707,555 square meters as at 31 December 2018. 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' demand for consumption upgrade, the Group is developing itself into a professional operator which provides high-quality and comprehensive services. The Group prioritises 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 2018, the Group operated 15 comprehensive lifestyle centers with a total gross floor area of 1,844,245 square meters. The operating area of the comprehensive lifestyle amenities accounted for 32.2% of the Group's total operating area. With the continuous development and expansion of the Group's controllable resources, the Group strives for continuous enhancement of its core competitiveness.

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 INTELLIGENT CONSUMPTION SERVICE PLATFORM

The Group will further secure core resources of new content, new channels and new VIP members, and formulate capabilities of self-owned asset-light output and integration to meet the needs for long-term development: (i) new content. To continue to invest and develop new business functions in line with the trend of consumption upgrade, which are profitable, with high conversion, strong stickiness and continuous innovation in content that are also replicable; (ii) new channels. To expand its platform content out of its existing ecosystem leveraging on new channels derived from new content and achieve the interaction and development of both content and platform; (iii) new VIP members. To further integrate member resources from the industry or strategic partners, combined with the application of new retail scenes and new technology to explore new VIP members targeting middle-class families and young stylish customers, at the same time providing merchandise and comprehensive services more effectively and accurately.

Corporate Profile

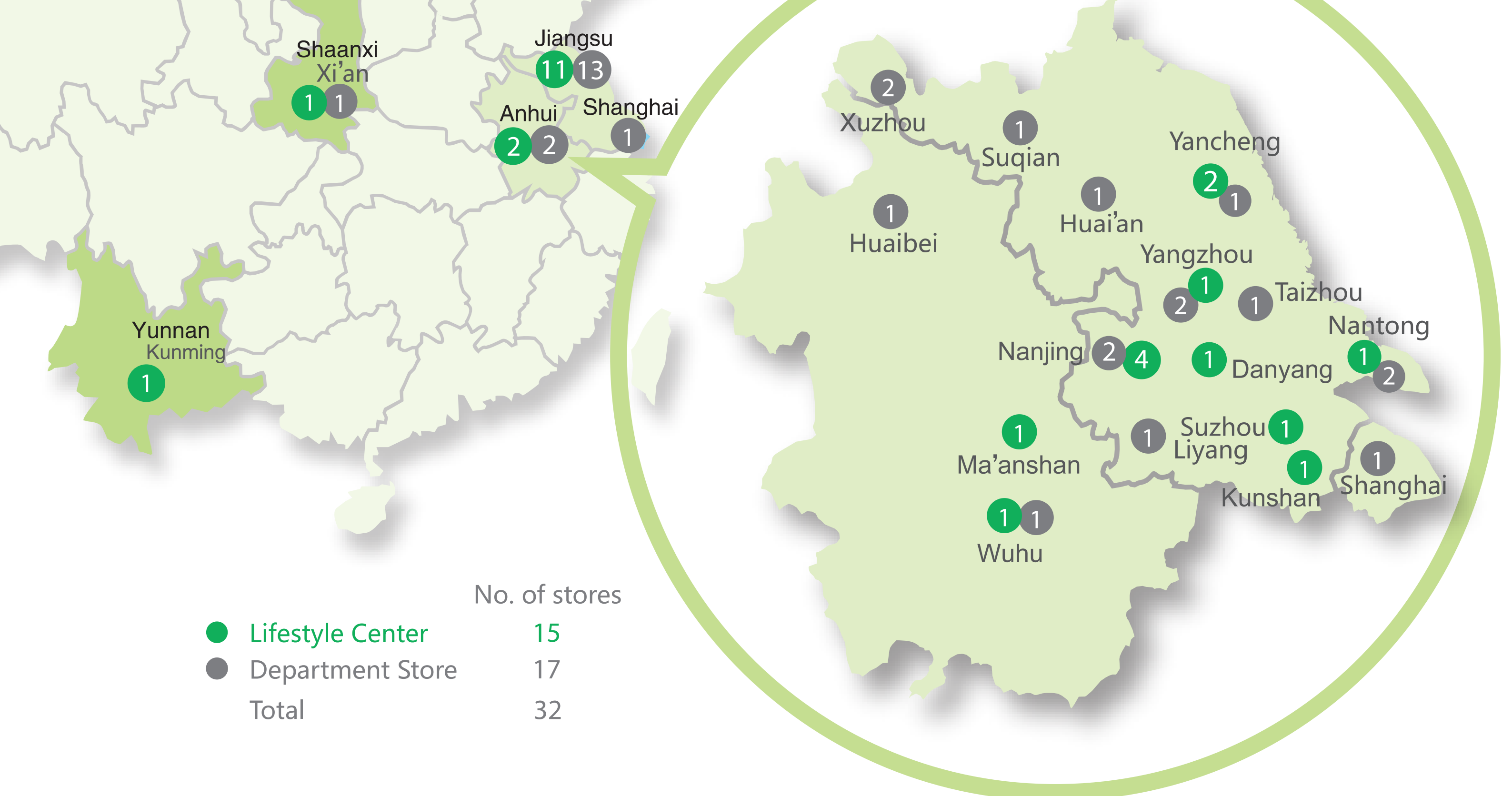
DEDICATED TO PROVIDING HIGH QUALITY AND INNOVATIVE VALUE-ADDED VIP SERVICES AND OMNI-CHANNEL SHOPPING EXPERIENCE

The Group fully utilises its omni marketing channels through the use of mobile phone application "goodee mobile App" (掌上金鷹) (the "App"), WeChat and Weibo social network platforms and the "Electronic VIP Card", and integrates its Jinying.com (金鷹購) online platform with its comprehensive lifestyle centers, 7-Eleven convenience stores and industry chain upstream and downstream resources. Coupled with quality and convenient comprehensive lifestyle service offerings, the Group has successfully achieved online and offline two-way marketing, thus driving a rapid growth of customer traffic and sales. As at 31 December 2018, the App has registered over 7.4 million downloads of which 2.3 million VIP customers connected their VIP membership cards with the App, while members of WeChat and Weibo achieved breakthrough of 2.6 million, with an average of 200,000 active daily users. At the same time, the Group has successfully secured over 3.2 million loyal VIP customers. During the year under review, spending by the VIP customers accounted for 55.3% 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 2018, the Group had approximately 3,700 employees.

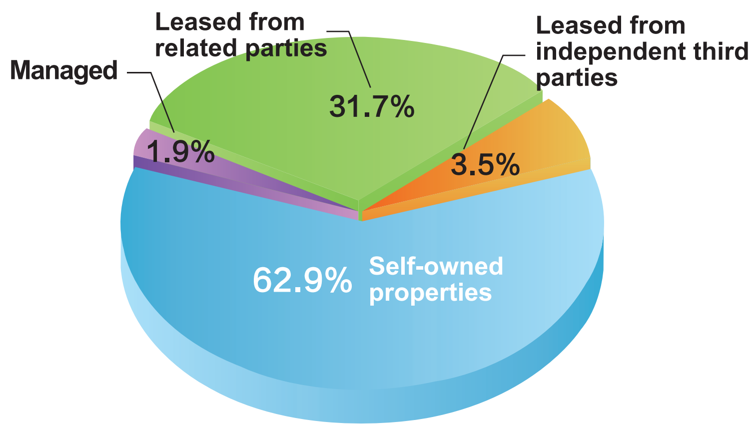
Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 62.9%* of total gross floor area.

		Gross Floor Area (square meters)		
		Owned	Leased	Sub-total
1	Nanjing Xinjiekou Store #	83,896	29,242	113,138
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 #	88,165		88,165
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			2,489,807 &



* As a percentage of total gross floor area (square meters) as at 31 December 2018
# 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.
Mr. Hans Hendrik Marie Diederen
(appointed on 19 March 2019)

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

WEBSITE

http://www.geretail.com

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

STOCK CODE

3308

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 Merchants 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

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)

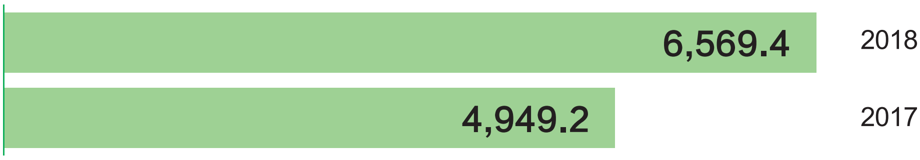
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

Gross Sales Proceeds (RMB Million)

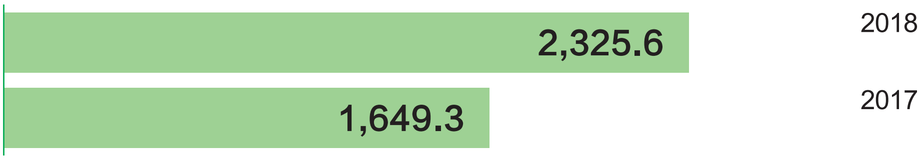
+10.2%

Revenue (RMB Million)



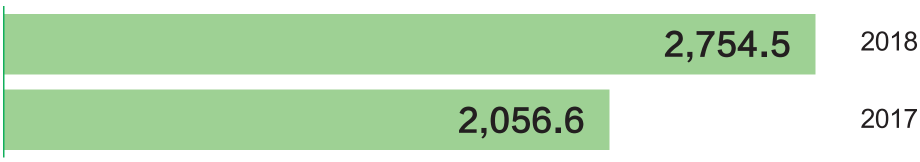
+32.7%

Profit from Operations (RMB Million)



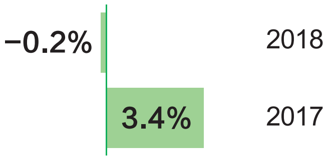
+41.0%

Profit from Operations before Depreciation and Amortisation (RMB Million)



+33.9%

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

	2014 RMB'000 (note 1) & (note 2)	2015 RMB'000 (note 1)	2016 RMB'000	2017 RMB'000	**2018 RMB'000**	**2017 vs 2018 %**
Consolidated Statement of Profit or Loss for the year ended 31 December						
Gross sales proceeds	16,253,971	16,291,796	16,399,291	17,232,306	**18,994,792**	10.2
Revenue	3,978,500	4,093,527	4,694,340	4,949,180	**6,569,371**	32.7
Profit from operations	1,330,905	1,208,442	1,475,520	1,649,268	**2,325,562**	41.0
Profit for the year attributable to owners of the Company	1,086,428	825,837	408,413	1,278,143	**899,501**	(29.6)
Basic earnings per share (RMB)	0.602	0.474	0.244	0.763	**0.538**	(29.5)
Consolidated Statement of Financial Position as at 31 December						
Non-current assets	10,123,614	12,066,106	12,612,387	13,656,506	**13,317,676**	(2.5)
Current assets	6,500,438	7,762,794	9,281,003	11,375,372	**10,518,538**	(7.5)
Total assets	16,624,052	19,828,900	21,893,390	25,031,878	**23,836,214**	(4.8)
Current liabilities	8,598,118	11,244,275	7,069,405	14,273,493	**10,221,281**	(28.4)
Non-current liabilities	2,578,017	3,475,941	9,776,877	4,577,542	**7,331,635**	60.2
Total liabilities	11,176,135	14,720,216	16,846,282	18,851,035	**17,552,916**	(6.9)
Net Assets	5,447,917	5,108,684	5,047,108	6,180,843	**6,283,298**	1.7
Capital and reserves						
Equity attributable to owners of the Company	5,443,140	5,089,513	5,032,753	6,062,544	**6,171,640**	1.8
Non-controlling interests	4,777	19,171	14,355	118,299	**111,658**	(5.6)
	5,447,917	5,108,684	5,047,108	6,180,843	**6,283,298**	1.7
Net assets per share attributable to owners of the Company (RMB)	3.048	3.016	3.005	3.622	**3.675**	1.5
Number of shares in issue (in thousand)	1,786,012	1,687,685	1,674,886	1,673,820	**1,679,406**	0.3

Notes:

(1) The financial information for each of the two 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*.

(2) 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 2018, the global economy continued to grow moderately with softened momentum. Growth trend of major economies, levels of inflation and monetary policies demonstrated significant differentiation. The US-China trade tension eased in the second half of the year, while the US economy outperformed market expectations. Looking at the big picture, the series of policy initiatives from the US played an important role in bringing significant impact on growth of global economy, disrupting international financial markets, and changing rules among international economics and trade. Meanwhile, China's economy continued to show a steady and upward trend within a reasonable range, with GDP reaching RMB90 trillion, representing a year-on-year increase of 6.6%, which demonstrate resilience as the world's second largest economy. Striving towards high quality development, China's economy continued to serve as the "stabiliser" and "power hub" for 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 and urban disposable income per capita continued to take the lead across the country in 2018, reflecting a strong spending power and market potentials of the region.

Looking at its development, the retail industry in China has been going through a critical period of industrial transformation. Under the backdrop of economic restructuring in the country, development of China's retail industry was boosted by technological advancement and consumption upgrades. Business model of the retail industry in China was experiencing a major period of transformational upgrade. Retail market competition has also extended to "ecological competition", characterised by the synchronisation of all online and offline channels, all-round shopping environment, all categories of customers and all relevant sectors of industry. In general, new business landscape has emerged. From the perspective of consumption trends, consumption pattern has shifted from physical consumption to service consumption. Creating a different shopping environment and high-quality, ever-changing consumer content is expected to be a new trend for retailers' development.

OPERATION MANAGEMENT AND CORPORATE DEVELOPMENT

In 2018, the Group leveraged proactively on the trends of economic transformation and upgrade in China and pressed on with the development direction of "new retail" concept, adhering to its strategic goal of developing an intelligent consumption service platform which meets the needs of consumers' daily life, enhance their shopping experience and emphasise on innovation. Leveraging its efforts in operation and management, the Group expedited planning and adjustment of its store merchandise and further enhanced its organic growth and incremental development growth.

In terms of organic growth, the Group sustained improvement in its overall operation performance and quality by focusing on its core business with efforts and meticulosity to fully tap the growth potentials of its quality merchandise resources and by strengthening its creative promotional activities. Through the endeavours of the Group and its staff, the Group's customer traffic[1] grew by 33.9% year-on-year to 178.0 million visits in 2018, realising a 10.2% year-on-year growth of gross sales proceeds ("GSP") to RMB18,994.8 million. EBITDA increased by 33.9% year-on-year to RMB2,754.5 million while operating profit reached RMB2,325.6 million, representing a significant growth of 41.0%.

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 attached great importance to the accumulation and development of high-quality merchandise resources at its chain stores. It focused on establishment of benchmarking merchandise brands, store upgrades and enhancement of stores' operational productivity. Yangzhou Wenchang Store, one of the Group s mature stores, cultivated 50 selected benchmarking brands in 2018 which achieved annual GSP of RMB345.0 million, representing year-on-year growth of 22.3%. Among which, 21 benchmarking brands generated annual GSP over RMB10.0 million. Leveraging on the advantage of "3 stores in 1 city", Yangzhou Wenchang Store obtained further merchandise support and more marketing resources from major suppliers to solidify its leading position in the local market. In addition, Yancheng Lifestyle Center focused on developing 50 benchmarking brands among the total 420 brands in store which achieved GSP of RMB333.0 million over the year, representing year-on-year growth of 25.5%. While 24 brands achieved annual GSP exceeding RMB10.0 million, among which, 4 brands including Lancôme achieved annual GSP exceeding RMB30.0 million. With prominent strength in its merchandise and marketing resources, Yancheng Lifestyle Center further strengthened its leading position in the local market.

— The Group accelerated the pace of its introduction of trendy fashion brands and continued to strengthen its regional leadership. Ranking among the top of the Group's mature stores in terms of operating performance, Xuzhou Store faced intense competition from other large-scale shopping malls in the city. Nonetheless, it strived for meeting demand from the local market, adopting proactive approach for merchandise optimisation and adjustment, and successfully developed the most leading brand portfolio in Huaihai Economic Zone. In addition to intensive cooperation with benchmarking brands, Xuzhou Store optimised, upgraded and continuously rejuvenated the associated brands through the introduction of top-tier skincare brands including La Priaie, Clé de Peau Beauté and IPSA, as well as high-end trendy fashion brands such as APM, EVISU, FILA Fashion, NIKE and K.L., etc. Xuzhou Store recorded GSP of RMB1,773.1 million in 2018, representing a year-on-year growth of 2.3%. Gross profit increased by 2.4% year-on-year to RMB310.1 million while operating profit grew by 5.6% year-on-year to RMB265.8 million. Another achievement worth mentioning is that Nanjing Jiangning Store, a key representative among the Group's younger stores, achieved introduction of 111 new brands throughout the year with large extent of merchandise upgrade and selective brand adjustment. After more than three years of dedicated operation, it has successfully emerged from the business district in Baijiahu, Jiangning and has become a regional leader. Nanjing Jiangning Store recorded GSP of RMB560.7 million in 2018, representing a year-on-year growth of 16.1%. Gross profit increased by 28.4% year-on-year to RMB123.6 million. Operating profit grew by 138.3% year-on-year to RMB64.9 million.

— Following the trend of consumption upgrade, the Group continued to optimise and expand its commercial brand resources. In meeting the demand for high-quality lifestyle among middle-class families and young stylish customers, the Group has accumulated and continued to introduce more than 10,000 brands, including international renowned brands and domestic distinctive brands, to create a strong and extensive base of brand resources. The Group also tapped on innovative and trendy amenities to create fun and enjoyable consumer experience. Serving as a window to the Group s exposure to international stylish lifestyle, Shanghai Store successfully transformed with its out-of-the-box creativity. It introduced the "China Color Immersive Contemporary Art Exhibition" in 2018, which was its first exhibition in Shanghai. Dedicatedly created by 7 contemporary artists with 9 themed rooms featuring different colors, the exhibition integrated Chinese and Western cultures, created an amazing and interesting cultural atmosphere, and drove approximately 30,000 visits in 3 months. On the other hand, Nanjing Jiangning Store, renovated and upgraded its standard commercial area into "Meet Street" - a hub of talk-of-the-town stores - which increased the store's operating area by 825 square meters and boosted the relevant area's annual GSP by 273.4% year-on-year to approximately RMB10.0 million. "Meet Street" features a collection of fashionable, artistic and cultural stores and has become a popular gathering place catering for street fashionistas and musicians. "Meet Street" recorded 3.45 million of visits in 2018 with an average of 15,000 daily visits, representing year-on-year growth of 72.5%.

— The Group has been seeking breakthroughs and innovation in its promotional activities, developing external quality resources and striving for cross-sector cooperation. Its effective combination of quality content resources from suppliers and in-store themed campaigns, emphasis on popular activities with high conversion, effective marketing through various social media platforms such as WeChat, Weibo, Webcast, etc., coupled with the interaction with customers have all supported the Group's expansion of its customer base to a large pool of high-worth new customers, encouraged consumption with improved shopping experience, and drove rapid growth of the Group's overall performance. The Group's flagship Nanjing Xinjiekou Store created the innovative "Music Park" which is a unique development among large-scale commercial complex. "Music Park" has become a must-go place highly recommended by KOLs, attracting more than 200,000 fan visits in months. Mainland actress Sun Li's new book release and signing event "Meet You, Accompany You", which was co-organised with G•Takaya to draw society attention to stray animals, was well received by fans and attracted overwhelming participation. Xuzhou Store cooperated with Lancôme to co-organise the "15th Anniversary Carnival of Light" on 18 December 2018. The carnival achieved GSP of RMB43.1 million, representing a year-on-year growth of 18.5%, and drew more than 60,000 customer visits with 40.7% year-on-year growth, which is the highest record in 6 years. Yangzhou Wenchang Store organised "Celebration Day — Fluorescent Night Carnival" in July 2018, featuring a parade around the city and lightening a hot summer night. Nanjing Jiangning Store's music festival "920 Meet Music" achieved GSP of RMB18.9 million from 20 to 22 September 2018, representing a year-on-year growth of 53.5%, and drew 198,000 customer visits with 70.4% year-on-year growth. The Group cooperated with Xinhua Media to co-organise the "andLife" series of themed activities targeting quality cultural lifestyle among the middle-class. The first activity of the series — the "O Coffee K!" festival — was hosted in Nanjing Xinjiekou Store. The festival assembled a large coffee flea market with a hand-brew coffee competition to enrich customers' experience and interaction and has become a momentous event for coffee lovers in Nanjing. "Fashion Boom"— another activity of the "andLife" series — gathered more than 20 "craftsmen" at Golden Eagle World and displayed over hundred pieces of handmade cheongsam, handmade battle armor, vintage jewelry and retro cameras, initiating active participation of customers and high media awareness. As a new attempt for marketing activities, the Group entered into strategic cooperation with Nanjing Museum to launch a co-branded "Spring Festival Gift Bag" along with a themed interactive poster on WeChat. The gift bag's unique cultural feature was well received by consumers in Nanjing, achieving sales of more than 2,000 pieces during the Spring Festival and attracted active online participation and discussion of more than 500,000 participants.

Chairman's Statement

— The Group also attached great importance to the enhancement of its operational management leveraging new technologies to proactively develop "Smart Golden Eagle". The Group continued to explore new VIP members targeting middle-class families and young stylish customers in 2018. As at 31 December 2018, the Group's VIP members reached 3.2 million, members of WeChat and Weibo achieved breakthrough of 2.6 million, with an average of 200,000 active daily users. The Group's big data platform comprising long-accumulated customers' consumption data with real-time tracking of members' consumption behaviors and habits has provided the Group with effective reference for its chain stores' marketing plans and programs formulation. On such basis, the Group's "Smart Golden Eagle" system has been complementing various personalised services, including face-scan payment, electronic invoice, one-click return and home delivery to better meet the needs of the Group's customers and members. The Group is also proactively adopting innovative forms of marketing initiatives, such as WeChat mini programme, online and offline interactive games jointly developed among chain stores including "Koi Lucky Draw", "Bargain Deal" and "Group Purchase" to engage customers' active participation.

— The Group values the establishment of its talent echelon system to strengthen core competitiveness of corporate development. The Group's "Golden Eagle Manager Program" recruited a number of passionate entry-level managers to participate in one-year cross-store/department/business diversified training, among which 24 outstanding candidates will graduate and play an important role in the Group's new business development, chain store operation and marketing management. "Golden Eagle Director Program" recruited 16 outstanding mid-level managers with good potentials to participate in 6-month training and job rotation to nurture them as the backbone of the Group's management force who will take up roles such as project manager and retail chain store supervisor. Through a series of intensive on-the-job training at "Executive Echelon" and "Store Manager Trainee" programmes, dozens of excellent members among the mid-to-senior management will grow and develop into store managers, reserve store managers or take up other senior managerial roles across the Group.

In 2018, the Group attached great importance to the continuous achievement and rapid development of business increments in the process of implementing strategic development of an intelligent consumption service platform. The new generation of comprehensive lifestyle centers, represented by the Group's new comprehensive lifestyle flagship Nanjing Golden Eagle World ("Golden Eagle World"), along with 7-Eleven convenience store business have constituted new channels for the Group's platform development. On the other hand, distinctive retail components of G • Life series module including G • Mart, G • Beauty and G • Takaya which are targeted to meet customers' demand for consumption upgrades, commercial contents including indoor children's amusement park iP2 Entertainment from the Netherlands which are targeted to meet customers' demand for refreshed shopping experience, coupled with Golden Eagle Education as well as Golden Eagle Health and Medical Care have constituted new contents for the Group's platform development. The combination of new channels, new contents and new technology have attracted new VIP members, in particular middle-class families and young stylish customers, to support the Group's long-term development. Through various ways of investment and resources integration, adoption of asset-light business models along with the effective use of Omni-channels, the Group has achieved sustainable development.

Chairman's Statement

— In the second half of 2018, the Group strategically invested in iP2 Entertainment Holding S.A., a leading indoor amusement park developer from the Netherlands dedicated to developing innovative theme parks for children featuring world-famous IPs and media-based technology. Authorised by top IPs such as National Geographic Ultimate Explorer, Warner Bros., DreamWorks and Mattel, iP2 Entertainment boasts an AR/VR laboratory in Los Angeles for systematic content research and development. It has successfully launched 3 indoor theme parks: Shenyang National Geographic Ultimate Exploration Center, Mexico National Geographic Ultimate Exploration Center and Philippine DreamPlay, with 10 more indoor theme parks under preparation worldwide.

— The Group achieved synergy leveraging development of Golden Eagle Health which is invested by the Group s fellow subsidiaries. Featuring women and children specialists, Golden Eagle Health is positioned to provide high-quality medical services covering baby birth, healthcare, treatment, rehabilitation therapy and other medical services. Its first project — Nanjing Golden Eagle International Women and Children s Outpatient Center — will have its soft opening on 28 March 2019. The center features high-quality outpatient services for women and children, an international medical and aesthetics institution, and the largest postpartum nursing care center in Eastern China.

As the Group's new flagship representing its strategic transformation, Golden Eagle World has become a new commercial landmark in eastern China and nationwide since its opening in November 2017. 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 remains committed to establishing a strong brand portfolio and a rich variety of functions and amenities, through continuous optimisation and upgrade with an ultimate goal of developing its intelligent lifestyle service platform. During the year, Golden Eagle World continued to introduce various types of creative functions, including trendy fashion brands such as Champion and Jordan, and talk-of-the-town catering spots such as Kani Douraku (蟹道樂). "G • Zoo Park" is the Group's newly-developed large-scale indoor interactive science park, featuring an indoor zoo and a boutique Ocean World to provide educational science and cultural experiences. It will be opened in summer 2019 along with "Sober Animals" and "National Geographic's Classic Image Exhibit", further strengthening Golden Eagle World's capabilities to attract foot traffic and provide outstanding services. Creative and interesting marketing events are also a key driver for foot traffic at Golden Eagle World. A number of large-scale creative themed marketing events were held at Golden Eagle World in 2018, including "Balloon Rain", "Mermaid Music Festival" and "Dating under Starlight" speed dating event. At Golden Eagle World's "Star Theatre", fans gatherings featuring celebrities including Lin Chiling, Xu Zheng, Huang Bo, Chang Shaohan, Lai Shengchuan and Zhong Man were organised. Exhibitions and competitions were another major attraction, including "520 Graduation Exhibition"— debut of Nanjing College of Arts' exhibition into commercial retail store, "DouYin Dance Challenge", "World of Warcraft National Grand Final" and "International Children s Chess Tournament". Other talk-of-the-town IP exhibitions including "Transparent Museum", "Incredible Lab" and "Meet the Impressionist" Light and Shadow Art Exhibition, as well as public welfare activities including "Philharmonic Charity Concert" and "Love in the World" Charity Show have all attracted high volume of hit rates on social media platforms including WeChat and Weibo in Nanjing and surrounding cities, thereby driving a rapid growth of customer traffic and sales. In 2018, Golden Eagle World generated GSP of RMB591.2 million, gross profit of RMB171.6 million and operating profit of RMB108.5 million, and has been positioned as a comprehensive retail platform and living space, catering customers' needs for living, socialising, entertainment and services.

Chairman's Statement

OUTLOOK

Looking at the global economy in 2019, further uncertainties are expected to arise. Growth momentum of the US economy is expected to soften. The continuous attempt of Federal Reserve to raise interest rates may lead to tightening monetary policy, which will be constrained by the ongoing development of trade tension between China and the US. Recovery of European economy may continue to weaken, while financial risks from emerging markets may intensify. China, in contrast, is expected to continue with enhancement of structural reform from the supply end, adhere to the goals of achieving steady progress in light of changes in external markets, strengthen international cooperation and sustain healthy economic development in 2019. Meanwhile, China's retail industry has entered into a period of rapid transition, innovation and technology application. The retail industry will present development trends that are reflected in three aspects. Firstly, transformation of consumption continues to advance, with more significant signs of consumption grading. Secondly, forms of consumption continue to innovate, with accelerated online and offline integration. Thirdly, structure of the urban and rural markets continues to optimise.

The management remains optimistic about China's retail market development in the future. In 2019, the Group will capture the development trends under the "new retail" concept; explore effective ways to develop an intelligent consumption service platform and enhance both organic growth and incremental development growth. It will also integrate its existing business resources to boost profitability. These measures include:

- 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 development of functions and product categories that enhance customers' shopping experience with high growth potential and high gross margin, and increases 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;

- incremental development growth. The Group will further obtain core resources of new contents, new channels and new VIP members, and formulate capabilities of self-owned asset-light output and integration to meet the needs for long-term development: (i) new contents: The Group will continue to invest and develop new business functions in line with the trend of consumption upgrade, which are profitable, high conversion, strong stickiness, continuous innovation in content that are also replicable. (ii) new channels: The Group will expand its platform content out of its existing network leveraging on new channels derived from new comprehensive lifestyle centers, 7-Eleven convenience stores and new contents to result in more efficient and stable profitability, and realise the interaction and development of both content and platform; (iii) new VIP members: The Group will further integrate member resources from the industry or strategic partners, combined with the application of new retail scenes and new technology to explore new VIP members targeting middle-class families and young stylish customers to support the Group's long-term development, at the same time provide merchandise and comprehensive services effectively and accurately to a wider range of customers;

Chairman's Statement

– utilisation of intelligent consumption service platform. Through the effective utilisation of various Omni-marketing channels, including mobile phone application "goodee mobile App" (掌上金鷹), WeChat, Weibo and Electronic VIP Card, the Group integrated its Jinying.com (金鷹購) online platform with its comprehensive lifestyle centers, 7-Eleven convenience stores and industry chain upstream and downstream resources. Coupled with quality and convenient comprehensive lifestyle service offerings, the Group has achieved a rapid growth of customer traffic and operating performance for the entire service platform. As an intelligent consumption service platform representing direction of the Group's future development, the entire Golden Eagle World commercial complex spanning across a total gross floor area of approximately 1 million square meters is expected to have its soft launch on 30 September 2019, followed by soft launches of G • Hotel, WeWork Coworking and Office Space, health center and many other functions and amenities, which are expected to bring forth substantial amount of high-quality long-term foot traffic to Golden Eagle World.

In the forthcoming years, the Group will continue to capture 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 with existing stores. It will also focus on investment in areas of consumption upgrade, consumption with refreshed shopping experience, education, health and medical care, while actively developing new business models with good prospects and enhancing its long-term competitive advantages, thereby achieving the ultimate 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 2019, the Group will continue to overcome difficulties, grasp opportunities for development and make effort to innovate as a cohesive force to achieve better results for shareholders.

Wang Hung, Roger
Chairman

19 March 2019

Management Discussion and Analysis

FINANCIAL REVIEW

GSP and Revenue

During the year under review, GSP of the Group increased to RMB18,994.8 million, representing a year-on-year growth of 10.2% or RMB1,762.5 million. The increase was mainly attributable to (i) the inclusion of full year 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 2017; (ii) the launch of Xianlin Store's additional operating area in the year 2017 to substantially increase its gross floor area ("GFA") from 42,795 square meters to 211,695 square meters; and (iii) the increase in sales of properties by RMB1,070.8 million or 322.8% to RMB1,402.5 million due to a significant portion of pre-sold phase one units of Yangzhou New City Center Project that had been delivered to customers in the second half of 2018.

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 an aggregate sum of RMB3,622.2 million (2017: RMB2,765.4 million) which contributed 19.1% (2017: 16.1%) of the Group's total GSP during the year 2018.

During the year 2018, concessionaire sales contributed to 74.4% (2017: 81.4%) of the Group's GSP, representing an increase of 0.7% to RMB14,125.2 million from RMB14,023.2 million in the year 2017, while direct sales contributed to 13.3% (2017: 13.0%) of the Group's GSP, representing an increase of 13.3% to RMB2,534.8 million from RMB2,236.7 million. Rental income contributed to 4.3% (2017: 3.1%) of the Group's GSP, representing an increase of 55.5% to RMB825.9 million from RMB531.1 million. Sales of properties contributed to 7.4% (2017: 1.9%) of the Group's GSP, representing an increase of 322.8% to RMB1,402.5 million from RMB331.8 million. Other income contributed to the remaining 0.6% (2017: 0.6%) of the Group's GSP, representing a decrease to RMB106.4 million from RMB109.5 million.

Commission rate from concessionaire sales remained stable at 17.7% (2017: 17.7%) while gross profit margin from direct sales decreased to 15.3% (2017: 15.7%), resulting in a decrease in the overall gross profit margin from concessionaire sales and direct sales to 17.3% (2017: 17.4%). It was mainly due to the net effects of (i) the Group's continuous efforts to raise sales productivity with reasonable profit margin; (ii) the increase in sales contribution from younger stores which carry lower commission rates as compared to mature stores like Nanjing Xinjiekou Store; (iii) the utilisation of the Group's extensive direct sales resources in the Group's new stores to attract customer traffic and enhance conversion rates, with product categories including cosmetics, supermarket and the Group's controllable brand resources; and (iv) an one-off inventory clearance sales to clear the Group's aged inventories which affected the direct sales margin by 0.4%.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed 47.3% (2017: 48.9%) of the GSP; sales of gold, jewellery and timepieces contributed 16.5% (2017: 17.8%); sales of cosmetics contributed 11.8% (2017: 10.5%); sales of outdoor and sports clothing and accessories contributed 8.6% (2017: 7.5%) and the sales of other products such as electronics and appliances, tobacco and wine, household and handicrafts, supermarket, children's wear and toys contributed the remaining 15.8% (2017: 15.3%) of the GSP.

Management Discussion and Analysis

Sales of properties amounted to RMB1,402.5 million (2017: RMB331.7 million) with a total GFA of 135,425.9 square meters (2017: 29,421 square meters) being sold during the year 2018. The sales were mainly contributed by the sales of properties of the Group's Yangzhou New City Center Project that amounted to RMB979.9 million (2017: nil), and of Riverside Century Plaza Project located in Wuhu City, Anhui Province (being one of the projects acquired by the Group in the year 2015) that amounted to RMB422.6 million (2017: RMB325.3 million). In the second half of 2018, a significant portion of the pre-sold phase one units of the Yangzhou New City Center Project had been delivered to customers which resulted in a surge in sales of properties during the year. The remaining pre-sold phase one units will be delivered to customers in the year 2019. Gross profit margin of the sales of properties during the year was 32.4% (2017: 31.4%).

As at 31 December 2018, the Group's completed properties for sale and properties under development for sale amounted to RMB1,051.8 million (2017: RMB1,309.8 million) and RMB1,303.4 million (2017: RMB1,444.1 million), respectively. Completed properties for sale refers to the Group's Riverside Century Plaza Project with salable office and residential GFA of approximately 84,935.4 square meters as at 31 December 2018 (2017: 118,418.8 square meters), while properties under development for sale refers to mainly the Group's Yangzhou New City Center Project, which is currently under construction with an estimated total salable residential GFA of approximately 266,973.5 square meters, of which 100,143.5 square meters of its phase one units had been delivered to customers and recognised as sales during the year 2018. The Group has commenced pre-sale of phase two units, which is also the last phase of Yangzhou New City Center Project, since September 2017.

The Group's total revenue amounted to RMB6,569.4 million, representing an increase of 32.7% from that of last year. The increase in revenue was generally in line with the increase in GSP and improvement in overall profit margins.

Other income, gains and losses

Other income, gains and losses mainly comprised of (i) various miscellaneous income from suppliers and customers; (ii) net foreign exchange gain and loss resulting from the translation of foreign currencies denominated assets and liabilities 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 amount of other income, gains and losses decreased by RMB489.2 million to RMB308.3 million for the year 2018 from RMB797.5 million for the year 2017. Such decrease was primarily due to (i) the net foreign exchange difference of RMB772.1 million, a change from a net foreign exchange gain of RMB437.6 million recognised in the year 2017 to a net foreign exchange loss of RMB334.5 million recognised in the year 2018 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 RMB37.4 million for the year 2017 to RMB23.0 million for the year 2018; (iii) the decrease in impairment loss recognised in relation to store suspension in previous years from RMB68.8 million for the year 2017 to RMB14.9 million for the year 2018. In the first six months of 2017, part of Changzhou Jiahong Store's operation was suspended and the GFA of Changzhou Jiahong Store was reduced from 52,545 square meters to 18,362 square meters; (iv) an impairment loss of RMB25.1 million recognised in relation to interest in an associate, Allied Industrial Corp., Ltd.; (v) the increase in investment income generated from wealth management products issued by banks and structured bank deposits by RMB170.1 million. Such investment income was previously classified under finance income and was classified under other gains and losses in the current year upon the application of HKFRS 9; and (vi) the decrease in gains on disposal of the Group's equity investments from a net gain of RMB13.5 million in the year 2017 to a net loss of RMB1.1 million.

Management Discussion and Analysis

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 RMB943.5 million or 51.2% year-on-year to RMB2,785.4 million for the year 2018. Such increase was generally in line with the increase in direct sales and sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB59.3 million or 13.1% year-on-year to RMB394.4 million for the year 2018. Such decrease was primarily attributable to the net effects of: (i) the inclusion of full year employee benefits expense of those stores which commenced operation during the year 2017, and such stores include the Group's Suzhou Gaoxin Lifestyle Center, Xianlin Store's additional operating area, Golden Eagle World and Yangzhou New City Center; (ii) the Group's continuous efforts to streamline the roles and functions at all levels. During the year, to further enhance operational efficiency and productivity, the Group had outsourced its property repair and maintenance and property management functions to external parties; and (iii) 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 0.7 percentage point to 2.4% from 3.1% 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 RMB21.6 million or 5.3% year-on-year to RMB428.9 million for the year 2018. Such increase was primarily due to the inclusion of Suzhou Gaoxin Lifestyle Center and full year depreciation and amortisation of Xianlin Store's additional operating area, which are operated at self-owned properties.

Depreciation and amortisation expenses as a percentage of GSP decreased by 0.2 percentage point to 2.6% from 2.8% last year.

Rental expenses

Rental expenses increased by RMB60.3 million or 24.1% year-on-year to RMB310.2 million for the year 2018. This was because the Group's rental arrangements were mainly pegged to the sales of the respective stores and the increase in rental expenses during the year under review was mainly attributable to (i) the increase in sales contribution from stores such as Shanghai Store, Yancheng Julonghu Store, Jiangning Store and Ma'anshan Store; and (ii) the inclusion of Golden Eagle World's full year rental expenses which are all operating in leased properties and paying rentals.

Rental expenses as a percentage of GSP increased by 0.2 percentage point to 1.9% from 1.7% last year.

Management Discussion and Analysis

Other expenses

Other expenses increased by RMB98.7 million or 13.9% year-on-year to RMB810.9 million for the year 2018. 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 full year other expenses of the three stores which commenced operation in the year 2017, and the same resulted in an increase of other expenses by RMB99.8 million; (ii) the inclusion of full year other expenses of Xianlin Store's additional operating area; and (iii) the consistent and disciplined approach of the Group's management towards cost control during the year under review. During the year under review, water and electricity increased by RMB34.8 million or 18.3% year-on-year to RMB224.8 million whereas fees for property management increased by RMB47.4 million or 45.8% year-on-year to RMB150.9 million.

Other expenses as a percentage of GSP increased by 0.1 percentage point to 4.9% from 4.8% last year.

Share of losses of associates and joint ventures

Share of losses of associates and joint ventures mainly represented the Group's share of financial results of its 42.6%-owned (2017: 42.6%-owned) associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司) ("Allied") and 10.0%-owned (2017: 10.0%-owned) associate, Whittle School & Studios Holdings, Ltd. (formerly known as G30 Project Ltd.) ("Whittle").

Allied is a company incorporated in the Republic of China ("Taiwan") with its shares listed on the Taiwan's GreTai Securities Market, a fellow exchange of the Taiwan Stock Exchange and is principally engaged in the trading of disperse dyestuffs and investment holding. Due to the challenging operating environment and impairments in its investment projects, net loss attributable to the Group amounted to RMB47.1 million (2017: RMB69.6 million) during the year with its carrying value amounted to RMB65.3 million as at 31 December 2018.

Whittle is principally engaged in the development and operation of a global private school for students with the age of 3 to 18 and Whittle anticipates to open its first two schools in September 2019 and the net loss attributable to the Group amounted to RMB40.9 million (2017: RMB11.3 million) during the year.

Finance income

Finance income was mainly generated from bank deposits and various short-term bank related deposits placed by the Group in banks when the Group has surplus capital. Finance income decreased from RMB204.0 million for the year 2017 to RMB20.0 million for the year 2018 because of the application of HKFRS 9, pursuant to which investment income generated from wealth management products issued by banks and structured bank deposits which amounted to RMB170.1 million was classified under other gains and losses in the current period upon the application of HKFRS 9. Had the reclassifications not been adopted, finance income would had decreased by RMB13.9 million or 6.8% year-on-year to RMB190.1 million.

Management Discussion and Analysis

Finance costs

Finance costs comprised of interest expenses for the Group's bank loans, senior notes and PRC medium-term notes. Finance costs increased by RMB50.4 million or 13.8% year-on-year to RMB416.7 million for the year 2018. Such increase was primarily due to the net effects of: (i) the increase in interest rates and the depreciation of RMB against HK$ or USD during the year under review; and (ii) the decrease in the averaged borrowings as compared with those in the same period last year.

Income tax expense

Income tax expense of the Group increased by RMB200.0 million or 35.5% year-on-year to RMB763.5 million for the year 2018. Effective tax rate for the year under review was 46.1% (2017: 30.7%). The year-on-year increase of 15.4 percentage points in effective tax rate was mainly due to (i) the increase in offshore non-deductive expenses, namely net foreign exchange loss and finance costs; and (ii) the increase in land appreciation tax by RMB51.5 million or 2 times year-on-year to RMB76.4 million, which is in line with the increase in sales of properties during the year.

Profit for the year

Owing to the increase in profit from operations and decrease in non-operating income, profit for the year decreased by RMB377.1 million or 29.7% year-on-year to RMB892.9 million. Net profit margin which measured net profit as a percentage of GSP was 5.4% (2017: 8.6%) for the year 2018.

Profit from operations (net profit before interest, tax and other income and losses) increased by RMB676.3 million or 41.0% year-on-year to RMB2,325.6 million, while profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses) increased by RMB697.9 million or 33.9% year-on-year to RMB2,754.5 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 RMB349.6 million or 17.7% year-on-year to RMB2,319.6 million.

As at 31 December 2018, the aggregate net operating losses generated by 5 (2017: 6) loss making stores amounted to RMB42.9 million (2017: RMB43.0 million). Among these stores, one of them was store which commenced operation in the year 2017.

Capital expenditure

Capital expenditure of the Group for the year 2018 amounted to RMB239.8 million (2017: RMB962.1 million). The amount mainly comprised contractual payments made for acquisition of property, plant and equipment, 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.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's cash and near cash (including bank balances and cash, restricted cash, structured bank deposits and wealth management products issued by banks) amounted to RMB6,463.5 million (2017: RMB6,944.9 million) whereas the Group's total borrowings (including bank borrowings, senior notes and PRC medium-term notes) amounted to RMB8,346.2 million (2017: RMB8,745.0 million). For the year ended 31 December 2018, the Group's net cash generated from operating activities amounted to RMB1,692.0 million (2017: RMB3,136.1 million), net cash used in investing activities amounted to RMB263.3 million (2017: net cash generated from investing activities amounted to RMB2,508.1 million) and net cash used in financing activities amounted to RMB1,892.6 million (2017: RMB903.4 million). During the last quarter of the year 2017, the Group further upgraded its SAP system and because of such an upgrade, RMB1,340.2 million in trade payables was paid in early January 2018. Had the amount been paid prior to the year end date of 31 December 2017, the Group's cash and near cash would have amounted to RMB5,604.7 million as at 31 December 2017 and the Group's net cash generated from operating activities for the year ended 31 December 2018 would be amounted to RMB3,032.2 million (2017: RMB1,795.9 million).

As at 31 December 2018, the Group's bank borrowings, which is a three-year dual-currency syndicated loan to be due in April 2021, amounted to RMB4,269.8 million (2017: RMB4,799.8 million), senior notes amounted to RMB2,579.2 million (2017: RMB2,451.3 million) and PRC medium-term notes amounted to RMB1,497.2 million (2017: RMB1,493.9 million).

Total assets of the Group as at 31 December 2018 amounted to RMB23,836.2 million (2017: RMB25,031.8 million) whereas total liabilities of the Group amounted to RMB17,552.9 million (2017: RMB18,851.0 million), resulting in a net assets position of RMB6,283.3 million (2017: RMB6,180.8 million). The gearing ratio, which is calculated by the Group's total borrowings divided by its total assets, increased to 35.0% as at 31 December 2018 (2017: 34.9%).

FOREIGN EXCHANGE EXPOSURE

Certain bank balances and cash, available-for-sale investments, bank loans and senior notes of the Group are denominated in HK$ or USD which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between HK$/RMB and USD/RMB. Currently, the Group has not entered into any contracts to hedge against its foreign currency exposure and will consider hedging should the needs arise. For the year ended 31 December 2018, the Group recorded a net foreign exchange loss of RMB334.5 million (2017: a net foreign exchange gain of RMB437.6 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2018, the Group employed a total of 3,700 employees (2017: 4,620 employees) with remuneration in an aggregate amount of RMB394.4 million (2017: RMB453.7 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.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE 31 DECEMBER 2018

No important events affecting the Group have occurred since 31 December 2018.

Directors and Management Profiles

DIRECTORS

Executive Directors

Mr. Wang Hung, Roger (王恒), aged 70, is the chairman and chief executive officer of the Company who 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 is the Chairman of Committee of 100 and 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, a professor of Nanjing University College of Commerce, 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 41 years of experience in the development and management of real estate and department store retailing and has served the Group for more than 26 years. Mr. Wang has not held any directorship in any other listed companies in the last three years immediately preceding the date of this report.

Ms. Wang Janice S. Y. (王宣懿), aged 35, joined the Group in 2006 and has held various positions in merchandising and retail operation. Ms. Wang has over 12 years of experience in retail management and has served the Group for more than 12 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 Whittle School education investment and iP2 family entertainment 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 has not held any directorship in any other listed companies in the last three years immediately preceding the date of this report. 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.

Mr. Hans Hendrik Marie Diederen, aged 52, joined the Group in November 2018 as a managing director of the Group and as a member of the Chairman's Office. Mr. Diederen actively participates in the Group's ongoing diversification and development strategies. Mr. Diederen has 25 years of experience in the financial services industry holding senior managerial roles. From 1993 to 2011, Mr. Diederen worked in ABN AMRO Bank and served various roles, including senior wealth management positions in Europe and Asia and CEO Asia for the private bank. From 2011 to 2013, Mr. Diederen served as the managing director, head of advisory Southeast Asia for Merrill Lynch International Bank Ltd. From 2013 to 2015, Mr. Diederen worked as the CEO private bank Asia for Credit Agricole (Suisse) SA. Mr. Diederen has not held any directorship in any other listed companies in the last three years immediately preceding the date of this report. Mr. Diederen graduated from Erasmus University in Rotterdam, the Netherlands with a master degree in commerce and business administration.

Directors and Management Profiles

Independent non-executive Directors

Mr. Wong Chi Keung (黃之強), aged 64, holds a MBA degree from University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is 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 since 19 April 2016. 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 since December 1992. He currently also serves as an independent non-executive director and a member of the audit committee of various companies listed on the Stock Exchange, which are Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings 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 respectively. Mr. Wong was an independent non-executive director of ENM Holdings Limited during the period between 17 June 2010 and 9 June 2017, an independent non-executive director of Heng Xin China Holdings Limited during the period between 17 October 2016 and 19 September 2017, and an independent non-executive director of China Shanshui Cement Group Limited during the period between 2 February 2016 and 23 May 2018, all of which are listed on the Stock Exchange. Mr. Wong has over 42 years of experience in finance, accounting and management and has served the Company since February 2006.

Mr. Lay Danny J (雷王鯤), aged 67, 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 34 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.. Mr. Lay is also an independent non-executive director of Forward Electronics Company, Limited (a company listed on the Taiwan GreTai Securities Market). Mr. Lay was also an independent non-executive director of Pantronics Holdings Limited (a company listed on the Stock Exchange) during the period between 27 October 2016 and 11 October 2018. Mr. Lay was elected as an independent non-executive Director of the Company on 21 May 2014.

Directors and Management Profiles

Mr. Wang Sung Yun, Eddie (王松筠), aged 74, 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 was the president of TDC China, F+T Group China from 2009 to 2018. He is the founder and president of GLC Enterprises, LLC, an international real estate development service company. Amongst its various projects, the project named 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 is a visionary architecture and master planning firm that designs unique places – delivering memorable experiences and attracting millions of people on a daily basis. 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 a professionally licensed architect 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. Mr. Wang was elected as an independent non-executive Director of the Company on 13 May 2015, and he has not held any directorship in any other listed companies in the last three years immediately preceding the date of this report.

SENIOR MANAGEMENT (MEMBERS FROM THE CHAIRMAN'S OFFICE)

Mr. Li Pei (李培), aged 55, is the president of the Group. Mr. Li obtained a bachelor degree in Animal Husbandry and Veterinary Medicine from Yangzhou University (揚州大學) in 1986. From October 2001 to April 2017, he served as the director of merchandising department of Yangzhou and Xuzhou Stores, the assistant general manager and the deputy general manager of Xi'an Store, the general manager of Huai'an Store, the general manager of Yancheng Store and the assistant president of the Group. Mr. Li was promoted as the vice president of the Group in January 2014 and responsible for the Group's integrated management in the central and northern parts of Jiangsu Province, as well as daily operational management of Yancheng Store. Mr. Li rejoined the Group in November 2018 as president and is responsible for managing the Group's daily operations and Golden Eagle World. Mr. Li has over 25 years of experience in retail management and has served the Group for more than 17 years.

Ms. Huang Yumin (黃玉敏), aged 53, 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 Co., Ltd.. Ms. Huang has over 32 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. She is responsible for the Group's asset management in Wuhu region.

Directors and Management Profiles

Ms. Wang Xuan (王軒), aged 45, 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 assistant 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 as well as managing the daily operations of the Group's Xinjiekou Store, Ms Wang has over 24 years of experience in corporate management and has served the Group for more than 14 years.

Ms. Zhang Wanyu (張文煜), aged 48, 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 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 27 years of experience in financial management and has served the Group for more than 7 years.

Mr. Tan Guanglin (談廣林), aged 39, is the vice president of the Group. Mr. Tan joined the Group in 2002. He served as the director of information department of Yangzhou Store, the assistant 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 and assistant president of the Group. He was promoted as the vice president of the Group in January 2019 and is responsible for the information management, marketing and operation of e-commerce platform of the Group. Mr. Tan has more than 16 years of experience in information management and has served the Group for more than 16 years.

Ms. Tai Ping, Patricia (戴苹), aged 46, 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 23 years of experience in auditing and financial management and has served the Group for more than 10 years.

Mr. Fan Yi (范毅), aged 42, 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 20 years of experience in strategic investment and corporate development and has served the Group for more than 10 years.

Mr. Sun Jun (孫軍), aged 40, is the assistant president of the Group. Mr. Sun joined Golden Eagle International Group in September 2007 and was re-designated to the Group in April 2015. He has served as the assistant general manager and deputy general manager of the Group's Ocean World. He was promoted as the assistant president in February 2019 and is responsible for the Group's construction planning and management and some of the Group's new business content. Mr. Sun has over 19 years of experience in corporate management and has served the Group for over 4 years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Directors are of the opinion that, save for the deviation from code provision A.2.1, details of which are set out in the paragraph headed "Chairman and Chief Executive Officer" below, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which were in force for the year ended 31 December 2018.

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

THE BOARD

The Board plays a central supporting and supervisory role in the Company and its subsidiaries (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 year under review, the Board comprised 5 members, including two executive Directors, Mr. Wang Hung, Roger (Chairman) and Ms. Wang Janice S. Y. and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Wang Sung Yun, Eddie. With effect from 19 March 2019, Mr. Hans Hendrik Marie Diederen was appointed as an executive Director and as at the date of this report, the Board comprised 6 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 2018, 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. Mr. Su resigned as chief executive officer on 3 May 2018 and Mr. Wang Hung, Roger, who is an executive Director and the Chairman of the Board, has been re-designated as an executive Director, the chief executive officer of the Company and the Chairman of the Board with effect from the same day.

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period between 3 May 2018 and 31 December 2018, Mr. Wang Hung, Roger acted as both the Chairman of the Board and the chief executive officer of the Company and took a leading role in day-to-day management and was responsible for the effective functioning of the Board. 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. With effect from 26 November 2018, Mr. Li Pei (李培) was appointed as the President of the Company, and he is responsible for assisting the Chairman in the overall strategic development of the Group. Having considered the current business operations and the aforesaid organisational structure, the Directors consider that it is not necessary to appoint another person as a chief executive officer.

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.

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.

NOMINATION POLICY

The secretary of the Company shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

DIVERSITY OF THE BOARD

The Company has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee monitors the implementation of the board diversity policy to ensure the effectiveness of the board diversity policy.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the year ended 31 December 2018, four Board meetings were held and two 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 four Board meetings was as follows:-

Corporate Governance Report

Mr. Wang Hung, Roger (3/4)
Ms. Wang Janice S. Y. (3/4)
Mr. Wong Chi Keung (4/4)
Mr. Lay Danny J (4/4)
Mr. Wang Sung Yun, Eddie (4/4)

During the year ended 31 December 2018, two general meetings were held. The individual attendance of each of the Directors at the general meeting was as follows:-

Mr. Wang Hung, Roger (0/2)
Ms. Wang Janice S. Y. (0/2)
Mr. Wong Chi Keung (2/2)
Mr. Lay Danny J (0/2)
Mr. Wang Sung Yun, Eddie (1/2)

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

Each Director is required to make disclosure of his interests or potential conflicts of interests, if any, in any proposed transactions or issues discussed by Directors at the Board and board committees' meetings. Any Director shall not vote on any resolution of the Board and board committees approving any contract or arrangement or any other proposal in which he/she (or his/her associates) is materially interested nor shall he/she 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 2018. 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 Group for the year ended 31 December 2018. This responsibility has also been mentioned in the Independent Auditor's Report on pages 84 to 87 of this annual report.

In preparing the financial statements for the year ended 31 December 2018, 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 2018 and interim results of the Group for the six months ended 30 June 2018 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 84 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 2018 and no non-audit services had been rendered by the auditors of the Company during the year under review.

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 2018, 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.

Corporate Governance Report

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 2018 which required significant rectification works.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles of Association of the Company and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's earnings per share, the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Group in long-term basis, the financial conditions and business plan of the Group, and the market sentiment and circumstances.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

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 2018 is as follows:

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

Corporate Governance Report

BOARD COMMITTEES

During the year ended 31 December 2018, 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 2018, 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 2018, 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 2018 and for the year ended 31 December 2018;

(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 2018.

During the year ended 31 December 2018, 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 2018, 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 2018, 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 2018, 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, composition and diversity 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 2018, one Nomination Committee meeting was held. The individual attendance of its members is as follows:-

Mr. Wang Hung, Roger (0/1), 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 2018 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

Corporate Governance Report

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.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company did not amend its Articles of Association during the year ended 31 December 2018.

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 2018.

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. The 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 consumption 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 and the external contractors are responsible to handle all construction wastes. 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.

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 laws and regulations and cause the least impact on the surrounding environment. The Group will strictly follow the relevant regulatory requirements and engage government approved professional firms to carry out separation, recycling, removal and treatment 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 supermarkets.

Item		**2018**	**2018 (Intensity by square meter)** (note 1)	2017	2017 (Intensity by square meter) (note 1)
Total emissions	ton CO^2e	**300,957 tons**	**0.12 ton/m²** (note 2)	238,555 tons	0.10 ton/m²
Total electricity consumption	kWh	**374,045,364 kWh**	**150 kWh/m²** (note 2)	295,022,448 kWh	118 kWh/m²
Total water consumption	cube meter	**2,994,258 m³**	**1.20 m³/m²** (note 2)	2,270,691 m³	0.91 m³/m²
Total non-hazardous waste produced	ton	**14,628 tons**	**0.01 ton/m²** (note 3)	265,567 tons	0.11 ton/m²

Notes:

1. Total gross floor area of 2,489,807 square meters (2017: 2,498,954 square meters) is used for computation of intensity by square meter.

2. The total emissions, total electricity consumption and total water consumption during the year ended 31 December 2018 recorded different magnitude of increase which was primarily attributable to the net effects of: (i) the Group's continuous efforts to reduce emissions, electricity and water consumptions. On a same store basis, other than because of the increase in operating area for food and beverage and excluding Xianlin Store, the emissions and consumptions of these stores recorded different degrees of decrease through the Group's implementation of various ecofriendly policies and measures to reduce emissions, consumption and waste; and (ii) the inclusion of full year emissions and consumptions of those stores commenced operation in the year 2017, and such stores include the Group's Suzhou Gaoxin Lifestyle Center, Xianlin Store with additional operating area, Golden Eagle World and Yangzhou New City Center.

Environmental, Social and Governance Report

3. The total non-hazardous waste produced in the year 2018 decreased by almost 73% as compared to the year 2017 and such decrease is mainly because less large-scale renovation works were performed in the year 2018. In the year 2017, Xuzhou Store and Ma'anshan Store underwent large-scale renovation works which contributed 70% of the non-hazardous waste produced whereas no such renovation works were performance by these two stores which contributed only 19% of the non-hazardous waste produced in the year 2018.

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 insignificant.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resources relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to 《中華人民共和國環境保護法》 (The PRC Laws on Environmental Protection).

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, evaluate and handling 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.

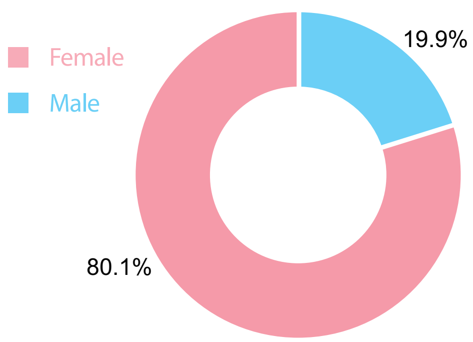
Environmental, Social and Governance Report

B. SOCIAL

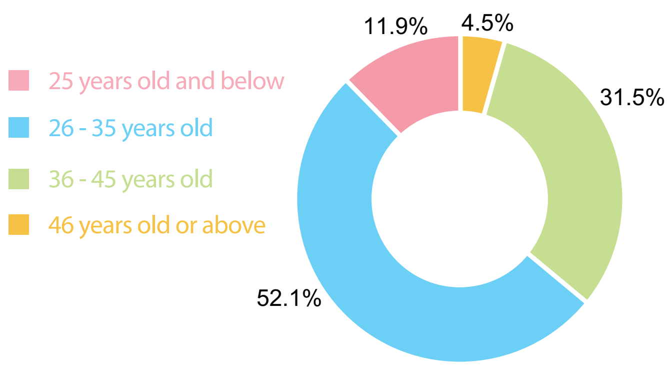
Employment

As at 31 December 2018, the Group had 2,940 employees (2017: 3,800 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 setting out the major terms of the employment 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 with integrity 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 comply with the requirements under the applicable labour laws and regulations.

Gender Distributions



Age Group



Furthermore, the Group has endeavoured 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. Leisure and cultural activities included New Year dinner gathering, badminton competition, autumn hiking and annual field trip for outstanding employees for the year.

Environmental, Social and Governance Report

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.

Employee Health and Safety

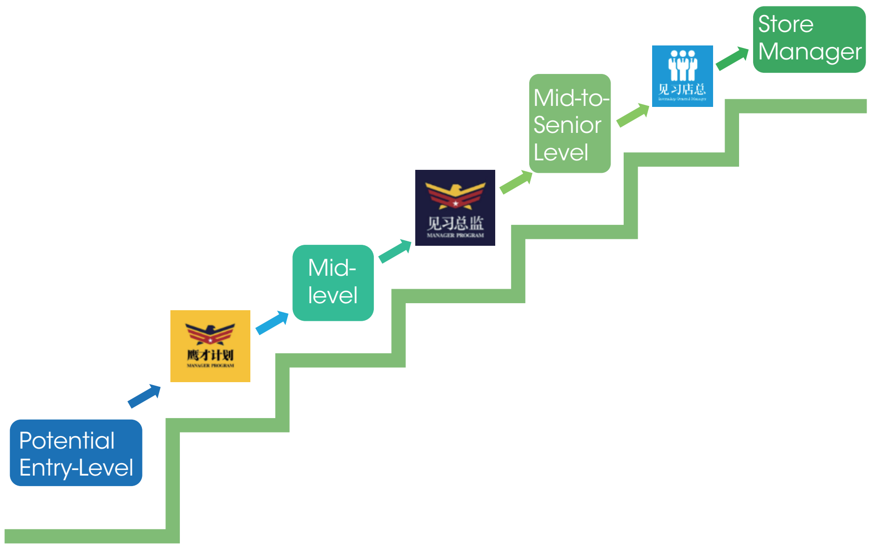
The Group endeavours to provide a healthy and safe working environment for its employees. As part of the Group's employee health and safety policy, the Group has adopted a written internal guideline with reference to the applicable laws of the PRC relating to occupational safety and health for employees. The Group strives to maintain comfortable and safe working 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 546 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 provision of a safe working environment and protecting employees from occupational hazards during the reporting period.

Environmental, Social and Governance Report

Development and Training

The Group values the establishment of its talent echelon system to strengthen core competitiveness of corporate development. The Group's "Golden Eagle Manager Program" recruited a number of passionate entry-level managers to participate in one-year cross-store/department/business diversified training, among which 24 outstanding candidates will graduate and play an important role in the Group's new business development, chain store operation and marketing management. "Golden Eagle Director Program" recruited 16 outstanding mid-level managers with good potentials to participate in 6-month training and job rotation to nurture them as the backbone of the Group's management force who will take up roles such as project manager and retail chain store supervisor. Through a series of intensive on-the-job training at "Executive Echelon" and "Store Manager Trainee" programmes, dozens of excellent staff members among the mid-to-senior management will grow and develop into store managers, reserve store managers or take up other senior managerial roles across the Group.



All new employees are required to attend orientation training to ensure the employees are aware of and familiarises themselves with the Group's values and goals and to ensure that the employees understand 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. For the year ended 31 December 2018, each staff received an average of 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 relating 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.

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 its 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 and managed. Any retrieval of personal data or confidential information are strictly restricted to authorised staff in order to ensure that no leakage to occur.

Environmental, Social and Governance Report

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 period depending on the nature of products. In addition, when the products are sold to the customers, they are generally 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 in respect of products and services provided and methods of redress.

Anti-corruption

The Group adopts a zero-tolerance policy on corruption, bribery, extortion, fraud and money laundering. Employees are also required to maintain integrity and ethical standards. The Group has delegated the internal audit department for monitoring any suspected corruption matters. Apart from entering into 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 identify any of the associated internal deficiencies leading to any risks of corruption practices by the employees. All financial data are 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. The Group also adopts a whistleblowing policy 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.

Environmental, Social and Governance Report

Community Involvement

The Group supports and encourages its 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 67 charity events giving supports for autistic children, left-behind children and elderly.

During the year ended 31 December 2018, some of the events organised by the Group were as follows:

1. Cooperating with the Ark Qizhi Shelter Factory (方舟啟智庇護工廠), a shelter factory for mental retardation, autism and mild mental disorder, Nanjing Xinjiekou Store regularly hosts charity sales for the hand-made soap produced by the factory with all proceeds goes to the factory. In addition, Nanjing Xinjiekou Store also buys the hand-made soap as its VIP members' birthday gifts.

2. In May 2018, Xuzhou Store organised an "One Egg Love Marathon", calling on all caring people in the city to participate in the charity marathon. On that day, any participant walked over 10,000 steps with the relevant step-count screenshot sent to the public number of Xuzhou Store, Xuzhou Store will donate a pound of eggs to the Shanxi Datong Shijiatian Nine-year School (山西大同石家田九年制學校), a township nine-year school at mountainous terrain with students mostly from low income family with many children. Xuzhou Store donated RMB20,000 worth of eggs to the school in total.

3. In January, April and December 2018, Ma'anshan Store, Xuzhou Store and Nanjing Xinjiekou Store hosted large scale charity sales events and raised over RMB100,000 for poverty student 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

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: 2,940 No. of male employees: 590 No. of female employees: 2,350
B2.	**Health and Safety**	
B2.1	Number of work-related fatalities	0
B2.2	Lost days due to work injury	546 days
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employee Health and Safety

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 67 charity events and an aggregate of approximately 42,210 hours of voluntary work were completed by our employees.

Directors' Report

The Directors are pleased to present the 2018 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

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 2018, (i) the global economy continued to grow moderately with softened momentum; (ii) the growth trend of major economies, levels of inflation and monetary policies demonstrated significant differentiation; (iii) the series of policy initiatives from the US played an important role in bringing significant impact on growth of global economy, disrupting international financial markets, and changing rules among international economics and trade; and (iv) China's economy continued to show a steady and upward trend within a reasonable range.

Looking at the development of the retail industry, the retail industry in China has been going through a critical period of industrial transformation. Under the backdrop of economic restructuring in the country, development of China's retail industry was boosted by technological advancement and consumption upgrades. Business model of the retail industry in China was experiencing a major period of transformational upgrade. Retail market competition has also extended to "ecological competition", characterised by the synchronisation of all online and offline channels, all-round shopping environment, all categories of customers and all relevant sectors of industry. In general, new business landscape has emerged. From the perspective of consumption trends, consumption pattern has shifted from physical consumption to service consumption. Creating a different shopping environment and high-quality, ever-changing consumer content is expected to be a new trend for retailers' development.

In 2018, the Group leveraged proactively on the trends of economic transformation and upgrade in China and pressed on with the development direction of "new retail" concept, adhering to its strategic goal of developing an intelligent consumption service platform which meets the needs of consumers' daily life, enhance their shopping experience and emphasise on innovation. Leveraging its efforts in operation and management, the Group expedited planning and adjustment of its store merchandise and further enhanced its organic growth and incremental development growth.

In 2018, the Group attached great importance to the continuous achievement and rapid development of business increments in the process of implementing strategic development of an intelligent consumption service platform. The new generation of comprehensive lifestyle centers, represented by the Group's new comprehensive lifestyle flagship Nanjing Golden Eagle World, along with 7-Eleven convenience store business have constituted new channels for the Group's platform development. On the other hand, distinctive retail components of G • Life series module including G • Mart, G • Beauty and G • Takaya which are targeted to meet customers' demand for consumption upgrades, commercial contents including indoor children's amusement park iP2 Entertainment from the Netherlands which are targeted to meet customers' demand for refreshed shopping experience, coupled with Golden Eagle Education as well as Golden Eagle Health and Medical Care have constituted new contents for the Group's platform development. The combination of new channels, new contents and new technology have attracted new VIP members, in particular middle-class families and young stylish customers, to support the Group's long-term development. Through various ways of investment and resources integration, adoption of asset-light business models along with the effective use of Omni-channels, the Group has achieved sustainable development.

Directors' Report

During the year under review, (i) total gross sales proceeds of the Group increased to RMB18,994.8 million, representing a year-on-year growth of 10.2%, (ii) same store sales growth was flattish, (iii) profit from operation increased to RMB2,325.6 million, representing an increase of 41.0% year-on-year, and (iv) profit from operation before depreciation and amortisation amounted to RMB2,754.5 million, representing an increase of 33.9% year-on-year.

There are a number of risks and uncertainties facing the Group, including: (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 2019, further uncertainties are expected to arise. China is expected to continue with enhancement of structural reform from the supply end, adhere to the goals of achieving steady progress in light of changes in external markets, strengthen international cooperation and sustain healthy economic development in 2019. Meanwhile, China's retail industry has entered into a period of rapid transition, innovation and technology application. The retail industry will present development trends that are reflected in three aspects. Firstly, transformation of consumption continues to advance, with more significant signs of consumption grading. Secondly, forms of consumption continue to innovate, with accelerated online and offline integration. Thirdly, structure of the urban and rural markets continues to optimise.

Sound relationships with key service vendors and suppliers of the Group are important which can enhance cost effectiveness and foster long-term business benefits. The Group is in general satisfied with its 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 enhance customer shopping experience. The Group is in general satisfied with its 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 2018, the Group has donated a total of approximately RMB142,000 to charitable organisations.

Directors' Report

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.

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 2018.

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, 20 and 21 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 88 of this report.

The Directors now recommend the payment of a final cash dividend of RMB0.16 per share (2017: RMB0.30 per share) to the shareholders appeared on the register of members of the Company on Wednesday, 29 May 2019. The final dividend (if approved) will be paid on or before Friday, 7 June 2019.

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 2018 is set out on page 8 of this report.

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 15, 16 and 17 respectively to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, pursuant to the general mandates given to the Directors of the Company, the Company repurchased an aggregate of 6,027,000 shares of its own issued ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$54.3 million (equivalent to approximately RMB46.9 million).

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

Details of the share repurchase and other movements in the share capital of the Company during the year are set out in note 33 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 2018, the Company's reserves available for distribution to shareholders amounted to approximately RMB422.0 million (2017: RMB1,034.2 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.
Mr. Hans Hendrik Marie Diederen (appointed on 19 March 2019)

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. Lay Danny J and Mr. Wang Sung Yun, Eddie will retire by rotation at the forthcoming annual general meeting. Mr. Lay Danny J, being eligible, will offer himself for re-election while Mr. Wang Sung Yun, Eddie will not offer himself for re-election.

Further, an ordinary resolution will also be proposed at the forthcoming annual general meeting to elect Mr. Lo Ching Yan as an independent non-executive Director.

Mr. Hans Hendrik Marie Diederen has been appointed as an executive Director on 19 March 2019. According to Article 86(3) of the Articles of Association of the Company, Mr. Diederen shall retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

Directors' Report

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

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2018, 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 HK$0.10 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	1,245,674,000 (Note)	1,249,674,000	74.41%
Ms. Wang Janice S.Y. ("Ms. Wang")	1,590,000	1,245,674,000 (Note)	1,247,264,000	74.27%

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 1,245,674,000 Shares. Mr. Wang is the trustee while Ms. Wang is one of the beneficiaries of the trust.

Save as disclosed above, as at 31 December 2018, none of the Directors, chief executive nor their associates had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

Directors' Report

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

As at 31 December 2018, 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	1,245,674,000	74.17%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,245,674,000	74.17%
ICFI HK (U.S.A.) Investments, LLC	Beneficial owner	119,232,588	7.10%

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 2018, 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 HK$1.00 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. No new option was granted under the Scheme thereafter, provided that 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 2018, 11,979,000 share options were exercised and 600,000 share options were forfeited. Details of the Scheme are set out in note 35 to the consolidated financial statements.

As at 31 December 2018, there were a total of 1,500,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 0.09% 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 2018 were as follows:

	Number of share options									
	Outstanding at 1 January 2018	Reclassification during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2018	Date of Grant	Exercise period (Note 1)	Exercise price HK$	Price of the Company's Share immediately before the grant date HK$	Price of the Company's Shares on the date immediately before the exercise date (Note 2) HK$
Executive Director	100,000	–	(100,000)	–	–	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	8.81
Key management	380,000	550,000	(930,000)	–	–	5 De-cember 2008	5 December 2010 to 4 December 2018	4.20	4.19	8.71
	600,000	–	–	–	600,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	11,699,000	(550,000)	(10,949,000)	(200,000)	–	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	8.71
	1,300,000	–	–	(400,000)	900,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	14,079,000	–	(11,979,000)	(600,000)	1,500,000					
Exercisable at 31 December 2018					1,500,000					

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 2018.

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.

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 2018 amounted to RMB20,995,000.

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.

* *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 meters 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 (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 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).

The purpose of entering into the Shanghai Tenancy Agreement (as amended and supplemented) is to use the Total Shanghai Properties, which are located at a prime location in Shanghai, for the Group to commence its department store operations in Shanghai and acts as a platform for the Group to cooperate with international brands.

The adjusted rental was arrived at after arm's length negotiations taking into account the long-term development of the Group. The rental expenses and property management fees paid by the Group under the Shanghai Tenancy Agreement (as amended and supplemented) for the year ended 31 December 2018 amounted to RMB26,007,000.

Directors' Report

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 南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.*) ("Golden Eagle International Group"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, 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. The rental expenses paid by the Group under the Hanzhong Plaza Tenancy Agreement (as amended and supplemented) and the Facilities Leasing Agreement (as amended and supplemented) for the year ended 31 December 2018 amounted to RMB8,695,000, including the rental expenses for the lease of the Ancillary Facilities.

Lease of property for lifestyle center 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實業有限公司 (formerly known as 南京仙林金鷹置業有限公司) (Nanjing Xianlin Golden Eagle Tiandi Technology Industry 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 the relevant 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 2018 amounted to RMB25,697,000.

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 2018 amounted to RMB6,276,000.

* *For identification purpose only*

Directors' Report

Lease of property for lifestyle center operation from Golden Eagle International Group by Golden Eagle (China)

On 16 April 2014, Golden Eagle (China) entered into a tenancy agreement (the "Xinjiekou Store Block B Tenancy Agreement") in respect of the lease of basement 1st floor, 7th to 9th floor of No.101, Hanzhong Lu, Nanjing City ("Golden Eagle Center Tower B") together with the ancillary facilities (the "Xinjiekou Store Block B 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 Store Block B Tenancy Agreement is to enlarge the operating area of Nanjing Xinjiekou Store to transform it into a comprehensive lifestyle center 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 Store 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 Store 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 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 after 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 Store Block B Tenancy Agreement for the year ended 31 December 2018 amounted to RMB24,804,000.

Lease of property for lifestyle center 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 to 7th floor, Block 5, Yancheng Tiandi Plaza and (ii) basement 1st 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 and property management fees paid by the Group to Yancheng Technology under the Yancheng Julonghu Tenancy Agreement for the year ended 31 December 2018 amounted to RMB32,257,000.

* *For identification purpose only*

Directors' Report

Lease of property for lifestyle center 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 to 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 the relevant 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 the relevant 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 2018 amounted to RMB5,593,000.

* *For identification purpose only*

Lease of property for lifestyle center 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 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 the relevant 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 the relevant 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 and property management fees paid by the Group to Nanjing Jiangning Technology under the Jiangning Tenancy Agreement for the year ended 31 December 2018 amounted to RMB44,152,000.

Lease of property for lifestyle center 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 the relevant 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 the relevant 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 2018 amounted to RMB20,947,000.

* *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 2016. The annual rental and property management fee payables by Lianyungang Supermarket under the Lianyungang Tenancy Agreement shall be RMB137,000 and RMB22,500 respectively. The purpose of entering into the Lianyungang Tenancy Agreement is to facilities the Group to secure tenancy for prime location for its first standalone supermarket store in Jiangsu Province.

The consideration was arrived at after arm's length negotiations and with reference to the prevailing market rate. The rental expenses paid by the Group to Lianyungang Properties under the Lianyungang Tenancy Agreement for the year ended 31 December 2018 amounted to RMB130,000.

On 31 December 2018, Lianyungang Supermarket entered into another tenancy agreement in respect of the lease of the same premise with Lianyungang Properties for a term of 3 years commencing from 1 January 2019. The annual rental and property management fee payables by Lianyungang Supermarket under the agreement shall be RMB137,000 and RMB22,500 respectively.

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.* 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 2016. The annual rental payable by Yancheng Aquarium under the Yancheng Aquarium Tenancy Agreement shall be equivalent to 3% of the gross sales proceeds derived from the operations of Yancheng Aquarium. The purpose of entering into the Yancheng Aquarium Tenancy Agreement is to allow the Group to secure tenancy for prime location which is in close proximity to Yancheng Julonghu Store, one of the Group's best performing young store at Yancheng, to create synergy among Yancheng Julonghu Store and Yancheng Aquarium, attract young family customers, fulfill target customers' need for diversified, entertaining and interesting lifestyle experiences, so as to enhance Yancheng Julonghu Store's competitiveness.

The consideration was arrived at after arm's length negotiations taking into account the long-term development of the Group. The rental expenses paid by the Group to Yancheng Technology under the Yancheng Aquarium Tenancy Agreement for the year ended 31 December 2018 amounted to RMB120,000.

On 31 December 2018, Yancheng Aquarium entered into another tenancy agreement in respect of the lease of the same premise with Yancheng Technology for a term of 3 years commencing from 1 January 2019. The annual rental payable by Yancheng Aquarium under the agreement shall be equivalent to 3% of the gross sales proceeds derived from the operations of Yancheng Aquarium.

* *For identification purpose only*

Directors' Report

Lease of property for lifestyle center 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 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 meters. Tower A is the tallest among the three towers with 368 meters and the other two towers with 328 meters and 300 meters respectively. The three towers are connected with a skyscraper corridor which is at 190 meters above the ground. Golden Eagle World 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:

(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%

* *For identification purpose only*

(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. The rental expenses and property management fees paid by the Group to Nanjing Jianye Properties under the Golden Eagle World Lease Agreement for the year ended 31 December 2018 amounted to RMB68,872,000.

Cooperation Agreement on Property Lease (Offices)

On 29 December 2017, Golden Eagle International Trading Limited 金鷹國際貿易有限公司 ("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 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 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 invested entities, including its subsidiaries, 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.

Directors' Report

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 2018 amounted to RMB6,832,000.

Kunming Carpark Leasing Agreement

On 29 December 2017, 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 park 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 2018. The rental payable to Yunnan Shangmei for the lease of Kunming Golden Eagle Carpark shall be equivalent to 92% of the revenue (after the 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 taking into account the costs of managing the car park. The rental income received from Kunming Property Management by the Group under the Kunming Carpark Leasing Agreement for the year ended 31 December 2018 amounted to RMB1,539,000.

Suzhou Carpark Leasing Agreement

On 29 December 2017, 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 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. 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 taking into account the costs of managing the car park. The rental income received by the Group under the Suzhou Carpark Leasing Agreement for the year ended 31 December 2018 amounted to RMB612,000.

* *For identification purpose only*

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 with a total gross floor area of approximately 78,653 square meters ("Xianlin Golden Eagle 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 Golden Eagle Carpark shall be equivalent to 92% of the revenue, after the deduction of relevant operating costs and taxes, received by Nanjing Golden Eagle Properties. The entering into of the Xianlin Carpark Leasing Agreement enables the Group to save the time and resources in managing Xianlin 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 taking into account the costs of managing the car park. The rental income received by the Group under the Xianlin Carpark Leasing Agreement for the year ended 31 December 2018 amounted to RMB582,000.

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 with a total gross floor area of approximately 13,498 square meters ("Wuhu Golden Eagle Carpark") 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 Golden Eagle Carpark shall be RMB450,000 per year. The entering into of the Wuhu Carpark Leasing Agreement enables the Group to save the time and resources in managing Wuhu 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 taking into account (i) the car parking revenue expected to be generated from Wuhu Golden Eagle Carpark; and (ii) the costs of managing the car park. The rental income received by the Group under the Wuhu Carpark Leasing Agreement for the year ended 31 December 2018 amounted to RMB429,000.

* *For identification purpose only*

Directors' Report

Yangzhou Carpark Leasing Agreement

On 31 December 2018, 揚州金鷹新城市中心開發有限公司購物中心 (Yangzhou Golden Eagle New City Center Development Co., Ltd. (Shopping Center Branch)*) ("Yangzhou New City Center") and 揚州金鷹國際物業管理有限公司 (Yangzhou Golden Eagle International Property Management Co., Ltd.*) ("Yangzhou 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 "Yangzhou Carpark Leasing Agreement") in respect of the lease of carpark situated at ground floor and basements 1 of Yangzhou Golden Eagle New City Center Plaza with a total gross floor area of approximately 31,982 square meters ("Yangzhou Golden Eagle Carpark") for a term of 3 years commencing from 1 January 2019. The annual rental payable to Yangzhou New City Center for the lease of Yangzhou Golden Eagle Carpark for each of the three years ending 31 December 2021 shall be RMB400,000, RMB750,000 and RMB900,000 respectively. The entering into of the Yangzhou Carpark Leasing Agreement enables the Group to save the time and resources in managing Yangzhou 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 taking into account (i) the car parking revenue expected to be generated from Yangzhou Golden Eagle Carpark; and (ii) the costs of managing the car park.

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;

* *For identification purpose only*

- 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.

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 2018 amounted to RMB95,704,000.

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 2018 amounted to RMB1,914,000.

* *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 the aforesaid Project Management Services Agreement for the year ended 31 December 2018 amounted to RMB9,515,000.

Decoration Services Agreement

On 23 December 2016, Golden Eagle (China) entered into a fourth 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 2018 amounted to RMB17,206,000.

Motor Group Management Agreement

On 29 December 2017, 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

* *For identification purpose only*

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 1 January 2018. The service fee income received by the Group under the Motor Group Management Agreement for the year ended 31 December 2018 amounted to RMB468,000.

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 29 December 2017, Golden Eagle (China) and Golden Eagle International Group entered into a management agreement in respect of street shop properties (the "Street Shop Properties") which are being owned, or will be owned, by Golden Eagle International Group or its subsidiaries from time to time (the "Street Shop Management Agreement"), pursuant to which Golden Eagle (China) and its subsidiaries are delegated with the tasks of managing the daily operation of the Street Shop Properties for a term of 3 years commencing from 1 January 2018.

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 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.

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 upon the commencement of the Street Shop Management Agreement, 20% of the net rental income derived from the leasing operation of the Street Shop Properties after deducting the property tax, value-added tax and other relevant taxes (the "Net Rental Income") of the immediate preceding year (the "Base Management Fee"); and

* *For identification purpose only*

Directors' Report

(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 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 Street Shop Management Agreement for the year ended 31 December 2018 amounted to RMB21,207,000.

Jinqiao 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");

* *For identification purpose only*

(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.

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 2018 amounted to RMB7,861,000.

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 3 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 2018 amounted to RMB1,132,000.

On 31 December 2018, Lianyungang Supermarket entered into another integrated services agreement with Lianyungang Properties with the same work scope for a term of 3 years commencing from 1 January 2019. The annual service fee to be received by the Group under the agreement amounted to RMB2,000,000.

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 2018, 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 caps 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 42 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.

Directors' Report

CONNECTED TRANSACTIONS

COMPLETED CONNECTED TRANSACTION

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

Disposal of equity interest In Changzhou Golden Eagle Shopping

On 18 July 2018, Golden Eagle International Trading and Golden Eagle (China) entered into an equity transfer agreement with Golden Eagle International Group, pursuant to which Golden Eagle International Trading and Golden Eagle (China) agreed to sell, and Golden Eagle International Group agreed to purchase, 100% equity interest in 常州金鷹國際購物中心有限公司 (Changzhou Golden Eagle International Shopping Centre Co., Ltd.*) ("Changzhou Golden Eagle Shopping").

Changzhou Golden Eagle Shopping originally planned to acquire from 常州凱悦房地產有限公司 (Changzhou Kaiyue Real Estate Co., Ltd.*) ("Changzhou Kaiyue") a land (the "Kaiyue Centre Project Land") situated within a commercial complex located in a busy area of Zhonglou District, Changzhou city, PRC, which has an estimated total gross floor area of approximately 80,000 square meters, for the purpose of opening and operation of a department store (the "Kaiyue Centre Project"). Meanwhile, Changzhou Kaiyue was engaged by Changzhou Golden Eagle Shopping for the construction of the department store and the costs of construction were to be borne by Changzhou Golden Eagle Shopping (the "Construction Costs"). Changzhou Golden Eagle Shopping paid a deposit of RMB50 million to Changzhou Kaiyue in 2010 for the Construction Costs and for the acquisition of the Kaiyue Centre Project Land from Changzhou Kaiyue. In August 2015, the Kaiyue Centre Project was suspended due to the financial difficulties suffered by Changzhou Kaiyue and in June 2016, the other creditors of Changzhou Kaiyue applied to court for a liquidation order against Changzhou Kaiyue (the "Liquidation"). There is a potential risk that Changzhou Golden Eagle Shopping would not receive a refund of the deposit in full during the Liquidation. In light of the aforesaid, the disposal enables the Group to eliminate such risk and recover the monies invested in the project.

The agreed consideration for the disposal is RMB64,009,355, which is equivalent to the Group's initial investment costs, 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 was completed and the consideration was fully paid in 2018.

Details of the transaction have been disclosed in the Company's announcement dated 18 July 2018.

STATUS OF CONNECTED TRANSACTIONS PENDING COMPLETION

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

Xinjiekou Store 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 Center Tower B (the "Xinjiekou Store Block B Property"), a 42-storey building with 5 levels of basement located adjacent to Nanjing Xinjiekou Store and is legally and beneficially owned by Golden Eagle International Group.

* *For identification purpose only*

Directors' Report

The consideration of RMB875.0 million (subject to adjustment) for the acquisition of Xinjiekou Store 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 gross floor area of Xinjiekou Store Block B Property actually to be delivered to the Group upon completion. In the event that the actual gross floor area is less than 50,000 square meters, the remaining balance of the outstanding consideration will be adjusted downward. If the amount to be deducted exceeds the balance of the consideration, Golden Eagle International Group shall pay such shortfall to the Group within 5 business days after the transfer of the title of Xinjiekou Store Block B Property to the Group.

The purpose of the acquisition of Xinjiekou Store Block B Property with an estimated aggregate gross floor area of 50,000 square meters is to increase the operating area of Nanjing Xinjiekou Store and the consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction of Xinjiekou Store Block B Property was completed and commenced soft opening in April 2014. It is expected that the gross floor area to be delivered to the Group will be approximately 51,856 square meters and the outstanding consideration will be adjusted upward by approximately RMB32.5 million, resulting an adjusted total consideration of RMB907.5 million. 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 (as defined in the circular dated 4 June 2015) with an aggregate gross floor area of approximately 118,500 square meters (the "Kunshan Property"). Kunshan Tiandi Project is a commercial complex comprising retail, hotel, office and residential area located at the south side of Dongxin Street and the east side of Zhujiang Road, Kunshan Development Zone at Kunshan city with an estimated aggregate gross floor area of approximately 400,000 square meters and 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.

* *For identification purpose only*

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

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

On 12 April 2018, the Group entered into a dual-currency three-year syndicated loan facility agreement in the principal amounts of up to USD430.0 million and HK$1,781.0 million (in aggregate equivalent to approximately RMB4,130.8 million) with a group of financial institutions which was due for full repayment in April 2021 (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 2018.

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.

* *For identification purpose only*

Directors' Report

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.

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2018. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

ADOPTION OF CODE OF CONDUCT REGARDING 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 2018.

CLOSURE OF REGISTER OF MEMBERS

(A) Entitlement to Attend and Vote at the 2019 AGM

The register of members of the Company will be closed from Friday, 17 May 2019 to Thursday, 23 May 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the annual general meeting to be held on Thursday, 23 May 2019 ("**2019 AGM**"), all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 May 2019.

(B) **Entitlement to the Proposed Final Dividend**

Subject to the approval of the Shareholders at 2019 AGM, a final cash dividend for the year ended 31 December 2018 of RMB0.16 per Share will be declared and distributed to those Shareholders whose names appear on the Company's register of members on Wednesday, 29 May 2019 and the final dividend will be paid on or before Friday, 7 June 2019. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 May 2019.

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 2018.

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

19 March 2019

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 196, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Prepayments from customers	
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 2018, the balance of prepayments from customers recorded amounted to approximately RMB2,510 million. The Group maintains 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 of the Company 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 of the Company 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 of the Company 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 of the Company.

- Conclude on the appropriateness of the directors of the Company's 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.

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
19 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	5	**6,569,371**	4,949,180
Other income, gains and losses	7	**308,291**	797,535
Changes in inventories of merchandise		**(1,861,531)**	(1,626,526)
Cost of properties sold		**(923,832)**	(215,380)
Employee benefits expense		**(394,383)**	(453,706)
Depreciation and amortisation of property, plant and equipment and intangible asset		**(373,947)**	(363,659)
Release of prepaid lease payments on land use rights		**(54,962)**	(43,675)
Rental expenses		**(310,231)**	(249,966)
Other expenses		**(810,939)**	(712,273)
Share of loss of associates		**(87,092)**	(81,949)
Share of loss of joint ventures		**(7,663)**	(3,803)
Finance income	8	**20,028**	203,978
Finance costs	9	**(416,707)**	(366,305)
Profit before tax		**1,656,403**	1,833,451
Income tax expense	10	**(763,543)**	(563,498)
Profit for the year	11	**892,860**	1,269,953
Profit (loss) for the year attributable to:			
Owners of the Company		**899,501**	1,278,143
Non-controlling interests		**(6,641)**	(8,190)
		892,860	1,269,953
Earnings per share			
– Basic (RMB per share)	14	**0.538**	0.763
– Diluted (RMB per share)	14	**0.536**	0.760

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**892,860**	1,269,953
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Loss on fair value changes of available-for-sale investments	**—**	(11,574)
Reclassified to profit or loss on disposal of available-for-sale investments	**—**	(33,146)
Share of exchange difference of associates	**8,272**	(6,442)
Income tax expenses relating to items that may be reclassified to profit or loss	**—**	11,172
	8,272	(39,990)
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	**(118,149)**	—
Gain on revaluation of property, plant and equipment and land use right on transfer to investment properties	**55,982**	95,350
Income tax expenses relating to item that will not be reclassified to profit or loss	**(2,990)**	(23,837)
	(65,157)	71,513
Other comprehensive (expense) income for the year, net of tax	**(56,885)**	31,523
Total comprehensive income for the year	**835,975**	1,301,476
Total comprehensive income attributable to:		
Owners of the Company	**842,616**	1,309,666
Non-controlling interests	**(6,641)**	(8,190)
	835,975	1,301,476

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**8,336,401**	8,733,659
Land use rights - non-current portion	16	**2,058,146**	2,150,477
Investment properties	17	**2,127,520**	1,880,520
Intangible asset	18	**12,582**	13,247
Goodwill	19	**17,664**	17,664
Interests in associates	20	**357,223**	410,270
Interests in joint ventures	21	**13,577**	27,476
Available-for-sale investments		**—**	309,920
Equity instruments at fair value through other comprehensive income	22	**172,078**	—
Financial assets at fair value through profit or loss	22	**119,421**	—
Deferred tax assets	23	**103,064**	113,273
		13,317,676	13,656,506
Current assets			
Inventories		**428,119**	433,409
Properties under development for sale		**1,303,433**	1,444,051
Completed properties for sale		**1,051,786**	1,309,835
Trade and other receivables	24	**1,126,856**	1,100,261
Land use rights - current portion	16	**57,158**	57,746
Amounts due from related companies	25	**80,819**	40,647
Tax assets		**6,883**	44,563
Financial assets at fair value through profit or loss	22	**1,020,004**	—
Structured bank deposits		**—**	717,933
Investments in interest bearing instruments		**—**	310,315
Restricted cash	26	**107,157**	116,286
Bank balances and cash	26	**5,336,323**	5,800,326
		10,518,538	11,375,372

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	31 December 2018 RMB'000	31 December 2017 RMB'000
Current liabilities			
Bills, trade and other payables	27	**4,377,695**	6,445,641
Amounts due to related companies	28	**259,837**	305,690
Bank loans	29	**218,666**	4,799,852
Tax liabilities		**529,961**	395,166
Prepayments from customers	30	**2,510,436**	2,301,648
Contract liabilities	30	**827,506**	—
Deferred revenue		**—**	25,496
PRC medium-term notes	31	**1,497,180**	—
		10,221,281	14,273,493
Net current assets (liabilities)		**297,257**	(2,898,121)
Total assets less current liabilities		**13,614,933**	10,758,385
Non-current liabilities			
Bank loans	29	**4,051,105**	—
Senior notes	32	**2,579,227**	2,451,306
PRC medium-term notes	31	**—**	1,493,850
Deferred tax liabilities	23	**701,303**	632,386
		7,331,635	4,577,542
Net assets		**6,283,298**	6,180,843
Capital and reserves			
Share capital	33	**176,865**	176,368
Reserves	34	**5,994,775**	5,886,176
Equity attributable to owners of the Company		**6,171,640**	6,062,544
Non-controlling interests		**111,658**	118,299
Total equity		**6,283,298**	6,180,843

The consolidated financial statements on pages 88 to 196 were approved and authorised for issue by the board of directors on 19 March 2019 and are signed on its behalf by:

WANG HUNG, ROGER
DIRECTOR

WANG JANICE S.Y.
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 34)	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 34)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	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 13)	–	–	–	–	–	–	–	–	–	–	(264,195)	(264,195)	–	(264,195)
Acquisition of assets in a subsidiary (note 36)	–	–	–	–	–	–	–	–	–	–	–	–	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
Adjustments (see note 2)	–	–	–	–	–	–	567	–	–	–	(567)	–	–	–
At 1 January 2018 (restated)	**176,368**	**(31)**	**–**	**27,106**	**217,228**	**224,511**	**(25,806)**	**4,141**	**31,628**	**1,021,871**	**4,385,528**	**6,062,544**	**118,299**	**6,180,843**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**899,501**	**899,501**	**(6,641)**	**892,860**
Other comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**41,986**	**(107,143)**	**8,272**	**–**	**–**	**–**	**(56,885)**	**–**	**(56,885)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**41,986**	**(107,143)**	**8,272**	**–**	**–**	**899,501**	**842,616**	**(6,641)**	**835,975**
Shares repurchased and cancelled	**(522)**	**–**	**–**	**522**	**–**	**–**	**–**	**–**	**–**	**–**	**(46,948)**	**(46,948)**	**–**	**(46,948)**
Treasury shares cancelled	**(31)**	**31**	**–**	**31**	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**	**–**	**–**	**–**
Exercise of share options	**1,050**	**–**	**64,153**	**–**	**–**	**–**	**–**	**–**	**(21,100)**	**–**	**–**	**44,103**	**–**	**44,103**
Transfer of share option reserve upon forfeiture of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,398)**	**–**	**1,398**	**–**	**–**	**–**
Reversal of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,033)**	**–**	**–**	**(2,033)**	**–**	**(2,033)**
Equity instruments at fair value transferred to retained profits upon disposal	**–**	**–**	**–**	**–**	**–**	**–**	**17,719**	**–**	**–**	**–**	**(17,719)**	**–**	**–**	**–**
Appropriation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**70,898**	**(70,898)**	**–**	**–**	**–**
Dividends recognised as distribution (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(728,642)**	**(728,642)**	**–**	**(728,642)**
At 31 December 2018	**176,865**	**–**	**64,153**	**27,659**	**217,228**	**266,497**	**(115,230)**	**12,413**	**7,097**	**1,092,769**	**4,422,189**	**6,171,640**	**111,658**	**6,283,298**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Operating activities		
Profit before tax	**1,656,403**	1,833,451
Adjustments for:		
Depreciation and amortisation of property, plant and equipment and intangible asset	**373,947**	363,659
Interest expenses	**416,707**	366,305
Release of prepaid lease payments on land use rights	**54,962**	43,675
Net foreign exchange loss (gain)	**334,478**	(437,566)
Impairment loss recognised in interest in an associate	**25,094**	—
Impairment losses in relation to store suspensions	**14,877**	68,810
Loss on disposal/write-off of property, plant and equipment	**966**	2,672
Loss (gain) on disposal/partial disposal of interest in an associate	**654**	(19,626)
Gain on deemed disposal of associates	**(2,516)**	(1,280)
Gain on deemed disposal of a joint venture	**(2,849)**	—
Gain on disposal of a subsidiary	**(2)**	—
Equity-settled share-based payments	**(2,033)**	(3,595)
Fair value change of investment properties	**(23,000)**	(37,411)
Fair value change of financial assets/liabilities at fair value through profit or loss	**2,344**	8,293
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**—**	(33,146)
Loss on disposal of financial assets at fair value through profit or loss	**612**	—
Income from wealth management products issued by banks/interest bearing instruments	**(8,715)**	(43,140)
Income from structured bank deposits	**(161,427)**	(153,410)
Interest income on bank deposits	**(18,762)**	(7,428)
Interest income from short-term loans	**(1,266)**	—
Dividend income from equity investments	**(1,826)**	(3,372)
Share of loss of associates	**87,092**	81,949
Share of loss of joint ventures	**7,663**	3,803
Operating cash flows before movements in working capital	**2,753,403**	2,032,643
Decrease (increase) in inventories	**455,728**	(810,574)
Decrease (increase) in trade and other receivables	**18,050**	(224,072)
Increase in amounts due from related companies	**(695)**	(1,458)
(Decrease) increase in bills, trade and other payables	**(732,015)**	2,435,944
Increase in prepayments from customers	**208,788**	—
(Decrease) increase in amounts due to related companies	**(47,921)**	30,048
Decrease in contract liabilities	**(499,349)**	—
Increase in deferred revenue	**—**	96,815
Net cash generated from operations	**2,155,989**	3,559,346
PRC income tax and land appreciation tax paid	**(464,021)**	(423,200)
Net cash generated from operating activities	**1,691,968**	3,136,146

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Investing activities			
Investments in structured bank deposits		**(60,608,960)**	(56,766,880)
Redemption of structured bank deposits		**60,612,790**	60,494,760
Investments in wealth management products issued by banks/interest bearing instruments		**(2,020,000)**	(5,612,360)
Redemption of wealth management products issued by banks/interest bearing instruments		**2,020,000**	5,312,360
Placement of restricted cash		**(107,157)**	(116,286)
Withdrawal of restricted cash		**116,286**	96,499
Purchase of:			
– financial assets at fair value through profit or loss		**(177,200)**	—
– equity instruments at fair value through other comprehensive income		**(135,796)**	—
– available-for-sale investments		**—**	(1,135,842)
Proceeds from disposal of:			
– financial assets at fair value through profit or loss		**116,447**	—
– equity instruments at fair value through other comprehensive income		**93,865**	—
– available-for-sale investments		**—**	1,215,016
Purchase of property, plant and equipment		**(239,762)**	(748,410)
Proceeds from disposal of property, plant and equipment		**2,103**	911
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	36	**—**	(101,815)
Withdrawal of deposit for acquisition of a joint venture		**—**	10,219
Capital contribution to associates		**(55,257)**	(185,705)
Capital contribution to joint ventures		**—**	(14,720)
Proceeds from disposal/partial disposal of interest in an associate	20	**15,337**	35,291
Proceeds from disposal of a subsidiary	37	**63,855**	—
Interest received on bank deposits		**18,762**	7,428
Income received from structured bank deposits		**155,759**	163,337
Income received from wealth management products issued by banks/interest bearing instruments		**18,797**	32,825
Dividends received from equity investments		**1,826**	3,372
Deposit refunded and related interest received for acquisition of Suzhou Qianning Property Co., Ltd.		**—**	38,841
Advance to related companies		**(39,436)**	—
Loans to third parties		**(115,589)**	—
Net cash (used in) generated from investing activities		**(263,330)**	2,508,047

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Financing activities		
Dividends paid to owners of the Company	**(728,642)**	(264,195)
Proceeds on exercise of share options	**44,103**	1,015
Repurchase of shares	**(46,948)**	(13,100)
New bank loans raised	**4,025,402**	—
Repayment of bank loans	**(4,819,465)**	(268,545)
Interest paid	**(367,091)**	(364,455)
Capital contribution from non-controlling interests	**—**	14,134
Amounts raised from financial liabilities at fair value through profit or loss	**—**	550,333
Repayment of financial liabilities at fair value through profit or loss	**—**	(558,626)
Net cash used in financing activities	**(1,892,641)**	(903,439)
Net (decrease) increase in cash and cash equivalents	**(464,003)**	4,740,754
Cash and cash equivalents at beginning of the year	**5,800,326**	1,059,572
Cash and cash equivalents at end of the year	**5,336,323**	5,800,326

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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, 20 and 21 respectively.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

Except as described below, the application of the new and 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.

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers and the related Amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Retail operations
- Property development and hotel operations
- Other operations

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	31 December 2017 (Audited)	Reclassification	Remeasurement	**1 January 2018 (After adjustment)**
		RMB'000	RMB'000	RMB'000	**RMB'000**
Current asset					
Properties under development for sale	(a)	1,444,051	—	49,095	**1,493,146**
Current liabilities					
Bills, trade and other payables	(a)	6,445,641	(1,262,093)	—	**5,183,548**
Deferred revenue	(b)	25,496	(25,496)	—	**—**
Contract liabilities	(a)	—	1,287,589	49,095	**1,336,684**

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

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

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

(a) As at 1 January 2018, deposits and prepayments received from pre-sale of properties of RMB1,262,093,000 in respect of property sale contracts previously included in bills, trade and other payables were reclassified to contract liabilities for RMB1,262,093,000. At the date of initial application of HKFRS15, the Group has adjusted the promised amount of consideration received from pre-sale of properties for the effects of a significant financing component, and the capitalised interest expense arising from the effects of a significant financing component amounted to RMB49,095,000. For the contracts with significant financing component, the Group uses the interest rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception. The rate would reflect the credit characteristics of the party receiving financing in the contract, as well as any collateral or security provided by the customer or the Group, including assets transferred in the contract.

(b) At the date of initial application, included in the deferred revenue, RMB25,496,000 related to the deferred revenue arising from customer loyalty programme was reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018, its consolidated statement of profit or loss and other comprehensive income and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000
Current asset			
Properties under development for sale	1,303,433	(36,769)	1,266,664
Current liabilities			
Bills, trade and other payables	4,377,695	765,536	5,143,231
Deferred revenue	—	25,201	25,201
Contract liabilities	827,506	(827,506)	—

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

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

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

Impact on the consolidated statement of profit and loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000
Revenue	6,569,371	(76,999)	6,492,372
Cost of properties sold	(923,832)	76,999	(846,833)

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000
Operating activities			
Decrease in bills, trade and other payables	(732,015)	(499,054)	(1,231,069)
Decrease in deferred revenue	—	(295)	(295)
Decrease in contract liabilities	(499,349)	499,349	—

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The differences between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

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

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

2.2 HKFRS 9 Financial Instruments *(Continued)*

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale ("AFS") investments	Financial assets at fair value through profit or loss ("FVTPL") required by HKFRS 9	Equity instruments at fair value through other comprehensive income ("FVTOCI")	Structured bank deposits	Investments in interest bearing instruments	Investment revaluation reserve	Retained profits
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017								
- HKAS 39 (audited)		309,920	–	–	717,933	310,315	(26,373)	4,386,095
Effect arising from initial application of HKFRS 9:								
Reclassification								
From AFS investments	(a)	(309,920)	61,624	248,296	–	–	567	(567)
From structured bank deposits	(b)	–	717,933	–	(717,933)	–	–	–
From investments in interest bearing instruments	(b)	–	310,315	–	–	(310,315)	–	–
At 1 January 2018 (restated)		–	1,089,872	248,296	–	–	(25,806)	4,385,528

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

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

2.2 HKFRS 9 Financial Instruments *(Continued)*

Summary of effects arising from initial application of HKFRS 9 (Continued)

(a) AFS investments

From AFS equity investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of certain equity investments previously classified as AFS investments. These investments are not held for trading. At the date of initial application of HKFRS 9, RMB248,296,000 were reclassified from AFS investments to equity instruments at FVTOCI. The fair value losses net of related deferred tax amounting to RMB22,806,000 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve. In addition, impairment losses previously recognised of RMB3,000,000 were transferred from retained profits to FVTOCI reserve as at 1 January 2018.

From AFS equity investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of RMB61,624,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value losses net of related deferred tax amounting to RMB3,567,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits.

(b) Structured bank deposits and investments in interest bearing instruments

At the date of initial application of HKFRS 9, the Group's structured bank deposits and investments in interest bearing instruments did not meet the HKFRS 9 criteria for classification at amortised cost or FVTOCI, as their cash flows did not represent solely payments of principal and interest. As a result, the carrying amounts of structured bank deposits of RMB717,933,000 and investments in interest bearing instruments of RMB310,315,000 were reclassified to financial assets at FVTPL respectively.

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

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

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	**1 January 2018 (Restated)**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets				
AFS investments	309,920	—	(309,920)	**—**
Equity instruments at FVTOCI	—	—	248,296	**248,296**
Financial assets at FVTPL	—	—	61,624	**61,624**
Current assets				
Properties under development for sale	1,444,051	49,095	—	**1,493,146**
Financial assets at FVTPL	—	—	1,028,248	**1,028,248**
Structured bank deposits	717,933	—	(717,933)	**—**
Investments in interest bearing instruments	310,315	—	(310,315)	**—**
Current liabilities				
Bills, trade and other payables	6,445,641	(1,262,093)	—	**5,183,548**
Deferred revenue	25,496	(25,496)	—	**—**
Contract liabilities	—	1,336,684	—	**1,336,684**

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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.

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

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

HKFRS 16 Leases *(Continued)*

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 both presented as financing cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosure are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB86,632,000 as disclosed in note 38. 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.

In addition, the Group currently considers refundable rental deposits paid of RMB113,516,000 and refundable rental deposits received of RMB176,449,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application according to HKFRS 16.C10(c). Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and 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*.

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.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 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 (or group of cash-generating units) 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 (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

Interests in associates and joint ventures

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group 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 HKFRS 9/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.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

When a group entity transacts with an associate 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

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.

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.

The recoverable amount of tangible and intangible assets are estimated individually, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

Financial assets that meet the following conditions are subsequently measured at amortised cost: (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and amounts due from related companies). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. For financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default (Continued)

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts or for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting through a loss allowance account.

Derecognition of financial assets

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments 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.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

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.

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 from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(i) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(ii) a refund liability/contract liability; and

(iii) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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.

Government grants

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Equity-settled share-based payment transactions

Share options granted to employees

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 option reserve.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, management of the Company are required to make judgements, 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2018, a deferred tax asset of RMB55,178,000 (2017: RMB79,399,000) 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 RMB195,417,000 (2017: RMB164,361,000) 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.

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 2018 was RMB2,127,520,000 (2017: RMB1,880,520,000).

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.

5. REVENUE

(i) Disaggregation of revenue

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

	2018 RMB'000	2017 RMB'000
Commission income from concessionaire sales	**2,145,615**	2,116,830
Direct sales	**2,187,336**	1,918,650
Sales of properties	**1,365,844**	314,013
Management fees	**38,925**	35,923
Hotel operations	**36,629**	40,066
Automobile services fees	**22,539**	24,771
Revenue from contracts with customers	**5,796,888**	4,450,253
Rental income	**772,483**	498,927
Total revenue	**6,569,371**	4,949,180

	2018 RMB'000
Timing of revenue recognition under HKFRS 15	
A point in time	**5,757,963**
Over time	**38,925**
Total	**5,796,888**

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

Gross sales proceeds	2018 RMB'000	2017 RMB'000
Concessionaire sales	**14,125,203**	14,023,243
Direct sales	**2,534,792**	2,236,675
Sales of properties	**1,402,539**	331,746
Management fees	**41,437**	38,324
Hotel operations	**39,046**	42,673
Automobile service fees	**25,880**	28,522
Gross sales proceeds from contracts with customers	**18,168,897**	16,701,183
Rental income	**825,895**	531,123
Total gross sales proceeds	**18,994,792**	17,232,306

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

For retail sales, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For concessionaire sales, revenue is recognised in the amount of any fee or commission to which the Group entitled in exchange for arranging for the specified goods or services provided by the other party.

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'000	Customer loyalty programmes RMB'000
Within one year	490,239	25,201
More than one year but not more than two years	312,066	—
	802,305	25,201

6. 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/president, 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").

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.

6. SEGMENT INFORMATION (CONTINUED)

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'000	Total RMB'000
For the year ended 31 December 2018							
Gross sales proceeds	6,703,535	8,323,195	2,355,981	17,382,711	1,464,620	147,461	18,994,792
Segment revenue	2,388,308	2,103,526	565,152	5,056,986	1,424,161	88,224	6,569,371
Segment results	820,098	964,216	247,639	2,031,953	415,181	(51,877)	2,395,257
Central administration costs and Directors' salaries							(69,696)
Finance income							20,028
Finance costs							(416,707)
Other gains and losses							(177,724)
Share of loss of associates							(87,092)
Share of loss of joint ventures							(7,663)
Profit before tax							1,656,403
Income tax expense							(763,543)
Profit for the year							892,860

6. 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'000	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

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

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.

6. 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'000	Total RMB'000
For the year ended 31 December 2018							
Depreciation and amortisation of property, plant and equipment and intangible asset	**163,627**	**124,299**	**43,727**	**331,653**	**19,686**	**22,608**	**373,947**
Release of prepaid lease payments on land use rights	**28,100**	**16,064**	**12,932**	**57,096**	**–**	**–**	**57,096**
Less: amounts capitalised	**–**	**(2,134)**	**–**	**(2,134)**	**–**	**–**	**(2,134)**
	28,100	**13,930**	**12,932**	**54,962**	**–**	**–**	**54,962**
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

7. OTHER INCOME, GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Other income		
Income from suppliers and customers	**473,327**	341,673
Government grants	**9,278**	19,486
Others	**3,410**	4,114
	486,015	365,273
Other gains and losses		
Net foreign exchange (loss) gain	**(334,478)**	437,566
Dividend income from equity investments	**1,826**	3,372
Investment income of structured bank deposits	**161,427**	—
Investment income of wealth management products issued by banks	**8,715**	—
Fair value change of investment properties	**23,000**	37,411
Fair value change of held for trading investments	**—**	(23,036)
Fair value change of financial assets/liabilities at FVTPL	**(2,344)**	(8,293)
Loss on disposal of financial assets at FVTPL	**(612)**	—
Investment revaluation reserve reclassified to profit or loss on disposal of AFS investments	**—**	33,146
(Loss) gain on disposal/partial disposal of interest in an associate (note 20)	**(654)**	19,626
Gain on deemed disposal of associates	**2,516**	1,280
Gain on deemed disposal of a joint venture	**2,849**	—
Gain on disposal of a subsidiary (note 37)	**2**	—
Impairment loss recognised in interest in an associate (note 20)	**(25,094)**	—
Impairment losses in relation to store suspensions	**(14,877)**	(68,810)
	(177,724)	432,262
	308,291	797,535

During the year, the relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB9,278,000 (2017: RMB19,486,000) 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.

Income from suppliers and customers are from services to be provided for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. FINANCE INCOME

	2018	2017
	RMB'000	RMB'000
Interest income on bank deposits	**18,762**	7,428
Interest income from loans to third parties and associates	**1,266**	—
Income from structured bank deposits	**—**	153,410
Income from investments in interest bearing instruments	**—**	43,140
	20,028	203,978

9. FINANCE COSTS

	2018	2017
	RMB'000	RMB'000
Interest expenses on:		
Bank loans	**254,621**	230,399
Senior notes	**119,556**	119,083
PRC medium-term notes	**63,930**	61,769
Proceeds from pre-sale of properties	**64,674**	—
	502,781	411,251
Less: amounts capitalised in the cost of qualifying assets		
Properties under development for sale	**(86,074)**	(10,010)
Property, plant and equipment under constructions	**—**	(34,936)
	416,707	366,305

Finance costs capitalised are calculated by applying a weighted average capitalisation rate of 5.3% (2017: 4.6%) per annum.

10. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
PRC Enterprise Income Tax:		
Current year	**559,574**	373,099
LAT	**76,367**	24,866
Under (over) provision in prior years	**555**	(99)
	636,496	397,866
Deferred tax charge:		
Current year	**127,047**	165,632
	763,543	563,498

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arose in nor derived from Hong Kong during both years.

Subsidiaries of the Group located in the PRC are subject to PRC Enterprise Income Tax ("EIT") rate of 25% (2017: 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.

10. 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:

	2018 RMB'000	2017 RMB'000
Profit before tax	**1,656,403**	1,833,451
Tax at the applicable tax rate of 25% (2017: 25%)	**414,101**	458,363
Tax effect of share of loss of associates	**21,773**	20,487
Tax effect of gain on deemed disposal of associates	**(629)**	(320)
Tax effect of share of loss of joint ventures	**1,916**	951
Tax effect of gain on deemed disposal of a joint venture	**(712)**	—
Tax effect of expenses not deductible for tax purpose	**218,449**	112,953
Tax effect of income not taxable for tax purpose	**(11,328)**	(110,354)
Tax effect of tax losses not recognised	**8,403**	9,248
LAT	**76,367**	24,866
Tax effect of LAT	**(19,092)**	(6,217)
Utilisation of tax losses previously not recognised	**(639)**	(5,148)
Under (over) provision in prior years	**555**	(99)
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**64,837**	71,425
Income tax at concessionary rate	**(10,458)**	(12,657)
Tax charge for the year	**763,543**	563,498

11. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	555	554
Other staff:		
Salaries and other benefits	353,660	407,838
Retirement benefits schemes contributions	42,201	48,915
Equity-settled share-based payments	(2,033)	(3,601)
	394,383	453,706
Auditor's remuneration	2,380	2,380
Depreciation and amortisation of property, plant and equipment and intangible asset	373,947	363,659
Release of prepaid lease payments on land use rights	57,096	55,538
Less: amounts capitalised	(2,134)	(11,863)
	54,962	43,675
Loss on disposal/write-off of property, plant and equipment	966	2,672
Gross rental income from investment properties	(103,837)	(72,818)
Less: direct operating expenses incurred for investment properties	11,907	7,893
	(91,930)	(64,925)

12. 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:

	2018					2017				
		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 1)	–	122	6	–	128	–	96	5	6	107
Sub-total	–	122	6	–	128	–	96	5	6	107
Independent non-executive Directors										
Mr. Wong Chi Keung	183	–	–	–	183	191	–	–	–	191
Mr. Lay Danny J	122	–	–	–	122	128	–	–	–	128
Mr. Wang Sung Yun, Eddie	122	–	–	–	122	128	–	–	–	128
Sub-total	427	–	–	–	427	447	–	–	–	447
Chief Executive Officer										
Mr. Su Kai (Note 2)	–	294	22	–	316	–	851	63	–	914
Total	427	416	28	–	871	447	947	68	6	1,468

Notes:

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

2. Mr. Su Kai tendered his resignation as Chief Executive Officer of the Company with effect from 3 May 2018.

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

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

The emoluments of the five individuals with highest emoluments in the Group, none of whom is a director nor the chief executive officer of the Company (2017: one was the chief executive officer of the Company whose emoluments were included above). Details of the emoluments for the year of the five (2017: four) highest paid individuals were as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**3,063**	2,793
Retirement benefits schemes contributions	**284**	199
Equity-settled share-based payments	**100**	109
	3,447	3,101

Their emoluments were within the following bands:

	2018 **No. of employees**	2017 No. of employees
Nil to Hong Kong dollar ("HK$") 1,000,000	**4**	3
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**1**	1
	5	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.

13. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution during the year:		
2018 Interim dividend of RMB0.1338 per share (2017 Interim dividend: RMB0.060)	224,472	100,197
2017 Final dividend of RMB0.3000 per share (2016 Final dividend: RMB0.0216)	504,170	35,853
2016 Final special dividend of RMB0.0772 per share	—	128,145
	728,642	264,195

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB0.16 per share (2017: a final dividend of RMB0.3 per share), in an estimated aggregate amount of RMB268,705,000 (2017: RMB504,170,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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:

	2018 RMB'000	2017 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	899,501	1,278,143

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,672,584	1,674,684
Effect of dilutive potential ordinary shares attributable to share options	5,698	7,379
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,678,282	1,682,063

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 2018 and 31 December 2017 because the exercise price of these options were higher than the average market prices of the Company's shares during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1 January 2017	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 36)	–	–	–	144	–	–	–	144
Additions	–	78,868	2,353	7,896	1,781	182	1,344,663	1,435,743
Transfers from properties under development for sale	–	–	–	–	–	–	151,854	151,854
Transfers	2,306,315	57,769	182	4,951	–	–	(2,369,217)	–
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
Additions/other adjustment	(29,056)	94,521	104	15,447	2,504	50	21,620	105,190
Transfers	2,330	711	–	–	–	–	(3,041)	–
Disposals	–	–	(776)	(6,439)	(6,009)	(358)	–	(13,582)
Derecognised on disposal of a subsidiary (note 37)	–	–	–	–	–	–	(300)	(300)
Transfers to investment properties	(125,797)	–	–	–	–	–	–	(125,797)
At 31 December 2018	9,196,546	1,370,818	138,418	248,079	5,913	2,643	74,639	11,037,056
DEPRECIATION AND AMORTISATION								
At 1 January 2017	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
Provided for the year	225,198	112,925	8,556	25,305	988	310	–	373,282
Eliminated on disposals	–	–	(390)	(5,286)	(4,496)	(341)	–	(10,513)
At 31 December 2018	1,451,743	961,909	109,814	172,199	2,479	2,511	–	2,700,655
CARRYING VALUES								
At 31 December 2018	7,744,803	408,909	28,604	75,880	3,434	132	74,639	8,336,401
At 31 December 2017	8,122,524	426,602	37,442	86,891	3,431	409	56,360	8,733,659

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 RMB4,433,920,000 (2017: RMB4,826,063,000). In the opinion of the Directors, the relevant ownership certificates can be obtained without incurring significant costs.

16. LAND USE RIGHTS

	2018	2017
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Non-current assets	**2,058,146**	2,150,477
Current assets	**57,158**	57,746
	2,115,304	2,208,223

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 RMB344,976,000 (2017: RMB566,092,000). In the opinion of the Directors, the relevant ownership certificates can be obtained without incurring significant costs.

17. INVESTMENT PROPERTIES

	Amount RMB'000
Fair Value	
At 1 January 2017	1,461,760
Transferred from property, plant and equipment (note 15)	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
Transferred from property, plant and equipment (note 15)	134,754
Transferred from land use rights	89,246
Net change in fair value recognised in profit or loss	23,000
At 31 December 2018	2,127,520

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 (2017: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), independent qualified professional valuers not connected to the Group.

17. INVESTMENT PROPERTIES (CONTINUED)

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

Completed 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% (2017: 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 (2017: RMB183) 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.
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% (2017: 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 (2017: RMB234) 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 5.5% - 6.5% (2017: 5.25% - 6.25%).	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 RMB276 (2017: RMB273) 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.

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17. INVESTMENT PROPERTIES (CONTINUED)

Completed investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Jiangdu Golden Eagle Commercial Plaza located in Yangzhou	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% (2017: 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 RMB120 - 285 (2017: N/A) 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.
Xianlin Golden Eagle Tiandi 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 6.25% (2017: 6%).	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 RMB309 (2017: RMB306) 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% (2017: 5% - 6%).	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 RMB299 (2017: RMB288) 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.

17. INVESTMENT PROPERTIES (CONTINUED)

Completed 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%. (2017: 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 RMB95 to RMB261 (2017: RMB94 to RMB258) 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 2018	31 December 2017
	RMB'000	RMB'000
Wuhu New City Plaza located in Wuhu	**491,000**	496,000
Baxian City located in Nantong	**284,000**	282,000
Nantong Renmin Road Store located in Nantong	**275,060**	274,000
Jiangdu Golden Eagle Commercial Plaza located in Yangzhou	**235,000**	—
Xianlin Golden Eagle Tiandi located in Nanjing	**223,900**	220,600
Suzhou Gaoxin Golden Eagle Commercial Plaza located in Suzhou	**201,800**	198,700
Other properties	**416,760**	409,220
	2,127,520	1,880,520

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

18. INTANGIBLE ASSET

	Franchise right RMB'000
COST	
At 1 January 2017	—
Additions	13,302
At 31 December 2017 and 31 December 2018	13,302
AMORTISATION	
At 1 January 2017	—
Provide for the year	55
At 31 December 2017	55
Provide for the year	665
At 31 December 2018	720
CARRYING VALUES	
At 31 December 2018	12,582
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.

19. GOODWILL

	Amount
	RMB'000
COST	
At 1 January 2017, 31 December 2017 and 31 December 2018	263,179
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2017, 31 December 2017 and 31 December 2018	245,515
CARRYING VALUE	
At 31 December 2018 and 31 December 2017	17,664

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 2018 and 31 December 2017 RMB'000
Nantong Golden Eagle Yuanrong Shopping Centre Co., Ltd.	Retail operations - Northern Jiangsu Province	9,735
Yangzhou Golden Eagle International Industry Co., Ltd.	Retail operations - Northern Jiangsu Province	481
Xuzhou Golden Eagle International Industry Co., Ltd.	Retail operations - Northern Jiangsu Province	731
Xi'an Golden Eagle International Shopping Centre Co., Ltd.	Retail operations - Western and the other regions of the PRC	6,717
		17,664

No impaired loss on goodwill is recognised by the Group in 2018 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% (2017: 10%) per annum.

19. 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.

20. INTERESTS IN ASSOCIATES

	2018 **RMB'000**	2017 RMB'000
Cost of investments in associates		
Listed	**310,067**	310,067
Unlisted	**291,216**	250,099
Share of post-acquisition losses and other comprehensive income	**(218,966)**	(149,896)
Impairment loss in an associate	**(25,094)**	—
	357,223	410,270
Fair value of listed investments	**181,298**	254,639

20. 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
			2018	2017	
中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) ("Allied")	Taiwan	Share capital – Taiwan Dollar 2,250,000,000	**42.6%**	42.6%	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
北京泡泡瑪特文化創意股份有限公司 (Beijing Pop Mart Cultural & Creative Corp., Ltd.) (Note 1)	PRC	Registered capital – RMB115,456,279	**9.5%**	10%	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. (Note 1)	Korea	Share capital – Korea (South) Won 3,768,248,700	**18.1%**	18.8%	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%**	25%	Operation of share office
Whittle School & Studios Holdings, Ltd. (formerly known as G30 Project Ltd.) ("Whittle School & Studios") (Note 1)	Cayman Islands	Share capital – United States dollar ("USD") 112,558,749	**10%**	10%	Development and operation of a global private school
iP2 Entertainment Holding S.A. ("iP2 Entertainment")	The Grand Duchy of Luxembourg	Share capital – USD142	**20%**	N/A	Development and operation of immersive family entertainment centre

20. INTERESTS IN ASSOCIATES (CONTINUED)

Name of associate	Place/country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/registered capital held by the Company		Principal activities
			2018	2017	
江蘇博浪傳媒有限公司 (Jiangsu Bolang Media Co., Ltd.)	PRC	Share capital – RMB5,000,000	**40%**	N/A	Operation of media service
Golden Eagle & Shinwon Trading Co., Limited (note 21)	Hong Kong	Share capital – USD7,500,000	**33.3%**	50%	Branded fashion retailer
iROO & Eagle International Co., Ltd. 依洛金鷹國際股份有限公司 (Note 2)	Hong Kong	Share capital – USD 10,000,000	**–**	49%	Branded fashion retailer

Notes:

1. The Group is able to exercise significant influence over the associates because it has the power to appoint representative director(s) into their board of directors in accordance with the associates' articles of association.

2. In 2018, the Group disposed of its 49% equity interest in iROO & Eagle International Co., Ltd. to the other equity holder of iROO & Eagle International Co., Ltd. at a consideration of RMB15,337,000. The gain on disposal is calculated as follows:

	RMB'000
Proceeds received	15,337
Less: carrying amount of the 49% equity interest on the date of loss of control	(15,991)
Loss on disposal	(654)

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.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates (CONTINUED)

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

	Allied		Whittle School & Studios	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**79,016**	88,013	**69,200**	395,972
Non-current assets	**222,227**	338,672	**598,309**	372,701
Current liabilities	**80,539**	79,475	**331,456**	65,026
Non-current liabilities	**12,182**	39,048	**240,203**	272,111
Revenue	**97,457**	96,012	**—**	—
Loss for the year	**(102,252)**	(160,662)	**(407,607)**	(112,792)
Other comprehensive income (expense) for the year	**4,300**	(17,383)	**15,504**	(3,260)
Total comprehensive expense for the year	**(97,952)**	(178,045)	**(392,103)**	(116,052)

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

	Allied		Whittle School & Studios	
	2018	2017	**2018**	**2017**
	RMB'000	RMB'000	**RMB'000**	**RMB'000**
Net assets	**208,522**	308,162	**95,850**	**431,536**
Proportion of the Group's ownership interest	**42.6%**	42.6%	**10%**	**10%**
Goodwill	**—**	—	**126,056**	**126,056**
Impairment	**(25,094)**	—	**—**	**—**
Others	**1,570**	1,570	**—**	**—**
Carrying amount of the Group's interest	**65,327**	132,847	**135,622**	**169,123**

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20. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of post-tax (loss) profit and total comprehensive (expense) income	**(377)**	944
Aggregate carrying amount of the Group's interests in these associates	**156,274**	108,300

21. INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Cost of investments in joint ventures		
Unlisted	**14,720**	31,359
Share of post-acquisition losses and other comprehensive expenses	**(1,143)**	(3,883)
	13,577	27,476

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21. INTERESTS IN JOINT VENTURES (CONTINUED)

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		Principal activity
			2018	2017	
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%**	49%	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%**	40%	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%**	40%	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%**	51%	Branded beverage chain
Golden Eagle & Shinwon Trading Co., Limited ("Golden Eagle & Shinwon")	Hong Kong	Share capital – USD7,500,000	**33.3% (Note)**	50%	Branded fashion retailer

Note: On 28 December 2018, the Group entered into a supplemental investment agreement with the other equity holder of Golden Eagle & Shinwon, pursuant to which the other equity holder will inject additional investment in the amount of USD 2.5 million (equivalent to approximately RMB15,941,000) into the joint venture, thus the Group's equity interest in Golden Eagle & Shinwon was diluted from 50% to 33.3%. After the completion of the transaction, the Group is still able to exercise significant influence over Golden Eagle & Shinwon, because it has the power to appoint one out of the three directors in Golden Eagle & Shinwon's board of directors in accordance with the supplemental investment agreement. Therefore, Golden Eagle & Shinwon was reclassified as an associate of the Group during the year.

Aggregate information of joint ventures that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of post-tax loss and total comprehensive expense	**(7,663)**	(3,803)
Aggregate carrying amount of the Group's interests in these joint ventures	**13,577**	27,476

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	RMB'000
Equity instruments at fair value through other comprehensive income		
Listed equity investments (Note 1)	**172,078**	—
Financial assets at fair value through profit or loss		
Non-current:		
Unquoted fund investment	**100,000**	—
Listed equity investments	**19,421**	—
	119,421	—
Current:		
Structured bank deposits (Note 2)	**719,771**	—
Wealth management products issued by banks (Note 3)	**300,233**	—
	1,020,004	—

Notes:

1. In the current year, the Group disposed of listed equity investments in the PRC at an aggregate consideration of RMB93,865,000, which were also the fair value as at the date of disposals as the investments no longer meet the investment objective of the Group. A cumulative loss on disposal of RMB17,719,000 has been transferred to retained profits.

2. At 31 December 2018, 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 3.2% to 5.2% 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.

3. At 31 December 2018, wealth management products issued by banks represent the Group's investments in restricted low risk debt instruments arranged by a bank in the PRC, which are principal guaranteed, and the expected return rate at 3.2% per annum.

23. DEFERRED TAXATION

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

	2018	2017
	RMB'000	RMB'000
Deferred tax assets	**103,064**	113,273
Deferred tax liabilities	**(701,303)**	(632,386)
	(598,239)	(519,113)

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

	Accelerated depreciation and amortisation allowances RMB'000	Fair value adjustment on property, plant and equipment, investment properties and property under development for sale arising from acquisition of subsidiaries RMB'000	Undistributable profits of the PRC subsidiaries RMB'000	LAT RMB'000	Start up costs RMB'000	Tax losses RMB'000	Revaluation of available for-sale investments RMB'000	Revaluation of equity instruments at FVTOCI RMB'000	Revaluation of financial assets at FVTPL RMB'000	Deferred revenue RMB'000	Contract liabilities RMB'000	Fair value adjustment on investment properties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	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 10)	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
Adoption of HKFRS 15	–	–	–	–	–	–	–	–	–	6,233	(6,233)	–	–	–
Adoption of HKFRS 9	–	–	–	–	–	–	11,644	(10,453)	(1,191)	–	–	–	–	–
At 1 January 2018 (restated)	250,329	154,425	15,750	42,561	(1,218)	(79,399)	–	(10,453)	(1,191)	–	(6,233)	132,880	21,662	519,113
Charge (credit) for the year (note 10)	50,931	(3,097)	64,837	(16,191)	1,199	24,221	–	–	(584)	–	31	5,753	(53)	127,047
(Credit) charge to other comprehensive income	–	–	–	–	–	–	–	(11,006)	–	–	–	13,996	–	2,990
Disposal of a subsidiary	–	–	–	–	19	–	–	–	–	–	–	–	–	19
Derecognised on disposal of FVTOCI	–	–	–	–	–	–	–	5,907	–	–	–	–	–	5,907
Reversal on payment of withholding tax	–	–	(56,837)	–	–	–	–	–	–	–	–	–	–	(56,837)
At 31 December 2018	301,260	151,328	23,750	26,370	–	(55,178)	–	(15,552)	(1,775)	–	(6,202)	152,629	21,609	598,239

23. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has unused tax losses of RMB416,129,000 (2017: RMB481,957,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB220,712,000 (2017: RMB317,596,000) 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 RMB195,417,000 (2017: RMB164,361,000) 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 RMB2,110 million as at 31 December 2018 (2017: RMB1,591 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.

24. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Trade receivables	**198,091**	174,992
Advance to suppliers	**51,394**	64,141
Deposits	**130,180**	132,248
Deposits paid for purchases of goods	**7,591**	10,472
Loans to third parties (Note)	**117,698**	—
Other taxes recoverable	**170,452**	222,106
Other receivables and prepayments	**451,450**	496,302
	1,126,856	1,100,261

Note: The amounts represent short-term loans advanced to independent third parties, which are secured/guaranteed, bearing fixed rate interest ranging from 10% to 20% per annum and repayable within 180 to 270 days.

For 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 RMB183,793,000 (2017: RMB151,025,000) 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.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

In order to minimise credit risk on trade receivables and other receivables, the management of the Group makes individual assessment on the historical default experience and considering various external sources of actual and forecast economic information, as appropriate. The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each year.

25. AMOUNTS DUE FROM RELATED COMPANIES

	2018	2017
	RMB'000	RMB'000
Whittle School & Studios (Note 1)	**25,695**	—
南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.) (Note 2)	**11,285**	11,494
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 2)	**9,533**	8,835
iP2 Entertainment Holdings IV, Inc. (Note 1)	**6,863**	—
Allied (Note 1)	**5,409**	—
南京仙林金鷹天地科技實業有限公司 (Nanjing Xianlin Golden Eagle Tiandi Technology Industry Co., Ltd.) (Note 2)	**5,016**	2,354
南京金橋市場管理有限公司 (Nanjing Golden Bridge Market Management Co., Ltd.) (Note 2)	**3,370**	2,083
iP2 Entertainment (Note 1)	**1,718**	—
昆山金鷹置業有限公司 (Kunshan Golden Eagle Real Estate Co., Ltd.) (Note 2)	**1,169**	6,023
Others (Note 2)	**10,761**	9,858
	80,819	40,647

At 31 December 2018, 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, the amounts due from Whittle School & Studios, iP2 Entertainment, iP2 Entertainment Holding IV, Inc. and Allied represent short-term loans advanced to associates or a subsidiary of an associate of the Group which are secured/guaranteed, bearing fixed rate interest ranging from 5% to 15% per annum and repayable within 90 to 365 days. The remaining amounts represent prepayments made for the Group's operations which are unsecured, interest free and repayable on demand.

Notes:

1. Associates and a subsidiary of an associate of the Group.

2. Fellow subsidiaries of the Group.

26. RESTRICTED CASH AND BANK BALANCES AND CASH

	2018 RMB'000	2017 RMB'000
Restricted cash (Note 1)	**107,157**	116,286
Bank balances and cash (Note 2)	**5,336,323**	5,800,326
	5,443,480	5,916,612

Notes:

1. Restricted cash represents balances for the purpose of syndicated loan interest payments (note 29), bank deposits restricted for settlement of bills payables and concessionaire sales of precious metal.

2. 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 2018 is approximately 0.3% (2017: 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.

27. BILLS, TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**2,190,418**	2,833,271
Bills payables	**78,600**	95,600
Total trade payables	**2,269,018**	2,928,871
Deposits and prepayments received from pre-sale of properties	**—**	1,395,995
Payables for purchase of property, plant and equipment	**829,962**	955,410
Suppliers' deposits	**336,475**	265,114
Accrued expenses	**152,862**	169,437
Other taxes payables	**120,977**	137,515
Accrued salaries and welfare expenses	**53,958**	62,255
Interest payable	**30,762**	30,081
Other payables	**583,681**	500,963
	4,377,695	6,445,641

27. BILLS, TRADE AND OTHER PAYABLES (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
0 to 30 days	**1,701,840**	2,194,097
31 to 60 days	**222,584**	217,729
61 to 90 days	**107,599**	97,948
Over 90 days	**236,995**	419,097
	2,269,018	2,928,871

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

28. AMOUNTS DUE TO RELATED COMPANIES

	2018 RMB'000	2017 RMB'000
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) (Note 1)	**126,269**	131,996
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 1)	**63,414**	69,154
昆山金鷹置業有限公司 (Kunshan Golden Eagle Real Estate Co., Ltd.) (Note 1)	**56,287**	56,287
南京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)	**2,614**	8,147
吉林正業集團有限責任公司 (Jilin Zhengye Group Ltd.) (Note 2)	**1,947**	1,350
鹽城金鷹科技實業有限公司 (Yancheng Golden Eagle Technology Industrial Co. Ltd.) (Note 1)	**790**	10,259
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
Others (Note 1)	**8,516**	18,624
	259,837	305,690

28. AMOUNTS DUE TO RELATED COMPANIES (CONTINUED)

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 with 60 days. All these amounts are unsecured, interest free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. Non-controlling shareholder of the Group.

29. BANK LOANS

	2018 RMB'000	2017 RMB'000
Secured Syndicated Loan (defined as below)	**4,269,771**	4,799,852
Carrying amount repayable*:		
Within one year	**218,666**	4,799,852
More than two year, but not exceeding three years	**4,051,105**	—
	4,269,771	4,799,852
Less: Amount due within one year shown under current liabilities	**218,666**	4,799,852
Amount due after one year	**4,051,105**	—

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

In April 2018, the Group arranged a syndicated loan in the principal amounts of USD 430,000,000 and HK$1,781,000,000 (equivalent to RMB4,130,771,000) to re-finance the maturing syndicated loan of RMB4,799,852,000 as at 31 December 2017. The new syndicated loan carries interest at LIBOR/HIBOR plus 2.5% (2017:2.3%) per annum and repayable in full in April 2021. The effective interest rates for the syndicate loan outstanding during the year are 5.6% to 6.1% (2017: 3.2% to 4.6%). Details of the assets pledged for the syndicated loan facilities are set out in note 40.

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

	2018 RMB'000	2017 RMB'000
USD	**2,791,462**	3,949,970
HK$	**1,478,309**	849,882
	4,269,771	4,799,852

30. PREPAYMENTS FROM CUSTOMERS/CONTRACT LIABILITIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayments from customers (i)	**2,510,436**	2,301,648

	31 December 2018 RMB'000	1 January 2018* RMB'000
Contract liabilities:		
Deposits and prepayments received from pre-sale of properties (ii)	**802,305**	1,311,188
Deferred revenue arising from the Group's customer loyalty programmes (iii)	**25,201**	25,496
	827,506	1,336,684

* The amounts in this column are after the adjustments from the application of HKFRS 15.

Typical payment terms which impact on the amount of prepayments from customers/contract liabilities recognised are as follows:

(i) prepayments from customers

The Group receives 100% of the face value of gift cards, which have no expiration.

(ii) Sales of properties

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such advance payments result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payments contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

RMB998,110,000 related to deposits and prepayments received from pre-sale of properties was recognised as revenue during the year ended 31 December 2018, which was included in contract liabilities at the beginning of the current year.

(iii) Customer loyalty programmes

At the end of each reporting period, the customer loyalty points will be expired within three months.

31. PRC MEDIUM-TERM NOTES

	2018 RMB'000	2017 RMB'000
PRC medium-term notes	**1,497,180**	1,493,850
Interest payable within one year reclassified as current liabilities under other payables	**16,576**	16,576
	1,513,756	1,510,426
Carrying amount repayable:		
Within one year	**1,513,756**	16,576
More than one year, but not exceeding two years	**—**	1,493,850
	1,513,756	1,510,426
Less: Amount due within one year shown under current liabilities	**1,513,756**	16,576
Amount due after one year	**—**	1,493,850

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 September 2019. The interest charged for the year is calculated by applying an effective interest rate of approximately 4.17% per annum since the 2016 Notes were issued.

32. SENIOR NOTES

	2018 RMB'000	2017 RMB'000
Senior notes	**2,579,227**	2,451,306
Interest payable within one year reclassified as current liabilities under other payables	**14,186**	13,505
	2,593,413	2,464,811
Carrying amount repayable:		
Within one year	**14,186**	13,505
More than one year, but not exceeding five years	**2,579,227**	—
More than five years	**—**	2,451,306
	2,593,413	2,464,811
Less: Amount due within one year shown under current liabilities	**14,186**	13,505
Amount due after one year	**2,579,227**	2,451,306

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 repayment of Group's short-term bank loans and for other general corporate purposes, including capital expenditures.

At any time, the Company may at its option redeem the 2013 Notes, (1) in whole but not in part, at the principal amount, together with accrued and unpaid interest, if any, to the redemption date upon certain changes in the tax laws of certain tax jurisdictions, or (2) in whole or in part, at a redemption price equal to 100% of the principal amount of the 2013 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

32. SENIOR NOTES (CONTINUED)

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% (2017: 4.796%) per annum to the liability component since the Notes were issued at a discount.

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

33. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2017	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
Shares repurchased and cancelled	(6,393,000)	(639)
Exercise of share options	11,979,000	1,198
At 31 December 2018	1,679,406,000	167,941

	RMB'000
Shown in the consolidated statement of financial position:	
At 31 December 2018	**176,865**
At 31 December 2017	176,368

33. SHARE CAPITAL (CONTINUED)

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

Month of repurchase	No. of ordinary shares of HK$0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid	
		HK$	HK$	HK$'000	RMB equivalent'000
For the year ended 31 December 2018					
– January 2018	**468,000**	**9.94**	**9.35**	**4,477**	**3,697**
– July 2018	**839,000**	**9.60**	**9.51**	**8,049**	**6,853**
– August 2018	**3,973,000**	**8.98**	**8.66**	**35,565**	**30,931**
– September 2018	**166,000**	**8.49**	**8.23**	**1,394**	**1,224**
– October 2018	**581,000**	**8.50**	**7.90**	**4,803**	**4,243**
	6,027,000			**54,288**	**46,948**
For the year ended 31 December 2017					
– September 2017	1,339,000	9.48	9.02	12,201	10,220
– November 2017	254,000	9.33	9.23	2,364	1,996
– December 2017	112,000	9.43	9.23	1,053	884
	1,705,000			15,618	13,100

In addition, during the year ended 31 December 2018, a total of 11,979,000 (2017: 273,000) ordinary shares of HK$0.10 each of the Company were issued at HK$4.20 (2017: HK$4.20) 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 2018, a total of 6,027,000 shares were repurchased and a total of 6,393,000 shares were cancelled (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).

34. RESERVES

Special reserve

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

Statutory surplus reserve

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

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

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

35. 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 HK$1.00 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.

35. 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 HK$5 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 HK$1.00 for each lot of options. The exercise price is determined by the Directors, 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 HK$
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

35. SHARE-BASED PAYMENTS (CONTINUED)

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

	Outstanding at beginning of the year	Reclassification	Exercised during the year	Forfeited during the year	Outstanding at end of the year
For the year ended 31 December 2018					
Executive director	**100,000**	**—**	**(100,000)**	**—**	**—**
Key management	**980,000**	**550,000**	**(930,000)**	**—**	**600,000**
Other employees	**12,999,000**	**(550,000)**	**(10,949,000)**	**(600,000)**	**900,000**
	14,079,000	**—**	**(11,979,000)**	**(600,000)**	**1,500,000**
Exercisable at 31 December 2018					**1,500,000**
Weighted average exercise price (HK$)	**6.33**	**—**	**4.20**	**14.70**	**19.95**
For the year ended 31 December 2017					
Executive director	—	100,000	—	—	100,000
Key management	2,160,000	230,000	(40,000)	(1,370,000)	980,000
Other employees	14,612,000	(330,000)	(233,000)	(1,050,000)	12,999,000
	16,772,000	—	(273,000)	(2,420,000)	14,079,000
Exercisable at 31 December 2017					13,509,000
Weighted average exercise price (HK$)	7.96	—	4.20	17.87	6.33

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$8.80 (2017: HK$11.80).

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.

36. 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
Less: non-controlling interests	(98,000)
	102,000
Satisfied by:	
Cash consideration paid	102,000
Net cash outflow on acquisition	
Cash consideration paid	102,000
Less: cash and cash equivalents acquired	(185)
	101,815

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

37. DISPOSAL OF A SUBSIDIARY

On 18 July 2018, the Group entered into an equity transfer agreement with Nanjing Golden Eagle International Group Co., Ltd., an indirect wholly-owned subsidiary of GEICO, to dispose of 100% equity interests in 常州金鷹國際購物中心有限公司 (Changzhou Golden Eagle International Shopping Centre Co., Ltd.) ("Changzhou Golden Eagle"), for a cash consideration of approximately RMB64,009,000. Upon the completion of the disposal, Changzhou Golden Eagle International Shopping Centre Co., Ltd. ceased to be a subsidiary of the Group.

Analysis of assets and liabilities of Changzhou Golden Eagle over which control was lost:

	2018 RMB'000
Construction in progress	300
Deferred tax asset	19
Amounts due from group companies	13,535
Other receivable	50,000
Bank balances and cash	154
Other payables	(1)
Net assets	64,007
Gain on disposal of a subsidiary	
Consideration received	64,009
Net assets disposed of	(64,007)
Gain on disposal	2
Net cash inflow on disposal of a subsidiary	
Consideration received in cash	64,009
Less: cash and cash equivalent balances disposed of	(154)
	63,855

38. OPERATING LEASES

The Group as leasee

	2018 **RMB'000**	2017 RMB'000
Minimum lease payments paid under operating leases during the year	**22,311**	27,440

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 commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**18,700**	27,431
In the second to fifth year inclusive	**38,939**	98,445
Over five years	**28,993**	291,347
	86,632	417,223

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:

	2018 **RMB'000**	2017 RMB'000
Within one year	**6,691**	—
In the second to fifth year inclusive	**6,468**	—
	13,159	—

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 2018 amounted to RMB287,920,000 (2017: RMB222,526,000).

38. 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:

	2018	2017
	RMB'000	RMB'000
Within one year	**610,201**	573,753
In the second to fifth year inclusive	**1,064,788**	967,771
Over five years	**354,000**	379,294
	2,028,989	1,920,818

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.

39. CAPITAL COMMITMENTS

	2018	2017
	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	**17,274**	2,420
– investments in associates	**25,000**	23,400
– investments in joint ventures	**—**	41,436
	42,274	67,256
Other commitment:		
– construction of properties under development (Note)	**90,811**	316,493

Note: As at 31 December 2017, included in the balance was RMB30,259,000 capital expenditure contracted for with fellow subsidiaries of the Group (2018:nil).

40. 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:

	2018	2017
	RMB'000	RMB'000
Equity instruments at FVTOCI	**53,952**	—
AFS investments	**—**	120,425
Restricted cash	**55,819**	44,613
	109,771	165,038

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

	2018	2017
	RMB'000	RMB'000
Restricted cash	**49,489**	69,690

41. 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 RMB42,207,000 (2017: RMB48,920,000) 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.

42. 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	2018 RMB'000	2017 RMB'000
Fellow subsidiaries	Property and ancillary facilities rentals paid	**253,258**	193,187
	Property management fee paid	**133,823**	81,548
	Management fee received	**30,668**	26,176
	Decoration service fee paid	**17,206**	120,408
	Project management service fee paid	**9,515**	69,795
	Carpark rental income received	**3,162**	2,633
	Carpark management service fee paid	**1,914**	1,856
	Guarantee income received	**—**	1,200
Associate	Purchase of merchandise	**18,430**	—

b) Compensation of key management personnel:

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

	2018 RMB'000	2017 RMB'000
Salaries and other benefits	**4,181**	4,997
Retirement benefits schemes contributions	**333**	461
Equity-settled share-based payments	**100**	368
	4,614	5,826

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.

43. FINANCIAL GUARANTEE

	2018 RMB'000	2017 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers	**182,102**	599,260

The Group has in cooperation with certain financial institutions arranged mortgage loan facilities for its purchasers of properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the satisfaction of mortgaged loan by the purchase of properties, whichever is earlier. In the opinion of the Directors, the fair value of the financial guarantee contracts is not significant.

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, PRC medium-term notes and senior notes disclosed in notes 29, 31 and 32 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 Group 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

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost	**6,280,253**	—
Financial assets at FVTPL	**1,139,425**	—
Equity instruments at FVTOCI	**172,078**	—
Loans and receivables	**—**	7,616,154
AFS investments	**—**	309,920
	7,591,756	7,926,074
Financial liabilities		
Amortised cost	**(14,911,259)**	(13,697,715)

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For the year ended 31 December 2018

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices

The Group's major financial instruments include equity investments, trade and other receivables, wealth management products issued by banks, structured bank deposits, restricted cash, bank balances and cash, amounts due from related companies, amounts due to related companies, bills, trade and other payables, bank loans, senior notes and PRC medium-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain of the Group's bank balances and cash, restricted cash, equity instruments at fair value through other comprehensive income, bank loans and senior notes are denominated in HK$ or USD which expose the Group to foreign currency risk attributable to the fluctuations in the exchange rates of USD/HK$ 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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**5,370,689**	6,414,781	**213,611**	817,820
HK$	**1,478,309**	849,882	**201,167**	213,053

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

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk (Continued)

Currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2017: 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% (2017: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where RMB strengthen 5% (2017: 5%) against the relevant currency. For a 5% (2017: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	USD Impact		HK$ Impact	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
Post-tax profit	**258,026**	279,848	**66,763**	31,841
Equity	**—**	—	**(2,906)**	—

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 financial assets, including bank loans, wealth management products issued by banks, 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.

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45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk (Continued)

Interest rate risk (Continued)

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, wealth management products issued by banks 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 (2017: 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 (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit ended 31 December 2018 would decrease/increase by RMB21,349,000 (2017: decrease/increase by RMB23,999,000).

Other price risk

Equity price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL and FVTOCI (2017: AFS investments). 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 analysis of equity securities with fair value measurement categorised within Level 1, the sensitivity rates are 15 % and 30% (2017: 15% and 30%) respectively in the current year as a result of the volatile financial market.

- If the prices of the respective equity instruments had been 15% (2017: 15%) higher/lower, the post-tax profit for the year ended 31 December 2018 would increase/decrease by RMB2,185,000 (2017: N/A) as a result of the changes in fair value of investments at FVTPL (2017: N/A), and the investment revaluation reserve would increase/decrease by RMB21,538,000 (2017: increase/decrease by RMB39,382,000) as a result of the changes in fair value of investments at FVTOCI (2017: AFS investments).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Market risk (Continued)

Other price risk (Continued)

Equity price risk (Continued)

- If the prices of the respective equity instruments had been 30% (2017: 30%) higher/lower, the post-tax profit for the year ended 31 December 2018 would increase/decrease by RMB4,370,000 (2017: N/A) as a result of the changes in fair value of investments at FVTPL (2017: N/A), and the investment revaluation reserve would increase/decrease by RMB43,076,000 (2017: increase/decrease by RMB78,764,000) as a result of the changes in fair value of investments at FVTOCI (2017: AFS 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 and impairment assessment

As at 31 December 2018, 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.

Except for short-term loans and financial guarantee, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of the year.

The Group has concentration of credit risk as 86.3% and 92.8% of the total trade receivables were due from third-party payment financial institutions, like union pay, alipay and wechat pay as at 31 December 2018 and 31 December 2017 respectively. The Group's remaining trade receivables were mainly receivables from corporate customers and individually contributed less than 10% of the total trade receivables. In the opinion of the management of the Group, the Group has no significant credit risk for the receivables from third-party payment financial institutions.

For other receivables, the management of the Group makes periodic collective as well as individual assessment on the recoverability of these financial assets based on historical settlement records and past experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year.

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Credit risk and impairment assessment (Continued)

In order to minimise the credit risk with the corporate customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade and other receivables. The management of the Group believes that the Group's credit risk in trade and other receivables is significantly reduced, and ECL is insignificant.

The credit risk on amounts due from related companies is minimal as such related parties have sufficient capital to settle the debt, thus no impairment loss allowance was recognised.

The credit risk on restricted cash and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies, thus the risk of default is regard as low.

The Group typically provides guarantees to banks in connection with customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and re-sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk is significantly reduced. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

Except for trade receivables applying simplified approach and being classified as not credit-impaired, the remaining financial assets of the Group measured at amortised cost are classified within stage 1 for measurement of ECLs.

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 2018, the Group has available unutilised banking facilities of RMB16,000 million (2017: 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.

45. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (Continued)

Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average effective interest rate %	Within 1 year 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 2018						
Non-derivative financial liabilities:						
Bills, trade and other payables	–	3,794,808	–	–	3,794,808	3,794,808
Prepayments from customers	–	2,510,436	–	–	2,510,436	2,510,436
Amounts due to related companies	–	259,837	–	–	259,837	259,837
Bank loans	5.95	218,666	4,633,599	–	4,852,265	4,269,771
Senior notes	4.80	106,770	3,018,227	–	3,124,997	2,579,227
PRC medium-term notes	4.17	1,541,113	–	–	1,541,113	1,497,180
Guarantee in respect of mortgage facilities for certain purchasers	–	141,352	40,750	–	182,102	182,102
		8,572,982	7,692,576	–	16,265,558	15,093,361
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
Guarantee in respect of mortgage facilities for certain purchasers	–	467,194	132,066	–	599,260	599,260
		10,448,910	2,162,296	2,686,373	15,297,579	14,296,975

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.

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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 and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets and financial liabilities 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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2018 RMB'000	31 December 2017 RMB'000		
AFS listed equity securities	**–**	309,920	Level 1	Quoted prices in active markets
Listed equity securities at FVTOCI	**172,078**	–	Level 1	Quoted prices in active markets
Listed equity securities at FVTPL	**19,421**	–	Level 1	Quoted prices in active markets
Structured bank deposits	**719,771**	717,933	Level 2	Discounted cash flow - future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
Wealth management products issued by banks/investments in interest bearing instruments	**300,233**	310,315	Level 2	Discounted cash flow - future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
Unquoted fund investment at FVTPL	**100,000**	–	Level 2	Fair value of underlying investment is determined on recent transaction price.

There were no transfers between Level 1 and 2 during both years.

45. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (Continued)

(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 2018, the Directors 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)
Non-cash changes:						
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
Financing cash flows	(984,035)	(116,519)	(60,600)	(728,642)	—	(1,889,796)
Non-cash changes:						
Foreign exchange translation	199,333	125,565	—	—	—	324,898
Finance costs recognised	254,621	119,556	63,930	—	—	438,107
Dividend declared	—	—	—	728,642	—	728,642
At 31 December 2018	4,269,771	2,593,413	1,513,756	—	—	8,376,940

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		Principal activities
			2018	2017	
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 – HK$10,000	**100%**	100%	Investment holding
Golden Eagle (Korea) Company Limited (金鷹(韓國)有限公司)	Hong Kong	Share capital – HK$7,800,000	**51%**	51%	Investment holding
Golden Ning (Hong Kong) Limited (金寧(香港)有限公司)	Hong Kong	Share capital – HK$100	**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 – HK$94	**100%**	100%	Investment holding
iPoints Reward (HK) Company Limited (愛積分(香港)有限公司)	Hong Kong	Share capital – HK$1	**100%**	100%	On-line trading
Golden Eagle & Wonderplace Fashion (HK) Company Limited	Hong Kong	Share capital – HK$72,428,000	**51%**	51%	Investment holding
Golden Eagle Retail Management Limited (金鷹商貿管理有限公司) (formerly known as Golden Eagle Media Enterprises Company Limited)	Hong Kong	Share capital – HK$1	**100%**	100%	Investment holding
Golden Eagle & Toebox Co., Limited	Hong Kong	Share capital – HK$12,000,000	**66%**	66%	Investment holding
Make The Brand Limited	Hong Kong	Share capital – HK$10	**60%**	60%	Inactive
Make The Brand Inc.	United States	Share capital – nil	**–**	60%	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 2018	2017	Principal activities
Skinmint Holdings LLC	United States	Share capital – USD100,000	**–**	60%	Inactive
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%	Provision of trade consulting services
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
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%	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 – RMB100,100,000	**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

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
			2018	2017	
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
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

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
			2018	2017	
南京建鄴金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of lifestyle center
淮北金鷹國際購物中心有限公司 (Huaibei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Operation of department store
合肥金鷹國際購物中心有限公司 (Hefei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Inactive
安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB15,000,000	**100%**	100%	Inactive
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%	Inactive
常州金鷹嘉宏購物廣場有限公司 (Changzhou Golden Eagle Jiahong Shopping Centre Co., Ltd.)	PRC	Registered capital – USD10,000,000	**100%**	100%	Inactive
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

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 2018	2017	Principal activities
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
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.)	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

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
			2018	2017	
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
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%	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 – RMB60,000,000	**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%	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 2018	2017	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%	Inactive
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, hotel operation 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 and operation of department store

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
			2018	2017	
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
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	**67%**	67%	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%**	100%	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%**	51%	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	**60%**	60%	Trading of cosmetic products
南京金鷹商貿控股集團有限公司 (Nanjing Golden Eagle Retail Holdings Group Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	N/A	Investment holding and trading
南京金鷹商業運營集團有限公司 (Nanjing Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB80,000,000	**100%**	N/A	Investment holding
南京金信通信息服務有限公司 (Nanjing Golden Eagle Information Service Co., Ltd.)	PRC	Registered capital – RMB50,000,000	**100%**	N/A	Communication and information service

47. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Notes:

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

2. All of the PRC subsidiaries are companies registered as limited liability companies under the PRC law, except for Nanjing Golden Eagle, Jiahong Golden Eagle, 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.

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:

	2018	2017
	RMB'000	RMB'000
Assets		
Equipment	**—**	2
AFS investments	**—**	2,715
Equity instruments at FVTOCI	**1,888**	—
Interests in and amounts due from unlisted subsidiaries	**3,276,210**	3,724,825
Other receivables	**4**	5
Amounts due from fellow subsidiaries	**526**	519
Bank balances and cash	**10,471**	7,447
	3,289,099	3,735,513
Liabilities		
Other payables	**17,771**	16,818
Senior notes	**2,579,227**	2,451,306
	2,596,998	2,468,124
Net assets	**692,101**	1,267,389
Capital and reserves		
Share capital (see note 33)	**176,865**	176,368
Reserves	**515,236**	1,091,021
Total equity	**692,101**	1,267,389

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

Movement in reserves

	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	–	–	26,994	(1,963)	49,281	166,877	241,189
Profit for the year	–	–	–	–	–	1,129,519	1,129,519
Net gain on fair value changes of AFS investments	–	–	–	100	–	–	100
Total comprehensive income for the year	–	–	–	100	–	1,129,519	1,129,619
Shares repurchased and cancelled	–	(1,309)	112	–	–	(8,911)	(10,108)
Shares repurchased but not cancelled	(31)	(369)	–	–	–	(2,480)	(2,880)
Exercise of share options	–	1,678	–	–	(687)	–	991
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 (note 13)	–	–	–	–	–	(264,195)	(264,195)
At 31 December 2017	(31)	–	27,106	(1,863)	31,628	1,034,181	1,091,021
Adjustments arising from initial application of HKFRS 9	–	–	–	(3,000)	–	3,000	–
At 1 January 2018 (restated)	(31)	–	27,106	(4,863)	31,628	1,037,181	1,091,021
Profit for the year	–	–	–	–	–	159,062	159,062
Net loss on fair value changes of equity instruments at FVTOCI	–	–	–	(830)	–	–	(830)
Total comprehensive income (expense) for the year	–	–	–	(830)	–	159,062	158,232
Shares repurchased and cancelled	–	–	522	–	–	(46,948)	(46,426)
Treasury shares cancelled	31	–	31	–	–	(31)	31
Exercise of share options	–	64,153	–	–	(21,100)	–	43,053
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	(1,398)	1,398	–
Reversal of equity-settled share-based payments	–	–	–	–	(2,033)	–	(2,033)
Dividends recognised as distribution (note 13)	–	–	–	–	–	(728,642)	(728,642)
At 31 December 2018	–	64,153	27,659	(5,693)	7,097	422,020	515,236