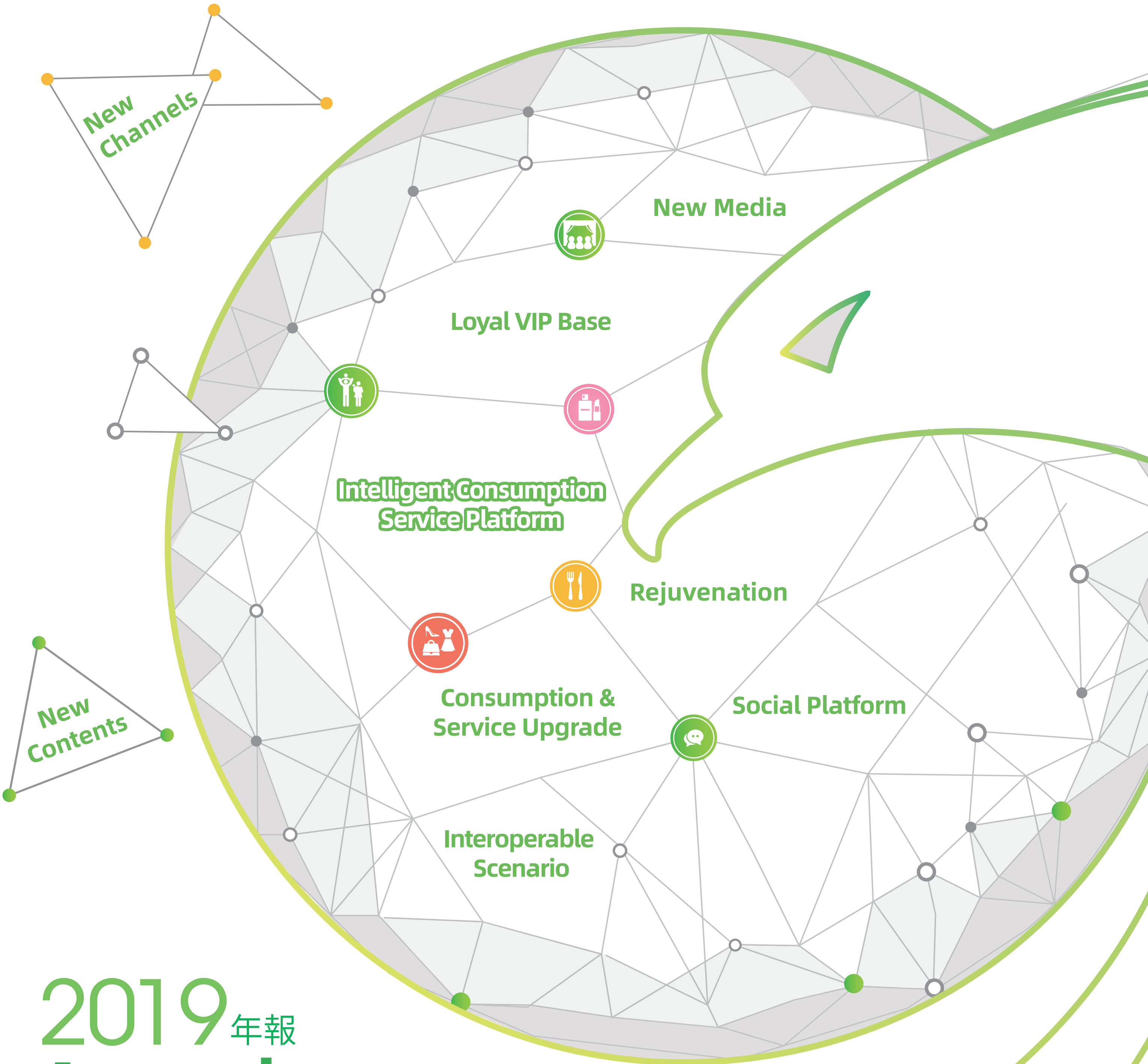
金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

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

一 站 式 滿 足 生 活 所 需
Enriching Life



2019年報
Annual Report

Spirit of Enterprise

Credible and Committed

Optimistic and Progressive

Dedicated and United

Diligent and Devoted

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Corporate Profile

BUILDING NATIONWIDE RETAIL CHAIN NETWORK WITH YANGTZE RIVER DELTA AS CORE

Since the opening of its first store, Nanjing Xinjiekou Store, and after 24 years of dedicated operation, the Group has successfully opened 31 self-owned stores in the People's Republic of China ("PRC") with a total gross floor area of 2,502,937 square meters and a total operating area of 1,712,198 square meters as at 31 December 2019. These stores are located in 17 cities, including 16 cities in four provinces of Jiangsu, Anhui, Shaanxi, Yunnan and the municipality of Shanghai. The 16 cities are Nanjing, Suzhou, Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Danyang, Kunshan, Wuhu, Ma'anshan, Huaibei, Xi'an and Kunming.

Leveraging on its leading position and strong competitive advantages in Jiangsu Province, the Group will continue to reinforce its market leadership and presence in Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai by establishing comprehensive lifestyle centres which can enhance the Group's competitive strengths in the long run and have huge potential for business growth. Meanwhile, the Group will gradually establish a nationwide retail chain network, with Yangtze River Delta as core, by actively exploring opportunities in those first- and second-tier cities as well as tapping into third-tier cities' immense potential for growth.

CONTINUING TO ENHANCE ORGANIC GROWTH AND DEVELOPING COMPREHENSIVE LIFESTYLE CENTRES

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 types of high-growth and high-gross margin retail businesses and product categories that enhance customers' shopping experience and interaction with stores. Therefore, the Group expanded the type of retail business about lifestyle and amenities that are related to children's development, maternity and baby care products, healthcare, pet care products, lifestyle tourism, household goods and cultural and creative activities in order to build comprehensive lifestyle centres that meet the needs for shopping, leisure and family gatherings. As at 31 December 2019, the Group operated 16 comprehensive lifestyle centres with a total gross floor area of 1,983,541 square meters. The type of retail business on lifestyle functions and amenities occupies 32.5% of the Group's total operating area. The Group is building up its core competitiveness by expanding its controllable resources.

EMPHASISING INCREMENTAL GROWTH IN DEVELOPMENT, CAPITALIZING ON CONSUMPTION UPGRADE AND EMERGING INDUSTRIES OF CHILDREN'S DEVELOPMENT AND EDUCATION, HEALTH MAINTENANCE AND MEDICAL CARE, AND BUILDING UP ASSET-LIGHT BUSINESS MODEL AND INTELLIGENT CONSUMPTION SERVICE PLATFORM

The Group will secure more core resources such as new content, new channels and new VIP members to foster its capabilities for operating its business with an asset-light business model and for providing service to meet the needs for long-term development: (i) New content. The Group will continue to invest and develop new types of business content to align itself with the trend of consumption upgrade. The new types of business content will be profitable and have a high rate of conversion and customer stickiness. The content of such businesses will also be innovated continuously and replicable; (ii) New channels. The Group will be able to develop new channels because of the new content. It will use those new channels to disseminate the new content to other channels beyond its existing ecosystem. This can make the content and channel becoming the driving force of each other's development and growth; (iii) New VIP members. The Group will recruit more VIP members by tapping the member resources of retail chain industry and its strategic partners. Leveraging on the social media and new technology, the Group will provide merchandise and comprehensive services in a more effective and accurate manner to recruit more VIP members from middle-class families and young consumer group whom are looking for personalised services. The Group will continue to strengthen the integration and utilisation of internal resources, and expediate collaboration with external shared platforms to create an agile and efficient intelligent service platform.

Corporate Profile

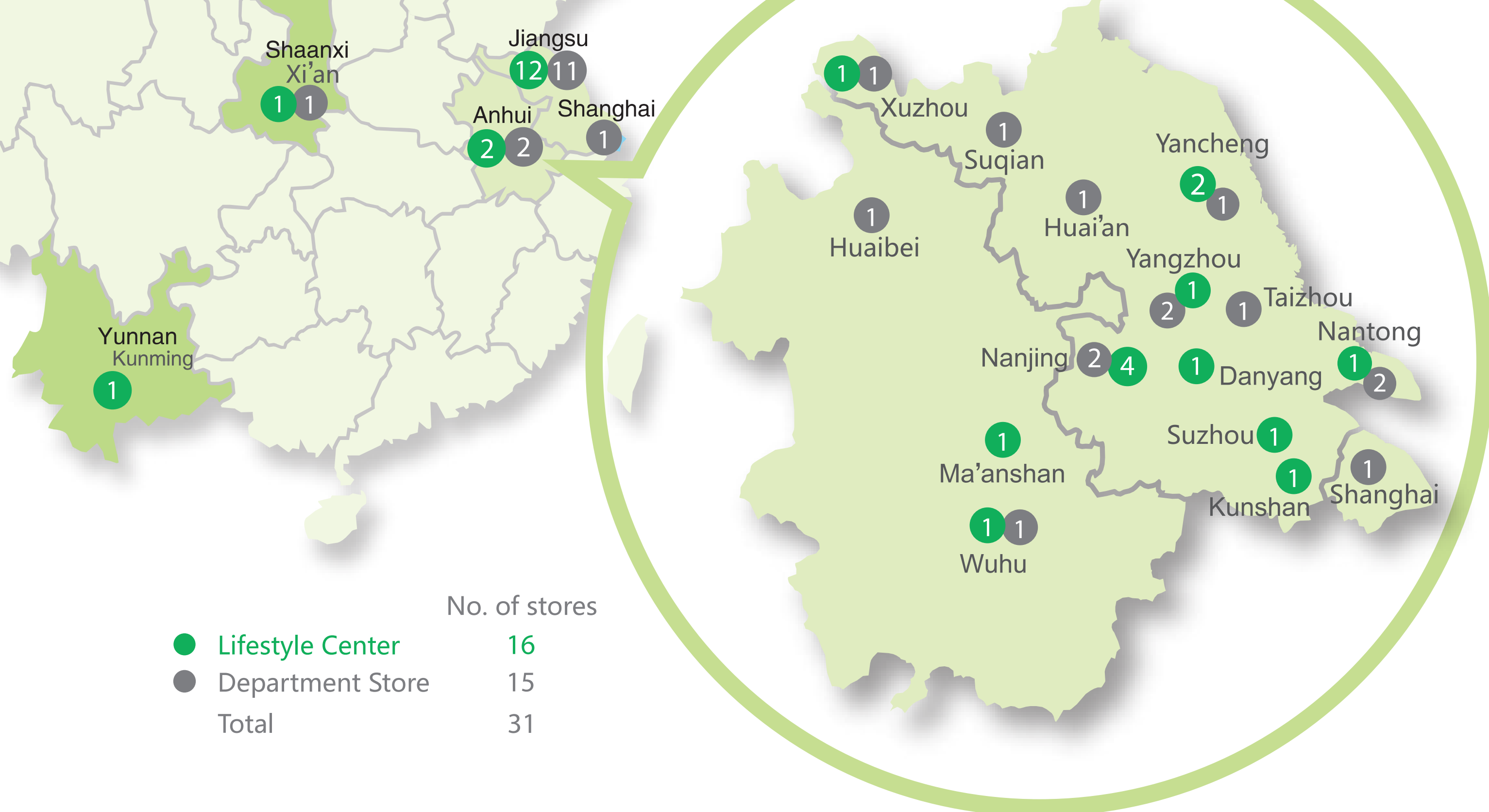
DEDICATED TO PROVIDING HIGH-QUALITY AND INNOVATIVE VALUE-ADDED VIP SERVICES AND OMNI-CHANNEL SHOPPING EXPERIENCE

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 centres, 7-Eleven convenience stores and the resources upstream and downstream along the value chain of the retail industry. Through its quality and convenient comprehensive lifestyle services, the Group has successfully conducted an online-and-offline two-way marketing, thus driving rapid growth in customer traffic and sales. As at 31 December 2019, the App has registered over 7.8 million downloads of which 3.0 million VIP customers connected their VIP membership cards with the App, while the number of members of WeChat and Weibo exceeded 2.9 million, with an average of 55,000 active daily users. At the same time, the Group has successfully secured over 3.8 million loyal VIP customers. During the year under review, the aggregate spending by VIP customers accounted for 58.9% of the Group's total gross sales proceeds.

LOCALISED OPERATION STRATEGIES AND MANAGEMENT WITH INTERNATIONAL PERSPECTIVE

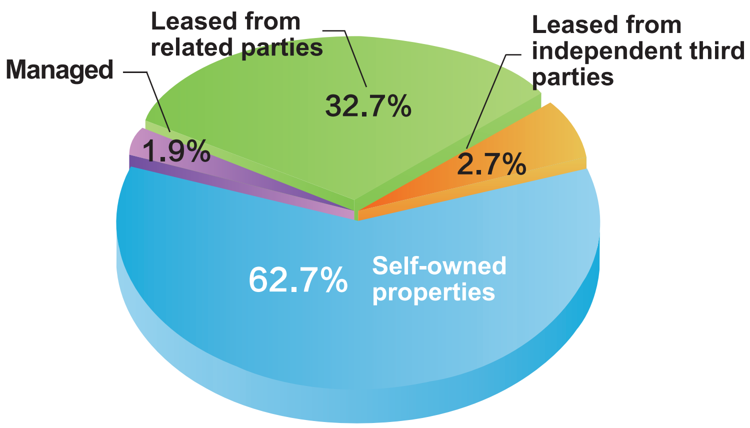
The Group appreciates the dedication and contribution of its staff and fosters their capabilities, competence and international perspective by conducting regular professional training sessions and overseas study trips for both the management and other staff. The Group has also implemented localised management 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 the respective markets. As at 31 December 2019, the Group had approximately 3,300 employees.

Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 62.7%* of total gross floor area

	Gross Floor Area (square meters)			
	Store in operation	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 #	110,974		110,974
5	Xi'an Gaoxin Store	32,878		32,878
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 Hubin Tiandi Store #	168,900	47,494	216,394
15	Anhui Huaibei Store		34,714^	34,714
16	Suqian Store	65,410		65,410
17	Xuzhou People's Square Store	37,457		37,457
18	Yancheng Outlet Store		18,377	18,377
19	Yancheng Julonghu Store #		110,848	110,848
20	Nantong Lifestyle Store #	94,700		94,700
21	Danyang Store #		52,976	52,976
22	Kunshan Store #	118,500		118,500
23	Nanjing Jiangning Store #		144,710	144,710
24	Anhui Ma'anshan Store #		87,568	87,568
25	Nantong Renmin Road Store	30,191		30,191
26	Anhui Wuhu Store	30,629		30,629
27	Anhui Wuhu New City Store #	98,906		98,906
28	Xi'an Qujiang Store # @			48,502
29	Suzhou Store #	176,764		176,764
30	Golden Eagle World #		251,019	251,019
31	Yangzhou New City Center #	153,560		153,560
	Total			2,502,937 &



* As a percentage of total gross floor area (square meters) as at 31 December 2019
\# Positioned as lifestyle center
@ Managed store
& Excludes Liyang Store, Jiahong and Lianyungang Supermarkets and Changzhou and Yancheng Aquariums, with total gross floor area of 96,124 sq.m.
^ Leased from independent third parties

Corporate Information

EXECUTIVE DIRECTORS
Mr. Wang Hung, Roger
Ms. Wang Janice S. Y.
Mr. Hans Hendrik Marie Diederen

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wong Chi Keung
Mr. Lay Danny J
Mr. Lo Ching Yan

REGISTERED OFFICE
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman KY1 -1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC
17th Floor, Block A, Golden Eagle World
No. 888 Yingtian Street, Jianye District
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. Lo Ching Yan

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

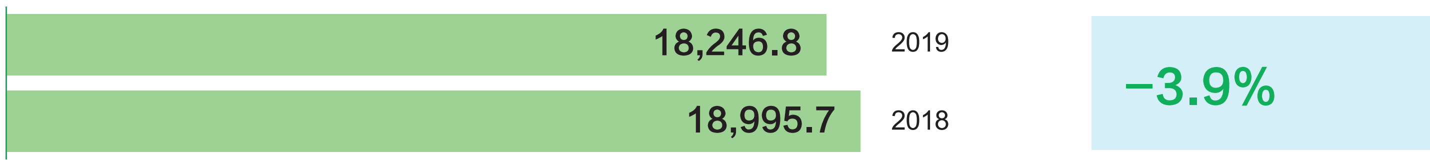
HONG KONG LEGAL ADVISORS
Raymond Siu & Lawyers
Units 1302 & 1802, Ruttonjee House
11 Duddell Street
Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

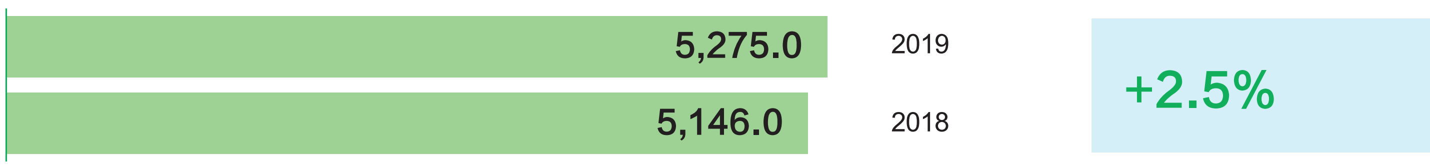
HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

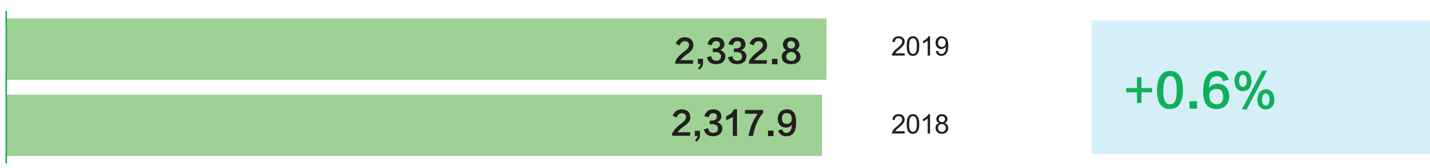
Gross Sales Proceeds (RMB Million)



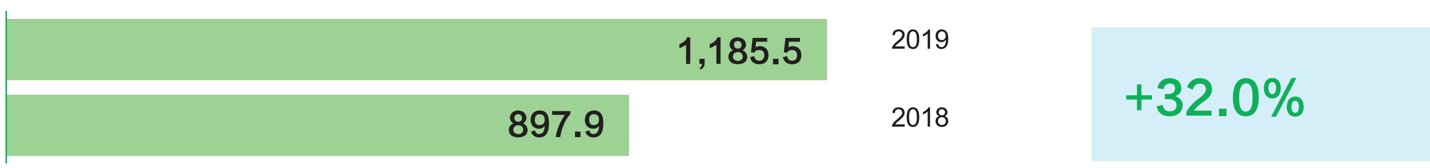
Revenue from Retail Operations (RMB Million)



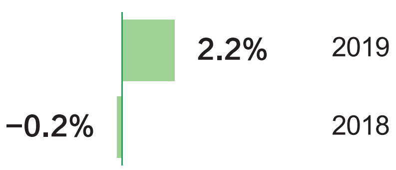
Retail Profit from Operations before Depreciation and Amortisation (RMB Million)



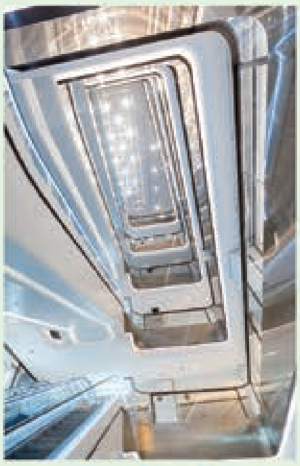
Profit Attributable to Owners of the Company (RMB Million)



Same-Store Sales Growth [1]



(1) Same-store sales growth represents change in total gross sales proceeds for retail chain stores having operations throughout the comparable period. Nanjing Xinjiekou Store underwent a major store revamp during the year and is excluded from the same-store sales growth calculation.



Enriching life with styles!

Five Years Financial Summary

	2015 RMB'000 (note 1) & (note 2)	2016 RMB'000 (note 2)	2017 RMB'000 (note 2)	2018 RMB'000 (note 2)	**2019** **RMB'000**	**2018 vs 2019** **%**
Consolidated Statement of Profit or Loss for the year ended 31 December						
Gross sales proceeds	16,293,848	16,400,924	17,233,460	18,995,678	**18,246,784**	(3.9)
Revenue	4,095,464	4,695,858	4,950,265	6,570,201	**6,149,446**	(6.4)
Profit from operations	1,208,440	1,475,362	1,648,220	2,323,362	**2,193,926**	(5.6)
Profit for the year attributable to owners of the Company	825,855	408,302	1,277,387	897,854	**1,185,480**	32.0
Basic earnings per share (RMB)	0.474	0.244	0.763	0.537	**0.706**	31.5
Consolidated Statement of Financial Position as at 31 December						
Non-current assets	12,275,154	12,845,327	14,103,438	13,824,381	**13,932,607**	0.8
Current assets	7,764,502	9,281,029	11,265,872	10,412,019	**9,009,664**	(13.5)
Total assets	20,039,656	22,126,356	25,369,310	24,236,400	**22,942,271**	(5.3)
Current liabilities	11,416,347	7,263,796	14,455,832	10,458,403	**8,575,684**	(18.0)
Non-current liabilities	3,475,941	9,776,877	4,694,857	7,458,568	**7,412,620**	(0.6)
Total liabilities	14,892,288	17,040,673	19,150,689	17,916,971	**15,988,304**	(10.8)
Net Assets	5,147,368	5,085,683	6,218,621	6,319,429	**6,953,967**	10.0
Capital and reserves						
Equity attributable to owners of the Company	5,128,197	5,071,328	6,100,322	6,207,771	**6,855,196**	10.4
Non-controlling interests	19,171	14,355	118,299	111,658	**98,771**	(11.5)
	5,147,368	5,085,683	6,218,621	6,319,429	**6,953,967**	10.0
Net assets per share attributable to owners of the Company (RMB)	3.039	3.028	3.645	3.696	**4.083**	10.5
Number of shares in issue (in thousand)	1,687,685	1,674,886	1,673,820	1,679,406	**1,679,038**	–

Notes:

(1) The financial information for the year 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.

(2) The financial information for each of the four years ended 31 December 2018 have been restated in order to include the results of the entity which was acquired under common control during the year ended 31 December 2019.

Chairman's Statement

INDUSTRY OVERVIEW

In 2019, the global economy demonstrated a softened momentum in its growth, the US-China trade war came to an end and negative shocks reduced gradually. China's economy remained generally stable with an upward trend. China's GDP reached RMB99.1 trillion, representing a year-on-year increase of 6.1% and ranking second in the world in terms of size of economy, while China's GDP per capita has reached a new level of US$10,000 for the first time. 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 2019, with disposable income per capita reaching nearly RMB40,000, reflecting the strong spending power and market potentials of the region.

For the development of retail industry, under the profound influence of the economic restructuring and upgrading in China and driven by the applications of emerging technologies and big data, the transformation of the retail industry in China is constantly accelerating. Restructuring the development ecology of the industry with technological innovations and content creativity has set a clear development landscape in synchronisation of all online and offline channels, all-round shopping environment, all categories of customers and all relevant sectors of industry. Looking from the perspective of consumption trends, essential living will be replaced by the "good living" aspiration and the growing middle-class will catalyse the development of a "quality economy". Improvement in service quality, provision of diversified shopping experience, creation of enriched content will become the new development trends in the retail industry.

OPERATION MANAGEMENT AND CORPORATE DEVELOPMENT

In 2019, the Group continued to leverage 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 emphasis on innovation. With a "quality economy"-oriented approach and "good living" aspiration, the Group expedited planning and adjustment of its store merchandise and further enhanced its organic growth and incremental development growth. The Group sustained improvement in its overall operation performance by focusing on its core business with efforts and meticulosity and constantly improving the quality of operational management and professional skills, enhancing customer service, enriching merchandise resources to fully reveal its growth potentials and further strengthening its creative promotion activities. Through the endeavors of the Group and its staff, the Group's customer traffic grew by 6.6%[(1)] year-on-year to 189.4 million visits in 2019 and gross sales proceeds ("GSP") amounted to RMB18,246.8 million. Revenue for the year amounted to RMB6,149.4 million, decreased by 6.4% year-on-year, of which retail revenue amounted to RMB5,275.0 million, representing a year-on-year increase of 2.5% (including the impact of 7-month renovation and upgrading of Nanjing Xinjiekou Store Block A). The revenue from property development and hotel operation dropped by 38.6% year-on-year to RMB874.4 million due to delivery of a significant portion of pre-sold properties in 2018. Profit from operation before depreciation and amortisation ("EBITDA") decreased by 4.0% year-on-year to RMB2,641.7 million as EBITDA from property development and hotel operation fell by 29.0% year-on-year to RMB308.9 million, while net profit attributable to shareholders reached RMB1,185.5 million, representing a year-on-year growth of 32.0%.

(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

Following the trend of consumption upgrade, the Group values merchandise resources as its core competitiveness and continued to expand its commercial brand resources. The Group strengthened its beauty brands offer through the introduction of popular brands such as Atelier Cologne and Darphin. At the same time, the Group enriched the selection at the ladies' apparel department, constantly upgraded sports brands to build the latest image stores, introduced talk-of-the-town tea houses and catering brands and brands that focus on education and pre-school learning to further strengthen its regional leadership in Nanjing, Xuzhou, Yancheng and Yangzhou. Suqian Store adjusted its merchandise brand offering extensively during its annual brand adjustment, accounting for 61.3% of its total gross floor area ("GFA"), to improve the store's overall brand grading. In the first month after brand adjustment, customer traffic of the adjusted area grew by 33.9% year-on-year, in which the sales performance of two sports brands increased by more than 200% year-on-year and the sales performance of four other brands rose by 100% to 200% year-on-year; 34 brands were newly introduced into Huai'an Store during the year and sales from the related brand adjustment area grew by 16.5% year-on-year, driving sales of the corresponding brand categories increased by 20% year-on-year, bringing vitality to the on-going optimisation of existing business.

At the beginning of June 2019, Nanjing Xinjiekou Store Block A commenced the store revamp ahead of its original schedule due to a fire incident and the grand opening was held on 20 December 2019. With the bold adoption of a linear shopping route, the renovation has changed the internal layout of the department store completely. To strengthen new brand injection in the region, the Group continued to debut many new brands in China, Jiangsu or Nanjing, to optimise its sports brands and to boldly introduce pet supplies store in order to further expand customer base. Basement B1 floor, connecting to the subway significantly attracted customers, with customer traffic on the first day of operation reached 78,000 visits, representing a year-on-year growth of 122.3%.

Xuzhou Store Block B, positioned to be a "paradise for trendsetters" commenced operation on 28 September 2019. It has introduced 8 new stores debut in Jiangsu, 30 new stores debut in northern Jiangsu and 30 flagship stores. Connecting to the Group's northern Jiangsu flagship store, Xuzhou Store Block A, with a sky corridor, the two towers share resources and drive traffic and sales to one and other to further enhance the market competitiveness and regional market position of Xuzhou Store. On the first day of operation, GSP of the store grew by 127.6% year-on-year and reached RMB10.7 million and attracted 99,000 visitors, representing an increase of 411.7% year-on-year.

The Group tapped on innovative amenities to create fun and enjoyable consumer experience. In 2019, several stores set up "Themed Exhibition" to attract customers and interactively cultivate loyal fans' cultural spirit. New media exhibitions, such as "Marine Life in the Forbidden City" at the Golden Eagle World Store and "The Wandering Earth" at the Kunshan Store have attracted visits from numerous families and young customers. Yancheng Julonghu Store, Kunshan Store and Danyang Store held a Golden Eagle adorable animals-themed exhibition respectively, which attracted a total of more than 35,000 visits in nearly four months of exhibition and generated ticket sales of over RMB500,000.

The Group continued to explore external quality resources such as featuring celebrities at several stores in the same city to create talk-of-the-town. Exclusive film promotion roadshows of "The Wild Goose Lake" starring Hu Ge and "Detective Chinatown Vol. 3" starring Liu Haoran and Chang Chunning were held exclusively at Golden Eagle World Store, Nanjing Xinjiekou Store and Nanjing Hubin Tiandi Store in Nanjing, which attracted nearly 500,000 visitors to the stores and received more than 300,000 views on social media, such as Weibo and WeChat.

Chairman's Statement

OUTLOOK

In 2020, the coronavirus outbreak severely impacted the global economy, market uncertainties intensified and downturn pressure on China's economy continued to increase, but thanks to the proper preventive measures and the fiscal policies issued by the Chinese government to stimulate consumption and support enterprises during the epidemic outbreak, the management is of the view that China's economy has entered into the stage of recovery. Benefitting from China's substantial domestic consumption market and spending potential, the China's economy is generally stable and maintains an upward trend in the long run. As such, the management remains optimistic about China's retail market development in the future. China is expected to devote more attention to the development of domestic market, especially in the five major economic growth potential of new consumption, new infrastructure, new services, new manufacturing and new value chains.

Looking at the development of retail industry, it is anticipated that the application of new technologies such as 5G, artificial intelligence and mobile internet will continue to serve as a catalyst for the transformation and innovation of the retail industry, enhancing consumer experience and accelerating the integration of online and offline channels. The Group will continue to develop business in a steady pace and flexible manner and strengthen its capability in risk tolerance. Focusing on investment in areas of consumption upgrade and deepening chain store development, the Group will continue to strengthen its regional market leadership and presence by establishing comprehensive lifestyle centres with potential for the Group's long-term competitive strength and business growth. At the same time, the Group will proactively push forward digital upgrades with the utilisation of big data and artificial intelligence to reduce operating costs and improve operational accuracy, thereby providing a better customer experience. Leveraging on Golden Eagle's intelligent consumption service platform, the Group aims to build a co-prosperity circle for all stakeholders.

In early 2020, the coronavirus outbreak affected offline business deeply. The Group's Jinying.com platform quickly empowered offline retail stores with online marketing of in-store products on the platform as well as live broadcast to supplement offline business. As of today, the single day sales of live broadcast reached RMB800,000, the average daily online sales exceeded RMB1.0 million, online orders increased by 300% year-on-year and repurchase rate reached 59%. In 2020, Jinying.com will continue to integrate offline and online channels through marketing and system supports, to make effective use of the ecological traffic of the 24/7 online platform, synchronise all online and offline channels and all-round shopping environment to enhance the platform's private domain penetration.

The Group will continue to optimise its existing retail properties with in-store renovations to uplift retail floor space and introduce rich variety of functions and amenities, gradually transforming existing retail properties into shopping centres. In 2020, Nanjing Jiangning Store will complete its store revamp with aesthetic and stylish interior design to optimise store traffic flow and store upgrades, introducing more benchmarking restaurants and fashionable brands to enhance its retail brand portfolio. Nanjing Zhujiang Road Store will be transformed from a traditional department store to an "urban chic" boutique shopping centre, introducing talk-of-the-town brands, international beauty brands, designer clothing brands and chic homeware stores, etc.. Taizhou Store will debut a sports benchmark brand in Taizhou after the store upgrade and established an area dedicated to stylish ladies' footwear, an upgrade in the ladies' apparel department will be completed in the third quarter of 2020, with a variety of trendy brands. Kunshan Store will continue to solidify its leading position in the region by introducing high-end beauty and renowned brands, creating market influence of sports and trendy brands in the region, and introducing talk-of-the-town catering brands to drive sustainable customer traffic.

Chairman's Statement

The Group will continue to optimise its new flagship store, Golden Eagle World Store, reinforce its prominent strengths, strive to be the landmark in the region, complete brand upgrades and expand merchandise resources. In order to building a comprehensive lifestyle centre of unique business landscape and of significant influence in the Asia Pacific region. Golden Eagle World Tower A has commenced full operation in September 2019. Functions and amenities located in Tower A including luxury hotel, G·Hotel, WeWork Co-working and Office Space and a number of international financial institutions headquarter offices will bring forth high-quality customer traffic to Golden Eagle World Store and gradually completed consumption ecological chain of full lifecycle.

In the forthcoming years, leveraging on the Group's leading position and strong competitive advantages in Jiangsu Province, the Group will continue to develop new markets proactively. Golden Eagle World commercial complexes in Nantong, Changzhou, Changchun and Yangzhou Jiangdu will be completed in stages, contributing a total GFA of approximately 736,000 square meters to the Group's comprehensive lifestyle centre portfolio. Along with the surrounding luxury hotels, offices and residences, the developing Golden Eagle Worlds will integrate leisure shopping, commercial offices and community lifestyle into a full life cycle ecosystem, with high-end amenities attracting customer traffic for the Group's operation, and ultimately driving sales growth to the Group.

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 2020, the Group will continue to overcome difficulties, grasp opportunities for development and make an effort to innovate as a cohesive force to achieve better returns for shareholders.

Wang Hung, Roger
Chairman

31 March 2020

Management Discussion and Analysis

FINANCIAL REVIEW

GSP and Revenue

During the year under review, gross sales proceeds ("GSP") of the Group decreased to RMB18,246.8 million, representing a year-on-year decline of 3.9% or RMB748.9 million. The decrease was mainly attributable to the net effects of (i) a year-on-year increase of 2.2% in retail same-store sales growth ("SSSG"); (ii) Nanjing Xinjiekou Store Block A having been closed for a major store revamp for 7 months (detailed below) and being excluded in the SSSG calculation. Nanjing Xinjiekou Store's GSP for the year 2019 decreased to RMB2,347.3 million, representing a year-on-year decline of 18.6% or RMB537.0 million; and (iii) the decrease in sales of properties by RMB573.2 million or 40.9% to RMB829.3 million due to delivery of a significant portion of pre-sold phase one units of Yangzhou New City Centre Project in the year 2018 to customers whereas no such material delivery of units happened in the year 2019.

The 9 new lifestyle centres opened since September 2014, namely Yancheng Julonghu Store, Nantong Lifestyle Centre, Danyang Store, Kunshan Store, Jiangning Store, Ma'anshan Store, Suzhou Gaoxin Lifestyle Centre, Golden Eagle World Store and Yangzhou New City Centre generated GSP in an aggregate sum of RMB3,955.0 million (2018: RMB3,622.2 million), which contributed 21.7% (2018: 19.1%) of the Group's total GSP during the year 2019.

On the other hand, Nanjing Xinjiekou Store recorded a negative SSSG of 18.6% and its GSP contribution to the Group's total GSP reduced from 15.2% in the year 2018 to 12.9% in the year 2019 due to the suspension of its Block A operation for 7 months. In the night of 24 May 2019, there was an outbreak of fire at the hotel segment on the 9th floor of Nanjing Golden Eagle Centre Tower A (which was not a premise of the Group and was closed for renovation). Tower A is also where Nanjing Xinjiekou Store Block A is located. Based on the information available to the Group, the fire was due to violation of certain regulations on the part of the construction contractor. The fire services authority swiftly responded and effectively controlled the situation and there were no casualties in the incident. The store and the in-store inventory were covered by insurance, while compensation will also be received from the construction contractor. Due to the fire outbreak, the operation of Nanjing Xinjiekou Store was suspended from 25 May 2019 to 1 June 2019. On 2 June 2019, Nanjing Xinjiekou Store Block B resumed operation. The Group has immediately commenced the major store revamp of Block A which was originally scheduled in July 2019. The Group resumed Block A operation on 20 December 2019. Block A's benchmark brands (which contributed 75% of Block A's GSP in the year 2018) were relocated to Block B and a majority of them resumed their operations in Block B prior to the end of June 2019 to facilitate the renovation of Block A.

The store revamp temporarily affected Nanjing Xinjiekou Store's operating performance in the second half of 2019. Nevertheless, the management believed that the store revamp is necessary to solidify the sustainable growth of this Nanjing flagship store of 24 years old in the long run.

During the year 2019, concessionaire sales contributed 75.4% (2018: 74.4%) of the Group's GSP, representing a decrease of 2.6% to RMB13,757.3 million from RMB14,125.2 million in the year 2018, while direct sales contributed 14.5% (2018: 13.3%) of the Group's GSP, representing an increase of 4.2% to RMB2,641.9 million, from RMB2,534.8 million in the year 2018. Rental income contributed 5.0% (2018: 4.3%) of the Group's GSP, representing an increase of 10.6% to RMB914.3 million from RMB826.8 million (restated). Sales of properties contributed 4.6% (2018: 7.4%) of the Group's GSP, representing a decrease of 40.9% to RMB829.3 million from RMB1,402.5 million. Other income contributed the remaining 0.5% (2018: 0.6%) of the Group's GSP, representing a decrease of 2.2% to RMB104.0 million from RMB106.4 million.

Management Discussion and Analysis

Commission rate from concessionaire sales decreased to 16.9% (2018: 17.7%) while gross profit margin from direct sales decreased to 12.6% (2018: 15.3%), resulting in a decrease in the overall gross profit margin from concessionaire sales and direct sales to 16.3% (2018: 17.3%). It was mainly due to the net effects of (i) the Group's continuous efforts to raise sales productivity with a reasonable profit margin; (ii) the increase in sales contribution from younger stores which carry lower commission rates when compared to mature stores like Nanjing Xinjiekou Store; (iii) the decrease in Nanjing Xinjiekou Store's GSP contribution during the year which affected the overall concessionaire sales margin by approximately 0.5%; and (iv) an one-off inventory clearance sales during the period from November 2018 to May 2019 to clear the Group's aged inventories which affected the direct sales margin by 2.5% for the year 2019.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed 45.0% (2018: 47.3%) of the GSP; sales of gold, jewellery and timepieces contributed 16.7% (2018: 16.5%); sales of cosmetics contributed 13.3% (2018: 11.8%); sales of outdoor and sports clothing and accessories contributed 9.7% (2018: 8.6%) 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 15.3% (2018: 15.8%) of the GSP.

As at 31 December 2019, the Group's completed properties for sale and properties under development for sale amounted to RMB958.3 million (2018: RMB1,051.8 million) and RMB1,074.8 million (2018: RMB1,303.4 million), respectively. Completed properties for sale refers to the Group's Riverside Century Plaza Project with total salable office and residential GFA of approximately 70.480.8 square meters as at 31 December 2019 (2018: 84,935.4 square meters), while properties under development for sale mainly comprised the Group's Yangzhou New City Centre Project with an estimated total salable commercial and residential GFA of approximately 106,718.7 square meters (2018: 166,830.0 square meters) and salable car parking spaces with GFA of approximately 24,484.8 square meters (2018: 34,056.1 square meters) as at 31 December 2019. The Group commenced pre-sale of the units in phase one of Yangzhou New City Centre Project since 2016 and these units were completed and delivered to customers in the second half of 2018 and the first half of 2019. The Group has commenced pre-sale of the units in phase two sub-section one since September 2017. Phase two is the last phase of Yangzhou New City Centre Project with two sub-sections. Sub-section one will be delivered to customers in 2020 and 2021, while sub-section two is yet to be developed.

Sales of properties amounted to RMB829.3 million (2018: RMB1,402.5 million) with a total GFA of 84,137.2 square meters (2018: 135,425.9 square meters) being sold during the year 2019. The sales were mainly contributed by the sales of properties of the Group's Yangzhou New City Centre Project which amounted to RMB647.9 million (2018: RMB979.9 million) and of Riverside Century Plaza Project located in Wuhu City, Anhui Province (one of the projects acquired by the Group in the year 2015) which amounted to RMB180.9 million (2018: RMB422.6 million). In the second half of 2018, a significant portion of the pre-sold phase one units of the Group's Yangzhou New City Centre Project had been delivered to customers which resulted in a surge in sales of properties during the year 2018. The remaining pre-sold phase one units were delivered to customers in the year 2019. Gross profit margin of the sales of properties during the year was 38.9% (2018: 32.4%). The increase was mainly due to the net effects of (i) the increase in sales of car parking spaces during the first half of the year 2019 which carried a lower gross profit margin than residential property sales; and (ii) the delivery of a majority of pre-sold phase two sub-section one units of Yangzhou New City Centre Project in the second half of the year 2019 which carried a higher gross profit margin than phase one units.

The Group's total revenue amounted to RMB6,149.4 million, representing a decrease of 6.4% from that of last year. The decrease in revenue was generally in line with the decrease in GSP.

Management Discussion and Analysis

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 increased by RMB400.6 million to RMB709.0 million for the year 2019 from RMB308.4 million (restated) for the year 2018. Such increase was primarily due to the net effects of: (i) the increase in income from suppliers and customers by 11.0% or RMB52.0 million to RMB525.3 million; (ii) the decrease in net foreign exchange loss of RMB224.5 million from RMB334.5 million for the year 2018 to RMB110.0 million for the year 2019; (iii) the gain on disposal/partial disposal of the Group's interests in Beijing Pop Mart Cultural & Creative Corp., Ltd. and Toebox Korea Ltd. ("Toebox") of RMB116.4 million (2018: a loss of RMB0.7 million); (iv) the gain on deemed disposal of the Group's interests in Whittle School & Studios Holdings, Ltd. ("Whittle") and Toebox in an aggregate amount of RMB40.4 million (2018: RMB2.5 million); (v) the impairment loss recognised in respect of the Group's interests in associates, mainly a 20%-owned associate, iP2 Entertainment Holding S.A. ("iP2 Entertainment"), in an aggregate amount of RMB53.2 million (2018: in respect of the Group's interest in a 42.6%-owned associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司) ("Allied"), in the amount of RMB25.1 million) and the amounts advanced to it in the amount of RMB18.6 million due to the challenging operating environment of iP2 Entertainment; and (vi) the decrease in impairment loss recognised in relation to store suspension of RMB14.9 million.

Changes in inventories of merchandise and cost of properties sold

Changes in inventories of merchandise and cost of properties sold represented the cost of goods sold under the direct sales business model and the cost of properties sold. Changes in inventories of merchandise and cost of properties sold decreased by RMB246.2 million or 8.8% year-on-year to RMB2,539.2 million for the year 2019. Such decrease was generally in line with the decrease in sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB20.4 million or 5.1% year-on-year to RMB381.3 million for the year 2019. Such decrease was primarily attributable to the net effects of: (i) the Group's continuous efforts to streamline the roles and functions of our employees at all levels; and (ii) 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 0.1 percentage point to 2.3% from 2.4% last year.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment, intangible asset and right-of-use assets and release of prepaid lease payments on land use rights increased by RMB18.4 million or 4.3% year-on-year to RMB447.8 million for the year 2019.

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

Management Discussion and Analysis

Rental expenses

Rental expenses increased by RMB9.5 million or 3.1% year-on-year to RMB319.7 million for the year 2019. The Group's rental arrangements were mainly pegged to the sales of the respective stores which were operated in leased properties. The increase in rental expenses is attributable to the increase in sales of these stores during the period under review.

Rental expenses as a percentage of GSP increased by 0.1 percentage point to 2.0% from 1.9% last year.

Other expenses

Other expenses increased by RMB7.9 million or 1.0% year-on-year to RMB814.1 million for the year 2019. 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. During the year under review, expenses for water and electricity decreased by RMB30.9 million or 13.8% year-on-year to RMB193.9 million and fees for property management increased by RMB1.6 million or 1.1% year-on-year to RMB146.9 million, whereas costs for repair and maintenance increased by RMB14.7 million or 35.4% year-on-year to RMB56.3 million.

Other expenses as a percentage of GSP increased by 0.1 percentage point to 5.0% from 4.9% 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 8.9%-owned (2018: 10.0%-owned) associate, Whittle, and 42.6%-owned (2018: 42.6%-owned) associate, Allied.

Whittle is principally engaged in the development and operation of global private schools for students with age ranging from 3 to 18. Whittle opened its first two schools in September 2019. The net loss attributable to the Group amounted to RMB106.4 million (2018: RMB40.9 million) during the year.

Allied is a company incorporated in 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. The net profit attributable to the Group amounted to RMB5.1 million during the year while net loss amounted to RMB47.1 million during the year 2018 due to challenging operating environment and impairments in its investment projects.

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 increased by RMB27.3 million or 1.4 times year-on-year to RMB47.3 million for the year 2019, which was mainly due to the increase in interest income from loans to third parties and associates by RMB15.9 million during the period under review.

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 remained stable at around RMB414.2 million for the year 2019 (2018: RMB416.7 million) primarily due to the net effects of: (i) the increase in interest rates and the depreciation of RMB against Hong Kong dollar ("HK$") and United States dollar ("USD") during the period under review; and (ii) the decrease in the average borrowings compared with those in the same period last year.

Income tax expense

Income tax expense of the Group decreased by RMB49.2 million or 6.5% year-on-year to RMB713.8 million for the year 2019. Effective tax rate for the year under review was 37.8% (2018: 46.1%). The year-on-year decrease of 8.3 percentage points in effective tax rate was mainly due to the decrease in offshore non-deductive expenses, namely net foreign exchange loss.

Profit for the year

Profit for the year increased by RMB281.4 million or 31.6% year-on-year to RMB1,172.6 million. Net profit margin, which measured net profit as a percentage of GSP, was 7.3% for the year 2019 (2018: 5.4%).

Profit from operations (net profit before interest, tax and other income and losses) decreased by RMB129.5 million or 5.6% year-on-year to RMB2,193.9 million (2018: RMB2,323.4 million (restated)), while EBITDA decreased by RMB111.1 million or 4.0% year-on-year to RMB2,641.7 million (2018: RMB2,752.8 million (restated)).

On the other hand, 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 RMB14.9 million or 0.6% year-on-year to RMB2,332.8 million (2018: RMB2,317.9 million (restated)); it would have increased by RMB189.8 million or 10.6% year-on-year if Nanjing Xinjiekou Store was excluded from the calculation.

During the year 2019, the aggregate net operating losses generated by 3 (2018: 5) loss making stores amounted to RMB37.0 million (2018: RMB42.9 million). Among these stores, one of them commenced its operation in 2017.

Capital expenditure

Capital expenditure of the Group for the year 2019 amounted to RMB466.1 million (2018: RMB300.4 million (restated)). 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. The capital expenditure spent during the year was mainly related to the store revamp work performed for Nanjing Xinjiekou Store and the construction of Xuzhou Store additional area. In September 2019, Xuzhou Store's additional area commenced operation which increased Xuzhou Store's retail GFA from approximately 59,934 square meters to approximately 110,974 square meters and transformed Xuzhou Store into a lifestyle centre featuring not only leading benchmarking retail brands but also a full range of lifestyle functions and amenities.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, 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 RMB5,804.4 million (2018: RMB6,463.9 million (restated)) whereas the Group's total borrowings (including bank borrowings, senior notes and PRC medium-term notes) amounted to RMB6,728.0 million (2018: RMB8,346.2 million). For the year ended 31 December 2019, the Group's net cash generated from operating activities amounted to RMB2,117.2 million (2018: RMB1,752.9 million (restated)), net cash generated from investing activities amounted to RMB213.0 million (2018: net cash used in investing activities amounted to RMB323.9 million (restated)) and net cash used in financing activities amounted to RMB2,585.7 million (2018: RMB1,892.6 million). During the last quarter of the year 2017, the Group further upgraded its SAP system and because of such upgrade, RMB1,340.2 million in trade payables was paid in early January 2018. Had the amount been paid prior to 31 December 2017, the Group's net cash generated from operating activities for the year ended 31 December 2018 would amount to RMB3,093.1 million.

As at 31 December 2019, the Group's bank borrowings amounted to RMB4,102.6 million (2018: RMB4,269.8 million), which comprised of its three-year dual-currency syndicated loan to be due in April 2021 amounted to RMB4,022.6 million (2018: RMB4,269.8 million) and short-term bank loans amounted to RMB80.0 million (2018: nil), and senior notes amounted to RMB2,625.4 million (2018: RMB2,579.2 million). The Group's PRC medium-term notes with the principal sum of RMB1,500.0 million due in September 2019 was fully repaid during the year 2019.

Total assets of the Group as at 31 December 2019 amounted to RMB22,942.3 million (2018: RMB24,236.4 million (restated)) whereas total liabilities of the Group amounted to RMB15,988.3 million (2018: RMB17,917.0 million (restated)), resulting in a net assets position of RMB6,954.0 million (2018: RMB6,319.4 million (restated)). The gearing ratio, which is calculated by having the Group's total borrowings divided by its total assets, decreased to 29.3% as at 31 December 2019 (2018: 34.4% (restated)).

FOREIGN EXCHANGE EXPOSURE

Certain bank balances and cash, equity 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 measures should the needs arise. For the year ended 31 December 2019, the Group recorded a net foreign exchange loss of RMB110.0 million (2018: RMB334.5 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2019, the Group employed a total of 3,300 employees (2018: 3,700 employees) with remuneration in an aggregate amount of RMB381.3 million (2018: RMB401.7 million (restated)). The Group's remuneration policies are formulated with reference to market practices, experiences, skills and performance of the individual employee and are reviewed every year.

Directors and Management Profiles

DIRECTORS

Executive Directors

Mr. Wang Hung, Roger (王恒), aged 71, 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 of America in 1969 and 1973 respectively. Mr. Wang established Transpacific Management Inc. in the United States of America 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 42 years of experience in the development and management of real estate and department store retailing and has served the Group for more than 27 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 36, joined the Group in 2006 and has held various positions in merchandising and retail operation. Ms. Wang became an executive Director of the Company since 30 March 2017. Ms. Wang graduated from University of California, Los Angeles with a bachelor degree in History/Art History in 2005. Ms. Wang is the daughter of Mr. Wang Hung, Roger, the chairman and the chief executive officer of the Company. Ms. Wang has over 13 years of experience in retail management and has served the Group for more than 13 years. Ms. Wang currently serves as a member of the Chairman's Office and is also responsible for managing the Group's Merchandising Centre, focusing on brand-building and tenant relationships management. She is also involved in the exploration of investment opportunities for the Company. Further, Ms. Wang actively participates in the Group's ongoing diversification and development strategies. Prior to joining the Group, she worked as a loan analyst at East West Bank in the United States of America, 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.

Mr. Hans Hendrik Marie Diederen, aged 53, joined the Group in November 2018 as a managing director of the Group and as a member of the Chairman's Office. Mr. Diederen became an executive Director of the Company since 19 March 2019. Mr. Diederen graduated from Erasmus University in Rotterdam, the Netherlands with a master degree in Commerce and Business Administration. 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.

Directors and Management Profiles

Independent non-executive Directors

Mr. Wong Chi Keung (黃之強), aged 65, has been serving the Company since February 2006. Mr. Wong holds an 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 has over 43 years of experience in finance, accounting and management. 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 10 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, Yuan Heng Gas Holdings Limited (formerly known as Ngai Lik Industrial Holdings Limited), Paliburg Holdings Limited, Regal Hotels International Holdings 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, and an independent non-executive director of China Shanshui Cement Group Limited during the period between 2 February 2016 and 23 May 2018. Mr. Wong was also an independent non-executive director of TPV Technology Limited immediately before the privatisation of such company with effect from 14 November 2019. Mr. Wong was an independent non-executive director of Nickel Resources International Holdings Company Limited (formerly known as China Nickel Resources Holdings Company Limited) immediately before the cancellation of listing of its shares by the Listing Committee of the Stock Exchange with effect from 14 February 2020. Mr. Wong was an independent non-executive director of Heng Xin China Holdings Limited (whose shares were cancelled from listing by the Listing Committee of the Stock Exchange with effect from 2 July 2019) from 17 October 2016 to 19 September 2017.

Directors and Management Profiles

Mr. Lay Danny J (雷王鯤), aged 68, was elected as an independent non-executive Director of the Company on 21 May 2014. Mr. Lay graduated with a B.S. in Physics from Chung Yuan University of Taiwan and obtained an 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. He is also a director and a member of the Board of Trustees at Drury University in Missouri of the United States of America. Mr. Lay has over 35 years of experience 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 Huobi Technology Holdings Limited (formerly known as 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.

Mr. Lo Ching Yan (盧正昕), aged 76, was elected as an independent non-executive Director of the Company on 23 May 2019. Mr. Lo graduated from National Chengchi University of Taiwan with a bachelor degree in International Trade and obtained an MBA degree in 1970 and an Honorary Doctor's degree in Law in 2008 from Indiana State University of the United States of America. Mr. Lo has been a banker for more than 41 years. He worked as a vice president at Citibank in New York from 1970 to 1976, and was seconded to Citibank in Taiwan from 1976 to 1986. He handled high-value syndicated loans and unsecured term loans for small and medium enterprises during his term of office in Taiwan. He established Bank SinoPac in Taiwan in 1992 and became its chief executive officer. In 1997, Bank SinoPac acquired Far East National Bank in California and he became the chairman of Far East National Bank. From 1997 to 2002, he also acted as the advisor of First Sino Bank in Shanghai to assist its growth during its start-up period. He established SinoPac Holdings Company Limited in 2002, which engages in commercial banking, securities and insurance. In 2010, he became the chairman of Cosmos Bank in Taiwan and was responsible for improving its business performance. In 2014, he left Cosmos Bank upon its acquisition by China Development Financial Holding Corporation, and became the chief executive officer of Taurus Investment Corporation. Mr. Lo has not held any directorship in any other listed companies in the last three years immediately preceding the date of this report.

Directors and Management Profiles

SENIOR MANAGEMENT (MEMBERS FROM THE CHAIRMAN'S OFFICE)

Mr. Li Pei (李培), aged 56, 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 an assistant president of the Group. Mr. Li was promoted as a vice president of the Group in January 2014 and has since been 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. Mr. Li has over 26 years of experience in retail management and has served the Group for more than 18 years.

Mr. Chong Sui Hiong (張瑞雄), aged 52, is a co-president of the Group. Mr. Chong graduated from Malaysia University of Technology in 1989 with a diploma in Civil Engineering. Mr. Chong also obtained a bachelor degree in Industrial and Systems Engineering from University of Southern California and an EMBA from Rutgers University in New Jersey of the United States of America. He serves as the Chief Executive Officer of Shanghai Golden Eagle Commercial Management Company Limited (the Group's Shanghai Merchandising Centre) since March 2019 and was appointed as a co-president of the Group since November 2019. Mr. Chong is responsible for the Group's merchandising management. Mr. Chong has over 25 years of experience in merchandising and corporate management.

Mr. Feng Zhuoming (馮卓明), aged 50, is a co-president of the Group. Mr. Feng graduated from Xi'an University of Architecture and Technology in 1991, majoring in Industrial and Civil Architecture. He obtained an MBA degree from China Europe International Business School (中歐國際工商學院) in 2014. He joined Golden Eagle International Group as an Executive Vice President in July 2006 and was appointed as a co-president of the Group since November 2019. He is responsible for the Group's construction planning and management. Mr. Feng has over 28 years of experience in engineering management, construction planning and management.

Ms. Huang Yumin (黃玉敏), aged 54, is the executive vice president of the Group. Ms. Huang obtained an 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 33 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 and the Group's automobile operations.

Ms. Wang Xuan (王軒), aged 46, is a 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 a vice president of the Group in February 2017. Ms. Wang is responsible for the integration of the Group's administration and marketing functions as well as managing the daily operations of the Group's Xinjiekou Store and Golden Eagle World Store. Ms. Wang has over 25 years of experience in corporate management and has served the Group for more than 15 years.

Directors and Management Profiles

Ms. Zhang Wanyu (張文煜), aged 49, is a vice president of the Group. Ms. Zhang obtained an 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 a vice president of the Group in February 2017. Ms. Zhang is responsible for the Group's financial and asset management. Ms. Zhang has over 28 years of experience in financial management and has served the Group for more than 8 years.

Mr. Tan Guanglin (談廣林), aged 40, is a 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 Centre of the Group and an assistant president of the Group. He was promoted as a vice president of the Group in January 2019 and is responsible for the information management and operation of e-commerce platform of the Group. Mr. Tan has more than 17 years of experience in information management and has served the Group for more than 17 years.

Ms. Tai Ping, Patricia (戴苹), aged 47, is the Chief Financial Officer of the Group. Ms. Tai obtained a double bachelor degree in Accounting and Information System from Monash University, Australia in 1995. Ms. Tai is a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Tai joined the Group in September 2008 as an 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 24 years of experience in auditing and financial management and has served the Group for more than 11 years.

Mr. Sun Jun (孫軍), aged 41, is an 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 an assistant president in February 2019 and is responsible for the Group's Ocean World operations and the Group's new business contents. Mr. Sun has over 20 years of experience in corporate management and has served the Group for over 5 years.

Mr. Tian Yong (田勇), aged 41, is an assistant president of the Group. Mr. Tian graduated from Nanjing Normal University (南京師範大學) in 2003, majoring in Journalism. He joined the Group in September 2003 and served as the manager and director of Xuzhou Store, the assistant general manager and deputy general manager of Suqian Store, and the deputy general manager and general manager of Xuzhou Store and Xuzhou People's Square Store. He was promoted as an assistant president of the Group in April 2019 and is responsible for the daily operational management of Xuzhou Store, Xuzhou People's Square Store and Kunshan Store. Mr. Tian has over 16 years of experience in retail management and has served the Group for more than 16 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 2019.

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 acquisitions, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. The Board is required to make decision in the best interests of the Company and its shareholders as a whole and fulfil their fiduciary duties.

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

BOARD COMPOSITION

During the period between 1 January 2019 to 18 March 2019, 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 the Board comprised 6 members. Mr. Wang Sung Yun, Eddie retired as an independent non-executive Director with effect from 23 May 2019 while Mr. Lo Ching Yan has been elected as an independent non-executive Director on the same date. 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 the Board 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 annual report.

During the year ended 31 December 2019, 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 met 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 and that it adheres to the Board Diversity Policy (as defined below).

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.

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year under review, 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. Since November 2018, Mr. Li Pei, the President of the Company, has been responsible for assisting the Chairman in the overall strategic development of the Group and the Group's senior management team is responsible for implementation of business strategy and management of the day-to-day operations of the Group's business. 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.

DIRECTORS NOMINATION POLICY

The procedures for nominating Directors are set out under the directors nomination policy of the Company. 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 the role of Director include, inter alia, 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 a 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 ("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 based on 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 its effectiveness.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the year ended 31 December 2019, three Board meetings were held and three sets of unanimous written resolutions of the Directors were passed. Notice of regular Board meetings is given to all Directors at least 14 days before each meeting, and all Directors were 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. The individual attendance of the Directors at the three Board meetings was as follows:–

Mr. Wang Hung, Roger (3/3)
Ms. Wang Janice S. Y. (3/3)
Mr. Hans Hendrik Marie Diederen (appointed on 19 March 2019) (2/3)
Mr. Wong Chi Keung (3/3)
Mr. Lay Danny J (3/3)
Mr. Lo Ching Yan (elected on 23 May 2019) (2/3)
Mr. Wang Sung Yun, Eddie (retired on 23 May 2019) (1/3)

Corporate Governance Report

During the year ended 31 December 2019, two general meetings were held. The individual attendance of each of the Directors at the general meetings was as follows:–

Mr. Wang Hung, Roger (1/2)
Ms. Wang Janice S. Y. (0/2)
Mr. Hans Hendrik Marie Diederen (appointed on 19 March 2019) (1/2)
Mr. Wong Chi Keung (2/2)
Mr. Lay Danny J (0/2)
Mr. Lo Ching Yan (elected on 23 May 2019) (0/2)
Mr. Wang Sung Yun, Eddie (retired on 23 May 2019) (0/2)

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/her 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 be required to abstain from voting 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 2019. 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 2019. This responsibility has also been mentioned in the Independent Auditor's Report on pages 88 to 91 of this annual report.

Corporate Governance Report

In preparing the financial statements for the year ended 31 December 2019, 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 2019 and interim results of the Group for the six months ended 30 June 2019 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 88 to 91 of this annual report. The auditors of the Company received approximately RMB2.49 million for the provision of audit services rendered during the year ended 31 December 2019 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 2019, the internal audit department had conducted reviews on the effectiveness of the internal control and risk management system covering all material factors related to financial, operational, compliance controls, various functions for risk management and asset and information security. Two bi-annual internal control reports containing its findings and results were reported to the Audit Committee during the Audit Committee meetings and had been delivered to all Directors for review.

The management of the Company 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 and adequate 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 2019 which required significant rectification works.

Corporate Governance Report

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 laws of the Cayman Islands 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. 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 complied with 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 2019 is as follows:

	Reading	Attending training programs
Mr. Wang Hung, Roger	√	√
Ms. Wang Janice S. Y.	√	√
Mr. Hans Hendrik Marie Diederen (appointed on 19 March 2019)	√	√
Mr. Wong Chi Keung	√	√
Mr. Lay Danny J	√	√
Mr. Lo Ching Yan (elected on 23 May 2019)	√	√
Mr. Wang Sung Yun, Eddie (retired on 23 May 2019)	√	√

BOARD COMMITTEES

During the year ended 31 December 2019, there were three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with specific terms of references to assist the Board in discharging its responsibilities.

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan. 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 2019, the Audit Committee reviewed the Group's interim and annual financial statements and the effectiveness of the Group's 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 2019 and for the year ended 31 December 2019;

(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 2019.

During the year ended 31 December 2019, 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), Mr. Wang Sung Yun, Eddie (retired on 23 May 2019) (1/2) and Mr. Lo Ching Yan (elected on 23 May 2019) (1/2).

Remuneration Committee

During the year ended 31 December 2019, 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 2019, 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 2019, 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 2019, one Nomination Committee meeting was held. The individual attendance of its members is as follows:–

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

CORPORATE GOVERNANCE FUNCTION

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

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 2019 as required by the Listing Rules.

Corporate Governance Report

COMMITMENT TO TRANSPARENCY

The Board puts emphasis on creating and maintaining a high level of transparency through timely disclosure of relevant information on the Group's business and activities to shareholders, investors, media and investing public through various channels, including the Company's annual general meetings, 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 from investors and the public. The executive Directors and senior management, who together oversee our business operations, are committed to respond 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 meetings and extraordinary general meetings
- analysts' briefings and press conferences following the announcements of interim and annual results
- timely updates of the Group's information on the websites of the Company and the Stock Exchange
- meetings with shareholders and the investing public
- prompt press releases and announcements regarding major corporate actions and business initiatives

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

The Company maintains a website at www.geretail.com where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted. Shareholders are encouraged to access corporate communications 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 public their awareness on the Group's vision and strategies.

Corporate Governance Report

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company did not amend its Articles of Association during the year ended 31 December 2019.

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 requisition, 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 2019.

The Group is principally engaged in the development and operation of lifestyle centre 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 centre 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 centre 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 vast majority of the Group's construction and renovation works on building and refurbishment works on retail floor space were sub-contracted to external contractors and the external contractors are responsible for handling all construction wastes. Nevertheless, the Group strives to reduce the needs for renovation and refurbishment, and gradually unifies our interior counter design to minimise construction wastes. The Group also encourages its contractors to adopt environmental friendly construction processes and to use environmental friendly building materials, such as adhesives, paints, coatings etc.

Environmental, Social and Governance Report

Waste prevention and management play an indispensable role in our overall environmental policy. Accordingly, the Group has established an effective waste management approach to ensure that collection and treatment of wastes 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 used 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 installed to gradually 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 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.

In our business operations, plastic bags have been used by business partners as major packaging materials for 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 our retail floor space. Reduction on plastic bag consumption was also achieved through charging customers for plastic bags at the Group's supermarkets.

Item		**2019**	**2019 (Intensity by square meter) (note 1)**	2018	2018 (Intensity by square meter) (note 1)
Total emissions	ton CO^2e	**324,162 tons**	**0.13 ton/m²**	327,137 tons	0.13 ton/m²
Total electricity consumption	kWh	**402,885,754 kWh**	**164 kWh/m²**	406,583,280 kWh	167 kWh/m²
Total water consumption	cube meter	**3,546,195 m³**	**1.44 m³/m²**	3,538,523 m³	1.45 m³/m²
Total non-hazardous waste produced	ton	**14,092 tons**	**0.01 ton/m²**	14,628 tons	0.01 ton/m²

Notes:

1. Total gross floor area, excluding Xi'an Qujiang managed store, of 2,454,435 square meters (2018: 2,441,305 square meters) is used for computation of intensity by square meter.

2. The above statistics are generally stable during the year 2019 as compared with the year 2018, which was primarily attributable to the net effects of: (i) the Group's continuous efforts to reduce emissions, consumption and waste; and (ii) the increase in emissions, consumption and waste due to the increase in the operating area of the Group's Nanjing Hubin Tiandi Store, Xuzhou Store and Golden Eagle World Store during the year.

Environmental, Social and Governance Report

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 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 vision to provide excellent customer services 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 services. A customer complaint handling measure is in place to receive, analyse, evaluate and handle complaints and make recommendations on remedies with the aim of improving service quality.

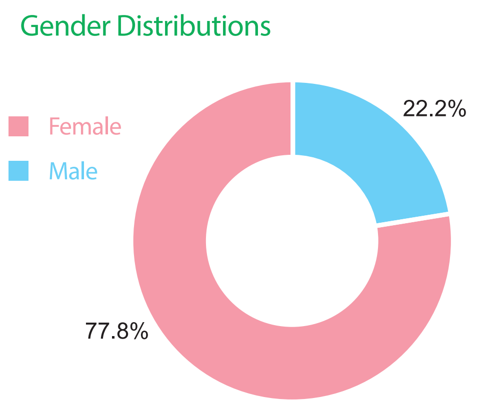
Business partners

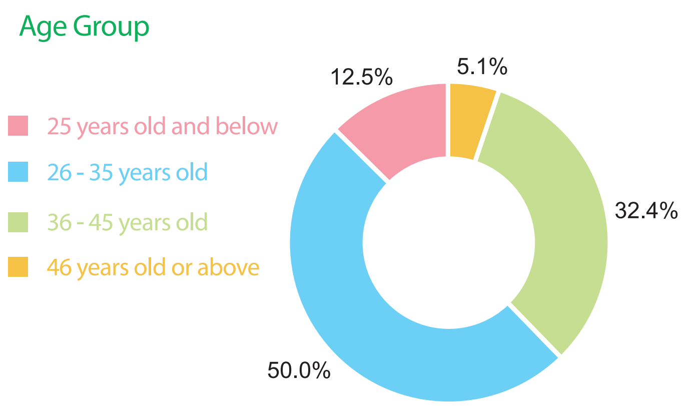
Sound relationships with key business partners of the Group are important in the supply chain, and in meeting business challenges and regulatory requirements, which can in turn achieve cost effectiveness and foster long term business benefits. The Group has developed long-standing relationships with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

B. SOCIAL

Employment

As at 31 December 2019, the Group had 2,530 employees (2018: 2,940 employees) in the operation of lifestyle centre 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 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 individual employee's 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 those 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 cases of employee dismissal, we comply with the requirements under the applicable labour laws and regulations.





Furthermore, the Group has endeavoured to maintain a harmonious labour relationship. The Group has been working 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. During the year, various leisure and cultural activities including New Year dinner gathering, badminton competition, autumn hiking and annual field trip for outstanding employees of the year have been organised.

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

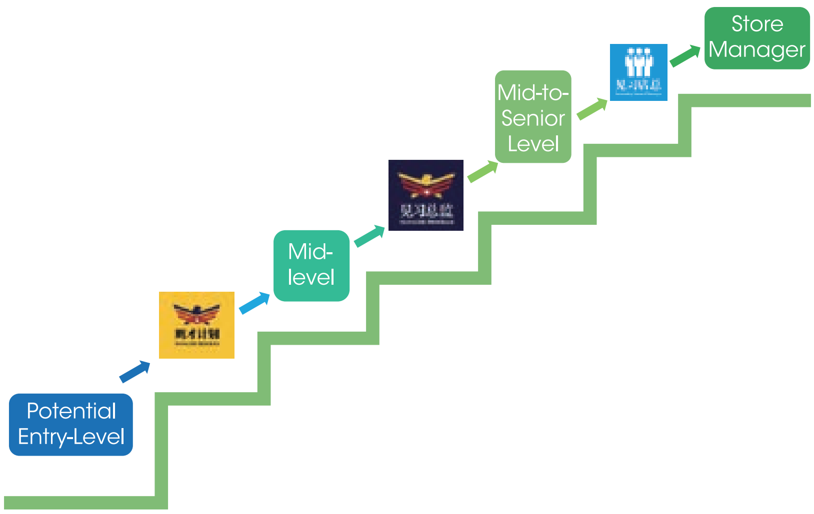
The Group endeavours to provide a healthy and safe working environment for its employees. As part of the Group's employee health and safety policy, the Group has adopted a written internal guideline with reference to the applicable laws of the PRC relating to occupational safety and health for employees. The Group strives to maintain comfortable and safe working and social environment for its employees, customers and business partners, such as maintaining proper lighting and ventilation system and a clean environment in our lifestyle centre, 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 499 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 its core competitiveness of corporate development. The Group's "Golden Eagle Manager Program" recruited passionate and dynamic backbone entry-level managers to participate in a one-year cross-store/department/business diversified training while "Golden Eagle Director Program" recruited outstanding mid-level managers with good potentials to participate in a 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. In the past two years, the programs delivered close to 70 outstanding mid-level managers to the Group. Through a series of intensive on-the-job training at "Executive Echelon" and "Store Manager Trainee" programs, 20 outstanding mid-level managers have been trained and promoted to store managers, reserve store managers or taken up other senior managerial roles across the Group.



All new employees are required to attend orientation training to ensure that they are aware of and familiarises themselves with the Group's values and goals, and that they 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 external and internal e-learning sessions provided by the Group to enhance the employees' professional skills in performing their role while working for the Group. For the year ended 31 December 2019, each staff received an average of no less than 80 hours of training.

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 implements such policy and principles in its 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 place 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 to obtain 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 the products. In addition, after the products are sold to the customers, they are generally allowed to return any defective products 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 audits, site visits, sample check as well as walk through tests 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.

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 serve the community. The Group has organised 200 charity events giving supports for autistic children, left-behind children and the elderly.

During the year ended 31 December 2019, some of the events organised by the Group were as follows:

1. On 21 March 2019, World Down Syndrome Day, the Group and Nanjing Charity Federation co-sponsored and held a "Charity Exhibition for Children with Down Syndrome" at Golden Eagle World Store, exhibiting 100 pieces of art work created by 50 children. Income generated from all tickets sold for the exhibition was donated to contribute to the growth of these children.

Environmental, Social and Governance Report

2. "Golden Eagle Takes Off" is a public welfare event for left-behind children jointly organised by the Group, the Jiangsu Women and Children Welfare Foundation and Nanjing Morning Post. In July 2019, 30 left-behind children from Huai'an Hanqiao Middle School came to Xuancheng Anhui to join a five-day "Golden Eagle Takeoff" Summer Camp, which was fully funded by the Group to promote the healthy growth of left-behind children.

3. In August 2019, Xinhua Newspaper Water Drop Charity initiated a public welfare project – "Sprout Plan", which aims to provide subsidies and educational assistance to children and families in China's economically disadvantaged areas, and is committed to building a relevant and accessible zero distance public welfare platform. As one of the first batch "Caring Enterprises" in the Sprout Plan, the Group donated 1,000 red schoolbags (at the cost of RMB100,000) to impoverished students in northern Jiangsu, and held a "hand in hand" summer trip to receive 30 students from Zhangji Primary School (Shouxian Town, Fengxian County, Xuzhou) and Jiepai Town Primary School (Binhai County, Yancheng) for a day trip in Golden Eagle World Store. The students watched an exciting 3D movie, read numerous picture books at the G·TAKAYA Bookstore and had close contact with the cute adorable animals in the G·ZOO.

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 used 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: 2,530 No. of male employees: 560 No. of female employees: 1,970
B2.	**Health and Safety**	
B2.1	Number of work-related fatalities	0
B2.2	Lost days due to work injury	499 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 200 charity events and an aggregate of approximately 48,670 hours of voluntary work were completed by our employees.

Directors' Report

The Directors are pleased to present the 2019 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

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 2019, (i) the global economy demonstrated a softened momentum in its growth; (ii) the US-China trade war came to an end and negative shocks reduced gradually and (iii) China's economy remained generally stable with an upward trend.

For the development of retail industry, under the profound influence of the economic restructuring and upgrading in China and driven by the applications of emerging technologies and big data, the transformation of the retail industry in China is constantly accelerating. Restructuring the development ecology of the industry with technological innovations and content creativity has set a clear development landscape in synchronisation of all online and offline channels, all-round shopping environment, all categories of customers and all relevant sectors of industry. Looking from the perspective of consumption trends, essential living will be replaced by the "good living" aspiration and the growing middle-class will catalyse the development of a "quality economy". Improvement in service quality, provision of diversified shopping experience, creation of enriched content will become the new development trends in the retail industry.

In 2019, the Group continued to leverage 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 emphasis on innovation. With a "quality economy"-oriented approach and "good living" aspiration, the Group expedited planning and adjustment of its store merchandise and further enhanced its organic growth and incremental development growth. The Group sustained improvement in its overall operation performance by focusing on its core business with efforts and meticulosity and constantly improving the quality of operational management and professional skills, enhancing customer service, enriching merchandise resources to fully reveal its growth potentials and further strengthening its creative promotion activities.

Following the trend of consumption upgrade, the Group values merchandise resources as its core competitiveness and continued to expand its commercial brand resources. The Group strengthened its beauty brands offer through the introduction of popular brands such as Atelier Cologne and Darphin. At the same time, the Group enriched the selection at the ladies' apparel department, constantly upgraded sports brands to build the latest image stores, introduced talk-of-the-town tea houses and catering brands and brands that focus on education and pre-school learning to further strengthen its regional leadership in Nanjing, Xuzhou, Yancheng and Yangzhou.

During the year under review, (i) the Group's customer traffic grew by 6.6%[(1)] year-on-year to 189.4 million visits in 2019; (ii) gross sales proceeds GSP amounted to RMB18,246.8 million; (iii) revenue for the year amounted to RMB6,149.4 million, decreased by 6.4% year-on-year, of which retail revenue amounted to RMB5,275.0 million, representing a year-on-year increase of 2.5% (including the impact of 7-month renovation and upgrading of Nanjing Xinjiekou Store Block A). The revenue from property development and hotel operation dropped by 38.6% year-on-year to RMB874.4 million due to delivery of a significant portion of pre-sold properties in 2018; (iv) profit from operation before depreciation and amortisation ("EBITDA") decreased by 4.0% year-on-year to RMB2,641.7 million as EBITDA from property development and hotel operation fell by 29.0% year-on-year to RMB308.9 million; while (v) net profit attributable to shareholders reached RMB1,185.5 million, representing a year-on-year growth of 32.0%.

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

Directors' Report

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; (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; and (iv) the global outbreak of coronavirus pandemic since early 2020 will impact the global economy on a prolong basis.

In 2020, the coronavirus outbreak severely impacted the global economy, market uncertainties intensified and downturn pressure on China's economy continued to increase, but thanks to the proper preventive measures and the fiscal policies issued by the Chinese government to stimulate consumption and support enterprises during the epidemic outbreak, the management is of the view that China's economy has entered into the stage of recovery. Benefitting from China's substantial domestic consumption market and spending potential, the China's economy is generally stable and maintains an upward trend in the long run. As such, the management remains optimistic about China' s retail market development in the future. China is expected to devote more attention to the development of domestic market, especially in the five major economic growth potential of new consumption, new infrastructure, new services, new manufacturing and new value chains.

Looking at the development of retail industry, it is anticipated that the application of new technologies such as 5G, artificial intelligence and mobile internet will continue to serve as a catalyst for the transformation and innovation of the retail industry, enhancing consumer experience and accelerating the integration of online and offline channels. The Group will continue to develop business in a steady pace and flexible manner and strengthen its capability in risk tolerance. Focusing on investment in areas of consumption upgrade and deepening chain store development, the Group will continue to strengthen its regional market leadership and presence by establishing comprehensive lifestyle centres with potential for the Group's long-term competitive strength and business growth. At the same time, the Group will proactively push forward digital upgrades with the utilisation of big data and artificial intelligence to reduce operating costs and improve operational accuracy, thereby providing a better customer experience. Leveraging on Golden Eagle' s intelligent consumption service platform, the Group aims to build a co-prosperity circle for all stakeholders.

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.

Directors' Report

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributing to the community in which we conduct our businesses and creating a sustainable return to the Group. During the year ended 31 December 2019, the Group has donated a total of approximately RMB126,000 to charitable organisations.

The Group is committed to the long-term sustainability of the environment and communities in which it operates and to become an environmentally-friendly corporation. The Group strives to minimise its impact on the environment by recycling used materials such as office supplies and reducing the consumption of electricity and water. 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 reduction 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.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the lifestyle centre 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 49, 22 and 23 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 92 of this report.

The Directors recommend the payment of a final cash dividend of RMB0.231 per share for the year ended 31 December 2019 (2018: RMB0.160 per share) to the shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2020. It is expected that the final dividend (if approved) will be paid on or before Monday, 15 June 2020.

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 2019 is set out on page 8 of this report.

PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, LAND USE RIGHTS AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment, right-of-use assets, land use rights and investment properties of the Group during the year are set out in notes 16 to 19 respectively to the consolidated financial statements.

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, pursuant to the general mandates given to the Directors of the Company, the Company repurchased an aggregate of 368,000 of its own issued ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$3.3 million (equivalent to RMB3.0 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 36 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 2019, the Company's reserves available for distribution to shareholders amounted to approximately RMB427.6 million (2018: RMB422.0 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. Lo Ching Yan (elected on 23 May 2019)
Mr. Wang Sung Yun, Eddie (retired on 23 May 2019)

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

According to Article 87 of the Articles of Association of the Company, Mr. Wang Hung Roger and Ms. Wang Janice S.Y. will retire by rotation at the forthcoming annual general meeting ("2020 AGM") and being eligible, will offer himself/herself for re-election.

Directors' Report

According to code provision A.4.3 of the Corporate Governance Code under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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. For good corporate governance, Mr. Wong Chi Keung will retire, and being eligible, will offer himself for re-election, at the 2020 AGM. The reasons why the Board still considers Mr. Wong to be independent will be set out in the circular to be despatched to the shareholders for the convening of the 2020 AGM.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2020 AGM 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 2019, 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 Issuers (the "Model Code") in 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")	4,250,000	1,249,827,000	1,254,077,000(Note 1)	74.69%
Ms. Wang Janice S.Y. ("Ms. Wang")	1,590,000	1,249,827,000	1,251,417,000(Note 2)	74.53%

Notes:

1. These 1,254,077,000 Shares comprised (i) 1,249,827,000 Shares beneficially held by the 2004 RVJD Family Trust's ("Family Trust") interest in GEICO Holdings Limited, which in turn is interested in the entire issued share capital of Golden Eagle International Retail Group Limited, to which Mr. Wang is the trustee; (ii) 4,000,000 Shares held by Mr. Wang as the beneficial owner and (iii) 250,000 Shares beneficially held by Ms. Wang Hsu Vivine H ("Mrs. Wang"), the spouse of Mr. Wang. By virtue of the SFO, Mr. Wang is deemed to be interested in all the Shares held by the Family Trust and Mrs. Wang. Mrs. Wang is deemed to be interested in all the Shares held by Mr. Wang.

2. These 1,251,417,000 Shares comprised (i) 1,249,827,000 Shares beneficially held by the Family Trust, under which Ms. Wang is a beneficiary; and (ii) 1,590,000 Shares held by Ms. Wang as the beneficial owner. By virtue of the SFO, Ms. Wang is deemed to be interested in all the Shares held by the Family Trust.

Directors' Report

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executive nor their associates had an interest or short position in any Shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

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

As at 31 December 2019, 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	1,249,827,000	74.44%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,249,827,000	74.44%
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 Family Trust. Mr. Wang is the trustee while Ms. Wang is one of the beneficiaries of the trust.

Save as disclosed above, as at 31 December 2019, 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 at 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.

Directors' Report

During the year ended 31 December 2019, 200,000 share options were forfeited, and no share option was exercised or lapsed. Details of the Scheme are set out in note 38 to the consolidated financial statements.

As at 31 December 2019, there were a total of 1,300,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 0.08% of the entire issued share capital of the Company as at the date of this report.

Movements of the Company's share options during the year and outstanding as at 31 December 2019 were as follows:

	Number of share options								
	Outstanding at 1 January 2019	Reclassification during the year	Forfeited during the year	Outstanding at 31 December 2019	Date of Grant	Exercise period (Note)	Exercise price HK$	Price of the Company's Shares immediately before the grant date HK$	Price of the Company's Shares on the date immediately before the exercise date HK$
Key management	600,000	300,000	(200,000)	700,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	900,000	(300,000)	-	600,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	1,500,000	-	(200,000)	1,300,000					
Exercisable at 31 December 2019				1,300,000					

Note: The vesting period of the share options is from the date of grant until the commencement of the exercise period.

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 a party and in which a Director (or an entity connected with 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 2019.

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"), in respect of the lease of units at basement floors 1 and 2 of the south wing (collectively the "South Additional Units") and units at 2nd to 4th floors of the north wing of Zhujiang No. 1 Plaza (the "North Additional Units") for a period between the date on which the South Additional Units and North Additional Units (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*

Directors' Report

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 the north wing of Zhujiang No. 1 Plaza with an aggregate gross floor area ("GFA") 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 concessionaires:

(aa) for those concessionaires 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 concessionaires (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 gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

Gross sales proceeds derived from the operation of those concessionaires (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 the 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 City.

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 2019 amounted to RMB20,319,000.

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 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 entire 7th to 8th floors and a portion of the 9th floor of Golden Eagle Shopping Plaza (the "Additional Shanghai Properties") with an aggregate GFA 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.

* *For identification purpose only*

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

Pursuant to the Shanghai Tenancy Agreement (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 concessionaires 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 concessionaires (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 concessionaires (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 the 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 City, 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 2019 amounted to RMB27,266,000.

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

On 3 June 2009, 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 City.

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

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 concessionaires 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 concessionaires (less value-added tax);

* *For identification purpose only*

(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 concessionaires (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 the Hanzhong Plaza (less value-added 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 Hanzhong Plaza Tenancy Agreement (as amended and supplemented) and the Facilities Leasing Agreement (as amended and supplemented) were expired on 17 June 2019. On 3 July 2019, Nanjing Golden Eagle Retail and Golden Eagle International Group entered into another tenancy agreement (the "2019 Hanzhong Plaza Tenancy Agreement") in respect of the lease of the Hanzhong Plaza for the same rental lease terms for a term of 10 years commencing from 18 October 2019, the effective date of the 2019 Hanzhong Plaza Tenancy Agreement. Pursuant to the 2019 Hanzhong Plaza Tenancy Agreement, Golden Eagle International Group shall provide free car parking spaces to the customers of Nanjing Hanzhong Store whereas Nanjing Hanzhong Store shall pay carpark fees at the rate offered by Golden Eagle International Group to the general public from time to time, which currently is RMB4.0 per hour.

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 2019 amounted to RMB4,382,000, including the rental expenses for the lease of the Ancillary Facilities, and the rental expenses paid by the Group under the 2019 Hanzhong Plaza Tenancy Agreement for the same year amounted to RMB2,244,000, including the carpark fees.

Lease of property for lifestyle centre 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 centre operated by such company ("Nanjing Xianlin Store")) entered into a tenancy agreement in respect of the lease of the ground floor to the 4th floor of Block A of Zone A Xianlin Hubin 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 the ground floor and the 1st floor of Blocks C and E and the ground floor of Blocks D and F of Zone A Xianlin Hubin 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*

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 the ground floor of Block B, the ground floor and the 1st floor of Block E and the ground floor of Block F of Zone A Xianlin Hubin 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 aforesaid parties subsequently entered into (i) the second supplemental agreement on 19 December 2013 removing the minimum guaranteed rental with effect from 1 January 2013; (ii) the third supplemental agreement on 18 March 2015 adjusting the calculation of the annual rental payable with retrospective effect from 1 January 2015 onwards; and (iii) the fourth supplemental agreement on 3 July 2019 leasing certain area of the ground floor to the 3rd floor of Block B, the ground floor and the 1st floor of Block C and the ground floor of Block D of Zone A Xianlin Hubin Tiandi for a period between 18 October 2019, when the fourth supplemental agreement became effective, to 17 December 2029.

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

Pursuant to the Total Xianlin Tenancy Agreement (as amended and supplemented), the annual rental payable by Nanjing Xianlin Store to Xianlin Technology shall be equivalent to the aggregate of:

(a) with respect to those concessionaires:

(i) for those concessionaires 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 concessionaires (less 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 concessionaires (less 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 Zone A Nanjing Xianlin Store (less value-added tax and other relevant taxes);

(c) with respect to supermarket operations:

4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket

The entering into of the Total Xianlin Tenancy Agreement (as amended and supplemented) allows the Group to increase its presence and market share in Nanjing City. The adjusted rental was arrived at after arm's length negotiations taking into account the long-term development of the Group. The rental expenses paid by the Group under the Total Xianlin Tenancy Agreement (as amended and supplemented) for the year ended 31 December 2019 amounted to RMB28,013,000.

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 GFA 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 City 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 concessionaires 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 concessionaires (less the relevant value-added tax);

(b) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaires 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 concessionaires (less the relevant value-added tax)	X	Commission rate charged by the Group (less sales tax)	X	50%

* *For identification purpose only*

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

The adjusted rental was arrived at after 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 (as amended and supplemented) for the year ended 31 December 2019 amounted to RMB6,530,000.

Lease of property for lifestyle centre 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 Centre 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 centre to further enhance the Group's presence, market share and competitiveness in Nanjing City 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 concessionaires:

 (i) for those concessionaires 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 concessionaires (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 concessionaires (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 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 to Golden Eagle International Group under the Xinjiekou Store Block B Tenancy Agreement for the year ended 31 December 2019 amounted to RMB27,185,000.

Lease of property for lifestyle centre 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.* ("Yancheng Julonghu Shopping") or where the context so requires, the lifestyle centre 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 Golden Eagle Tiandi Plaza and (ii) basement 1st to 3rd floor, Block 6, Yancheng Golden Eagle Tiandi Plaza with an aggregate GFA 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 concessionaires:

(aa) for those concessionaires 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 concessionaires (less the relevant value-added tax);

* *For identification purpose only*

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

Gross sales proceeds derived from the operation of those concessionaires (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 2019 amounted to RMB34,992,000.

Lease of property for lifestyle centre 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 centre 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 Golden Eagle Tiandi Plaza with GFA 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 Province in which the Group is already enjoying a leading position.

* *For identification purpose only*

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 concessionaires:

(aa) for those concessionaires 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 concessionaires (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 concessionaires (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 2019 amounted to RMB7,506,000.

Lease of property for lifestyle centre 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 centre 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 Golden Eagle Tiandi Plaza with a GFA 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 City 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 concessionaires:

(i) for those concessionaires 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 concessionaires (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 concessionaires (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 2019 amounted to RMB53,084,000.

Lease of property for lifestyle centre 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 centre 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 Golden Eagle Tiandi Plaza with a GFA 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 Province.

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 concessionaires:

(i) for those concessionaires 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 concessionaires (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 concessionaires (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);

* *For identification purpose only*

(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 2019 amounted to RMB23,263,000.

Lease of property for lifestyle centre 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 GFA 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 GFA 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.

On 3 July 2019, the aforesaid parties entered into a supplemental agreement in respect of the lease of basement 2nd floor of Golden Eagle World with a GFA of approximately 23,623 square meters (the "Additional Golden Eagle World Lease Area") for a term commencing from the effective date of the supplemental agreement or the date of actual delivery of the Additional Golden Eagle World Lease Area (whichever is the later) to 17 November 2037. The supplemental agreement became effective on 18 October 2019.

Subject to the aforesaid, all other major terms of the Golden Eagle World Lease Agreement (as amended by the supplemental agreement) (the "Golden Eagle World Lease Agreement (as amended and supplemented)") remain unchanged and in full force and effect.

* *For identification purpose only*

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 concessionaires (less value-added tax);

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

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

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

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

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

(c) with respect to supermarket operations:

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

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

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

The consideration was arrived at after arm's length negotiations taking into account the Golden Eagle World Lease Area will be delivered to the Group at renovated state and with reference to the prevailing market rate. The rental expenses, property management fees and carpark fees paid by the Group to Nanjing Jianye Properties under the Golden Eagle World Lease Agreement (as amended and supplemented) for the year ended 31 December 2019 amounted to RMB75,885,000.

Lease of property for supermarket operation from Lianyungang Properties by Lianyungang Supermarket

On 31 December 2018, 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 requires, 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 GFA 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 2019. 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 facilitate the Group to secure tenancy for the 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 and property management fees paid by the Group to Lianyungang Properties under the Lianyungang Tenancy Agreement for the year ended 31 December 2019 amounted to RMB130,000 and RMB11,000, respectively.

* *For identification purpose only*

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

On 31 December 2018, 鹽城金鷹聚龍湖購物中心海洋世界分公司 (formerly known as 金鷹國際海洋世界鹽城有限公司) (Yancheng Golden Eagle Julonghu Shopping Centre (Ocean World Branch)* ("Yancheng Ocean World") or where the context so requires, the aquarium operated by such company ("Yancheng Aquarium")) entered into a tenancy agreement in respect of the lease of basement floor 1 of Yancheng Golden Eagle Tiandi Plaza with a GFA of approximately 5,000 square meters (the "Yancheng Aquarium Tenancy Agreement") with Yancheng Technology for a term of 3 years commencing from 1 January 2019. 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 stores at Yancheng City, to create synergy among Yancheng Julonghu Store and Yancheng Aquarium, attract young family customers, and fulfill target customers' need for diversified, entertaining and interesting lifestyle experiences, so as to enhance Yancheng Julonghu Store's competitiveness. Yancheng Ocean World was merged into Yancheng Julonghu Shopping after a series of group reorganisation and officially became Yancheng Julonghu Shopping's branch office in March 2019.

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 2019 amounted to RMB130,000.

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.

* *For identification purpose only*

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 2019 amounted to RMB3,579,000.

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 carpark leasing agreement (the "Kunming Carpark Leasing Agreement") in respect of the lease of the carparks located at basements 1 and 2 of Kunming Golden Eagle Tiandi Shopping Plaza with a GFA of approximately 13,669.86 square meters ("Kunming Golden Eagle Carpark") for a term of 3 years commencing from 1 January 2018. The annual 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 and helps the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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 Kunming Carpark Leasing Agreement for the year ended 31 December 2019 amounted to RMB703,000.

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 carpark leasing agreement (the "Suzhou Carpark Leasing Agreement") in respect of the lease of the carparks located at basements 2 and 3 of Suzhou Gaoxin Golden Eagle Commercial Plaza with a GFA of approximately 39,270 square meters ("Suzhou Golden Eagle Carpark") for a term of 3 years commencing from 1 January 2018. The annual 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 and helps the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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 2019 amounted to RMB743,000.

* *For identification purpose only*

Directors' Report

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 carparks situated at basements 1 and 2 of Zone B Xianlin Hubin Tiandi with a total GFA 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 and helps the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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 2019 amounted to RMB2,317,000.

Wuhu Carpark Leasing Agreement

On 29 December 2017, 蕪湖金鷹國際實業有限公司 (Wuhu Golden Eagle 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 carpark 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 GFA 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 and helps the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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 2019 amounted to RMB429,000.

* *For identification purpose only*

Yangzhou Carpark Leasing Agreement

On 31 December 2018, 揚州金鷹新城市中心開發有限公司 (Yangzhou Golden Eagle New City Centre Development Co., Ltd.*) ("Yangzhou New City Centre") 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 carpark leasing agreement (the "Yangzhou Carpark Leasing Agreement") in respect of the lease of carparks situated at ground floor (to be leased until 31 December 2019) and basement 1 of Yangzhou Golden Eagle New City Centre Plaza with a total GFA 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 Centre 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 and helps the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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. The rental income received by the Group under the Yangzhou Carpark Leasing Agreement for the year ended 31 December 2019 amounted to RMB367,000.

Master Carpark Leasing Agreement

On 30 December 2019, Golden Eagle (China) and Golden Eagle International Group entered into a master carpark leasing agreement (the "Master Carpark Leasing Agreement") in respect of the lease of various carparks owned by Golden Eagle (China) or its subsidiaries located in various parts of the PRC with Golden Eagle International Group commencing from 1 January 2020 or the date on which the relevant parties have entered into formal leasing agreement under the Master Carpark Leasing Agreement from time to time (whichever is the later) until 31 December 2022. The purpose of entering into of the Master Carpark Leasing Agreement is to enable the Group to save the time and resources in managing the carparks owned by the Group and to help the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre chain in the PRC.

Each of the Kunming Carpark Leasing Agreement, Suzhou Carpark Leasing Agreement, Xianlin Carpark Leasing Agreement, Wuhu Carpark Leasing Agreement and Yangzhou Carpark Leasing Agreement as disclosed in the paragraphs above will be renewed under the Master Carpark Leasing Agreement upon its expiry.

The rental payable by Golden Eagle International Group and its subsidiaries to Golden Eagle (China) and its subsidiaries for the lease of the respective carpark shall be equivalent to 92% of the revenue generated from the subject carpark, after deduction of the relevant operating costs and taxes. The utilities expenses and maintenance fees incurred by the relevant carparks shall be borne by the lessor. The terms of the Master Carpark Leasing Agreement were arrived at after arm's length negotiations taking into account the costs of managing the car park.

* *For identification purpose only*

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 a 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, 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, Xuzhou People's Square Store, Yancheng Outlet Store, Yancheng Julonghu Store, Nantong Lifestyle Centre, Danyang Store, Kunshan Store, Nanjing Jiangning Store, Anhui Ma'anshan Store, Nantong Renmin Road Store, Suzhou Store, Yangzhou New City Centre, Changzhou Aquarium and Yancheng Aquarium;

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

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

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

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

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

each for a term of 3 years commencing from 1 January 2017 to 31 December 2019.

* *For identification purpose only*

On 30 December 2019, since the above contract would expire on 31 December 2019, (i) Golden Eagle (China) and Nanjing Golden Eagle Properties, (ii) Golden Eagle (China) and Nanjing Golden Eagle International Properties, (iii) Nanjing Golden Eagle and Nanjing Zhujiang No. 1, (iv) Taizhou Golden Eagle Shopping and Taizhou Golden Eagle Tiandi, (v) Xianlin Golden Eagle Shopping and Xianlin Technology, have entered into a master property management services agreement ("Master Property Management Services Agreements"), pursuant to which:

- Golden Eagle (China) agreed to engage Nanjing Golden Eagle Properties and Nanjing Golden Eagle International Properties to provide property management services to Nanjing Xinjiekou Store and those stores under its control;

- 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; and

- Xianlin Golden Eagle Shopping agreed to engage Xianlin Technology to provide property management services to Nanjing Xianlin Store,

each for a term of 3 years commencing from 1 January 2020 to 31 December 2022.

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 property management services agreements and the Master Property Management Services Agreements enable the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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 costs 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 property management services agreements for the year ended 31 December 2019 amounted to RMB89,298,000.

Carpark Management Services Agreements

On 23 December 2016, each of (i) Nanjing Golden Eagle 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.* ("Xuzhou Golden Eagle"), or where the context so requires, the department store operated by such company ("Xuzhou Store")) and 徐州金鷹文化發展有限公司 (formerly known as 徐州金鷹國際置業有限公司) (Xuzhou Golden Eagle Cultural Development Co., Ltd.*) ("Xuzhou Cultural") 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.

* *For identification purpose only*

Directors' Report

Pursuant to the Carpark Management Services Agreements, Nanjing Zhujiang No. 1 and Xuzhou Cultural shall provide free car parking spaces 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.

Prior to the acquisition of Xuzhou Cultural's 100% equity interests by the Group in May 2019, Xuzhou Cultural was a connected person (as defined in the Listing Rules) of the Company as it was a company ultimately and wholly-owned by Mr. Wang. The acquisition of Xuzhou Cultural involves business combination under common control and has been accounted for using the principles of merger accounting. Therefore, the carpark management service fees paid by the Group during the year ended 31 December 2019 has been consolidated as if Xuzhou Cultural had been in the Group since its establishment. Details of the transaction and basis of business combination of Xuzhou Cultural are set out in the section headed "Connected Transactions – Xuzhou Cultural Equity Transfer Agreement" and in note 3 to the consolidated financial statements.

On 30 December 2019, since the above contract would expire on 31 December 2019, Nanjing Golden Eagle and Nanjing Zhujiang No. 1 entered into another carpark management services agreement to extend the service period for a term of 3 years commencing from 1 January 2020 at the same rate of RMB8.0 per hour.

These fees were arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The amount of carpark management services fees paid by the Group to Nanjing Zhujiang No. 1 under the Carpark Management Services Agreements for the year ended 31 December 2019 amounted to RMB969,000.

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 continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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 service providers in the market and (ii) the terms offered by Golden Eagle International Group to other independent third parties. On 30 December 2019, since the above contract would expire on 31 December 2019, the aforesaid parties entered into another project management services agreement to extend the service period for a term of 3 years commencing from 1 January 2020 on the same terms.

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 2019 amounted to RMB7,136,000.

Directors' Report

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. On 30 December 2019, since the decoration services agreement would expire on 31 December 2019, the aforesaid parties entered into the fifth supplemental agreement to extend the service period for a term of 3 years commencing from 1 January 2020 (collectively referred to as the "Decoration Services Agreement"). The entering into of the Decoration Services Agreement enables the Group to continue to focus on its core businesses, including the development and operation of stylish department store and lifestyle centre 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 such fees 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 service providers 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 2019 amounted to RMB59,085,000.

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 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 2019 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.

* *For identification purpose only*

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

(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 immediately 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 2019 amounted to RMB22,596,000.

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)"), 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"), Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market being connected persons (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 107,786 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; (iii) with the Jinqiao Markets, the Group is able to enlarge its operating area and extend its retail contents without incurring additional costs; and (iv) the management fee provides another source of income for the Group and thus improve the Group's profit margin.

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

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

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

  (i) the Annual Base Management Fee; and

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

* *For identification purpose only*

On 30 December 2019, since the above contract would expire on 31 December 2019, Golden Eagle (China) (replacing Nanjing Golden Eagle (1st Branch), the original service provider in the Jinqiao Market Management Agreement) and Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market entered into another management agreement (the "2020 Jinqiao Market Management Agreement"), pursuant to which Golden Eagle (China) and its subsidiaries are delegated with the tasks of managing the daily operation of the Jinqiao Markets for a term of 3 years commencing from 1 January 2020.

During the term of the 2020 Jinqiao Market Management Agreement, the management fee payable by Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market to Golden Eagle (China) shall be the aggregate amount of:

(a) the annual base management fee of RMB8,000,000; and

(b) 50% of the increase in net profit (excluding the annual base management fees in (a) above from the net profit calculation) as compared with the immediately preceding year.

Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market shall bear the daily operation expenses including employee and welfare expenses, utilities expenses, property management fees, maintenance fees etc. incurred during the operation of the Jinqiao Markets.

The management fee was arrived at after arm's length negotiations based on the principle of fairness and reasonableness and with reference to the scope of services to be provided by Nanjing Golden Eagle (1st Branch) and Golden Eagle (China). The management fee income received by the Group under the Jinqiao Market Management Agreement for the year ended 31 December 2019 amounted to RMB5,717,000.

Integrated Services Agreement

On 31 December 2018, 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 2019. 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 RMB2,000,000. 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 2019 amounted to RMB1,887,000.

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 2019, 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; (iii) have not exceeded the caps disclosed in the relevant announcements made by the Company and (iv) were in accordance with the pricing policies of the Group if the transactions involved the provision of goods and services by the Group.

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

The related party transactions with fellow subsidiaries of the Group as disclosed in note 45 to the consolidated financial statements constituted continuing connected transactions of the Group. Those transactions have complied with the requirements for connected transactions under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Completed Connected Transaction

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

Xuzhou Cultural Equity Transfer Agreement

On 10 May 2019, Xuzhou Golden Eagle and Golden Eagle International Group entered into an equity transfer agreement (the "Xuzhou Cultural Equity Transfer Agreement"), pursuant to which Golden Eagle International Group agreed to sell, and Xuzhou Golden Eagle agreed to purchase, 100% equity interests in Xuzhou Cultural, a company established in the PRC on 29 June 2005 and an indirect subsidiary of GEICO.

Xuzhou Cultural held a parcel of land under construction on the east of Zhongshan North Road, south of Fushu Street, north of Heqing Road, Gulou District, Xuzhou City with an estimated GFA of approximately 51,040.60 square meters ("Xuzhou Phase II"). Xuzhou Phase II is a 10-storey building with 3 levels of basement located adjacent to Xuzhou Store. Xuzhou Cultural is also the legal and beneficial owner of the 8th floor and 2 levels of basement of Xuzhou Phase I which has a GFA of approximately 7,309.45 square meters. Xuzhou Phase I is a 8-story building with 2 levels of basement where Xuzhou Store owns and operates the 1st to 7th floors for department store operation with a GFA of approximately 53,934.59 square meters. The construction of Xuzhou Phase II was completed during the year and Xuzhou Phase I and Xuzhou Phase II were connected by a sky corridor. Xuzhou Store's operating area has been enlarged from approximately 59,934.59 square meters to approximately 98,645.28 square meters by the connection to Xuzhou Phase II. The enlargement allows Xuzhou Store to transform itself into a lifestyle centre featuring not only the leading benchmarking retail brands but also a full range of lifestyle functions and amenities such as children's experience, lifestyle tourism, household, culture and creativity to further solidify its leading position in Xuzhou City.

The agreed consideration for the acquisition of the equity interest is RMB80.0 million, which shall be paid in lump sum within 7 business days after completion of all necessary change of business registration with the relevant government authorities in accordance with the Xuzhou Cultural Equity Purchase Agreement. The change of business registration procedures was completed and the consideration was fully paid in May 2019.

Details of the transaction have been disclosed in the Company's announcement dated 10 May 2019.

Directors' Report

Status of Connected Transactions Pending Completion

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

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

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

The purpose of the acquisition of Nanjing Xinjiekou Store Block B Property with an estimated aggregate GFA of approximately 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 Nanjing Xinjiekou Store Block B Property was completed and commenced soft opening in April 2014. It is expected that the GFA 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 in 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 GFA 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 GFA 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 GFA of approximately 118,500 square meter and may be adjusted depending on the GFA 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 2020.

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

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

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

On 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 is 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 2019.

* *For identification purpose only*

Directors' Report

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") executed by Mr. Wang, GEICO Holdings Limited and Golden Eagle International Retail Group Limited, the controlling shareholders of the Company (collectively referred to as the "Covenantors") in favour of the Company, the Covenantors have given certain undertakings that, inter alia, they will not engage in the business of retail trade in merchandise in the form of department store and granted certain rights to the Company (including but not limited to the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal) (as defined in the prospectus of the Company dated 8 March 2006) (collectively, the "Undertakings").

In July 2011, it was resolved in the general meeting of the Company that it would not exercise its right of first refusal to acquire approximately 17% of the entire issued share capital of 南京新街口百貨商店股份有限公司(Nanjing Xinjiekou Department Store Co., Ltd.*), details of which are set out in the announcements of the Company dated 6 June 2011 and the circular of the Company dated 11 July 2011.

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

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

EMOLUMENT POLICY

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

MANAGEMENT CONTRACTS

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

Directors' Report

AUDIT COMMITTEE

The Audit Committee, together with the auditors of the Company, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2019. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed with the management the Group's 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 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 2019.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

(A) Entitlement to Attend and Vote at the 2020 AGM

The register of members of the Company will be closed from Friday, 22 May 2020 to Thursday, 28 May 2020 (both days inclusive), during which period no transfer of shares will be registered and no shares will be issued upon exercise of the share option granted by the Company. In order to be entitled to attend and vote at the 2020 AGM to be held on Thursday, 28 May 2020, 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 May 2020.

(B) Entitlement to the Proposed Final Dividend

Subject to the approval of the shareholders at 2020 AGM, a final cash dividend for the year ended 31 December 2019 of RMB0.231 per Share will be declared and distributed to those shareholders whose names appear on the Company's register of members on Wednesday, 3 June 2020 and it is expected that the final dividend will be paid on or before Monday, 15 June 2020. In order to be qualified 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 June 2020.

Directors' Report

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules throughout the year ended 31 December 2019.

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.

EVENT AFTER THE REPORTING PERIOD

Since early 2020, the coronavirus epidemic ("the COVID-19 outbreak") has spread across China and other countries. A series of precautionary and control measures have been and/or will continue to be implemented across China, including extension of the Chinese New Year holidays nationwide, postponement of work resumption after the Chinese New Year holidays in some regions, implementation of restrictions and controls over the travel of people and traffic arrangements, quarantine of certain residents and heightening of hygiene and epidemic prevention requirements. It has affected retail business in China and economic activities of the Group to some extent.

As an operator of retail stores in China, the Group's revenue, cash flows and profit from operations are expected to decrease as compared to the same period in 2019 due to the impact of the COVID-19 outbreak. Certain Group's stores shortened their opening hours in February and early March 2020.

In preparing the consolidated financial statements, the Group applies fair value model to measure its investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. In 2020, fair value of the Group's investment properties and financial assets at fair value may be subject to fluctuations due to the COVID-19 outbreak.

As at the date of this annual report, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the financial performance and position of the Group and is currently unable to estimate with certainty the quantitative impacts to the Group. The management of the Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its financial impact.

Directors' Report

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the 2020 AGM.

On behalf of the Board

Wang Hung, Roger
Chairman

31 March 2020

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 92 to 216, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Investment properties	
We identified the valuation of investment properties as a key audit matter due to its significant balance at 31 December 2019, combined with the judgment and estimation associated with determining the fair value. As disclosed in notes 5 and 19 to the consolidated financial statements, the Group's investment properties amounted to RMB2,240,624,000 as at 31 December 2019 and the fair value adjustment in respect of investment properties recorded in profit and other comprehensive income for the year were RMB12,449,000 and RMB4,238,000 respectively. The Group's investment properties have been valued individually, by income capitalisation approach. The valuation of investment properties requires the application of significant judgement and estimation in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuers such as monthly market rent and the capitalisation rate may have a significant impact to the valuation.	Our procedures in relation to the valuation of investment properties included: • Obtaining and understanding of the Group's controls relating to the valuation of investment properties; • Assessing the competence, capabilities and objectivity of the independent valuers and reading the terms of engagements of the valuers to determine whether there were any matters which might affect their objectivity or impede their scope of work; • Evaluating the management's judgment and estimation, in particular the models used by the management and the significant assumptions including capitalisation rate, monthly unit rent and level adjustment; • Engaging our internal valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions, 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.

Independent Auditor's Report

- 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 the matter that was of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe the matter 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
31 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000 (restated)
Revenue	6	**6,149,446**	6,570,201
Other income, gains and losses	8	**709,021**	308,361
Changes in inventories of merchandise		**(2,039,353)**	(1,861,531)
Cost of properties sold		**(499,860)**	(923,832)
Employee benefits expense		**(381,315)**	(401,703)
Depreciation and amortisation of property, plant and equipment and intangible asset		**(376,992)**	(374,459)
Depreciation of right-of-use assets		**(70,833)**	–
Release of prepaid lease payments on land use rights		**–**	(54,962)
Rental expenses		**(319,747)**	(310,243)
Other expenses		**(814,145)**	(806,196)
Share of loss of associates		**(102,854)**	(87,092)
Share of loss of joint ventures		**(127)**	(7,663)
Finance income	9	**47,323**	20,035
Finance costs	10	**(414,216)**	(416,707)
Profit before tax		**1,886,348**	1,654,209
Income tax expense	11	**(713,755)**	(762,996)
Profit for the year	12	**1,172,593**	891,213
Profit (loss) for the year attributable to:			
Owners of the Company		**1,185,480**	897,854
Non-controlling interests		**(12,887)**	(6,641)
		1,172,593	891,213
Earnings per share			
– Basic (RMB per share)	15	**0.706**	0.537
– Diluted (RMB per share)	15	**0.706**	0.535

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 RMB' 000	2018 RMB' 000 (restated)
Profit for the year	**1,172,593**	891,213
Other comprehensive (expense) income		
Item that may be reclassified subsequently to profit or loss:		
Share of exchange difference of associates	**(1,950)**	8,272
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income	**35,203**	(118,149)
Gain on revaluation of property, plant and equipment and land use right on transfer to investment properties	**4,238**	55,982
Income tax expenses relating to items that will not be reclassified to profit or loss	**(11,344)**	(2,990)
	28,097	(65,157)
Other comprehensive income (expense) for the year, net of tax	**26,147**	(56,885)
Total comprehensive income for the year	**1,198,740**	834,328
Total comprehensive income attributable to:		
Owners of the Company	**1,211,627**	840,969
Non-controlling interests	**(12,887)**	(6,641)
	1,198,740	834,328

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000 (restated)	1 January 2018 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	16	**8,778,133**	8,730,635	9,067,776
Right-of-use assets	17	**2,167,133**	–	–
Land use rights – non-current portion	18	**–**	2,058,146	2,150,477
Investment properties	19	**2,240,624**	2,127,520	1,880,520
Intangible asset	20	**11,917**	12,582	13,247
Goodwill	21	**17,664**	17,664	17,664
Interests in associates	22	**202,775**	357,223	410,270
Interests in joint ventures	23	**12,149**	13,577	27,476
Other receivables	24	**53,242**	111,638	112,529
Available-for-sale investments		**–**	–	309,920
Equity instruments at fair value through other comprehensive income ("FVTOCI")	25	**117,463**	172,078	–
Financial assets at fair value through profit or loss ("FVTPL")	25	**237,118**	119,421	–
Deferred tax assets	26	**94,389**	103,897	113,559
		13,932,607	13,824,381	14,103,438
Current assets				
Inventories		**353,535**	428,119	433,409
Properties under development for sale		**1,074,776**	1,303,433	1,444,051
Completed properties for sale		**958,297**	1,051,786	1,309,835
Land use rights – current portion	18	**–**	57,158	57,746
Trade and other receivables	24	**773,658**	1,021,856	991,143
Amounts due from related companies	27	**30,140**	78,850	40,173
Tax assets		**14,839**	6,883	44,563
Financial assets at FVTPL	25	**611,070**	1,020,004	–
Structured bank deposits		**–**	–	717,933
Investments in interest bearing instruments		**–**	–	310,315
Restricted cash	28	**112,087**	107,157	116,286
Bank balances and cash	28	**5,081,262**	5,336,773	5,800,418
		9,009,664	10,412,019	11,265,872
Current liabilities				
Bills, trade and other payables	29	**4,362,971**	4,251,725	6,328,833
Amounts due to related companies	30	**303,955**	622,929	604,837
Lease liabilities	31	**11,648**	–	–
Tax liabilities		**592,239**	529,961	395,166
Prepayments from customers	32	**2,856,346**	2,510,436	2,301,648
Contract liabilities	32	**175,878**	827,506	–
Deferred revenue		**–**	–	25,496
Bank loans	33	**272,647**	218,666	4,799,852
PRC medium-term notes	34	**–**	1,497,180	–
		8,575,684	10,458,403	14,455,832
Net current assets (liabilities)		**433,980**	(46,384)	(3,189,960)
Total assets less current liabilities		**14,366,587**	13,777,997	10,913,478

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000 (restated)	1 January 2018 RMB'000 (restated)
Non-current liabilities				
Bank loans	33	**3,829,979**	4,051,105	–
Senior notes	35	**2,625,392**	2,579,227	2,451,306
PRC medium-term notes	34	**–**	–	1,493,850
Other payables	29	**129,084**	126,933	117,315
Lease liabilities	31	**47,101**	–	–
Deferred tax liabilities	26	**781,064**	701,303	632,386
		7,412,620	7,458,568	4,694,857
Net assets		**6,953,967**	6,319,429	6,218,621
Capital and reserves				
Share capital	36	**176,832**	176,865	176,368
Reserves	37	**6,678,364**	6,030,906	5,923,954
Equity attributable to owners of the Company		**6,855,196**	6,207,771	6,100,322
Non-controlling interests		**98,771**	111,658	118,299
Total equity		**6,953,967**	6,319,429	6,218,621

The consolidated financial statements on pages 92 to 216 were approved and authorised for issue by the board of directors on 31 March 2020 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 2019

	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 37)	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 37)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	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
Effect on acquisition of a subsidiary under common control (note 3)	-	-	40,000	-	-	-	-	-	-	-	(2,222)	37,778	-	37,778
At 1 January 2018 (restated)	176,368	(31)	40,000	27,106	217,228	224,511	(25,806)	4,141	31,628	1,021,871	4,383,306	6,100,322	118,299	6,218,621
Profit (loss) for the year (restated)	-	-	-	-	-	-	-	-	-	-	897,854	897,854	(6,641)	891,213
Other comprehensive income (expense) for the year	-	-	-	-	-	41,986	(107,143)	8,272	-	-	-	(56,885)	-	(56,885)
Total comprehensive income (expense) for the year (restated)	-	-	-	-	-	41,986	(107,143)	8,272	-	-	897,854	840,969	(6,641)	834,328
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
Equity instruments at fair value transferred to retained profits upon disposal	-	-	-	-	-	-	17,719	-	-	-	(17,719)	-	-	-
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)
Appropriation	-	-	-	-	-	-	-	-	-	70,898	(70,898)	-	-	-
Dividends recognised as distribution (note 14)	-	-	-	-	-	-	-	-	-	-	(728,642)	(728,642)	-	(728,642)
At 31 December 2018 (restated)	**176,865**	**-**	**104,153**	**27,659**	**217,228**	**266,497**	**(115,230)**	**12,413**	**7,097**	**1,092,769**	**4,418,320**	**6,207,771**	**111,658**	**6,319,429**
Adoption of HKFRS 16 (note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,158)**	**(14,158)**	**-**	**(14,158)**
At 1 January 2019 (restated)	**176,865**	**-**	**104,153**	**27,659**	**217,228**	**266,497**	**(115,230)**	**12,413**	**7,097**	**1,092,769**	**4,404,162**	**6,193,613**	**111,658**	**6,305,271**
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,185,480**	**1,185,480**	**(12,887)**	**1,172,593**
Other comprehensive income (expense) for the year	**-**	**-**	**-**	**-**	**-**	**3,179**	**24,918**	**(1,950)**	**-**	**-**	**-**	**26,147**	**-**	**26,147**
Total comprehensive income (expense) for the year	**-**	**-**	**-**	**-**	**-**	**3,179**	**24,918**	**(1,950)**	**-**	**-**	**1,185,480**	**1,211,627**	**(12,887)**	**1,198,740**
Shares repurchased and cancelled	**(33)**	**-**	**(2,932)**	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**(33)**	**(2,965)**	**-**	**(2,965)**
Arising from acquisition under common control (note 3)	**-**	**-**	**(80,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(80,000)**	**-**	**(80,000)**
Equity instruments at fair value transferred to retained profits upon disposal	**-**	**-**	**-**	**-**	**-**	**-**	**(6,379)**	**-**	**-**	**-**	**6,379**	**-**	**-**	**-**
Transfer of share option reserve upon forfeiture of share options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,969)**	**-**	**1,969**	**-**	**-**	**-**
Appropriation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**71,895**	**(71,895)**	**-**	**-**	**-**
Dividends recognised as distribution (note 14)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(467,079)**	**(467,079)**	**-**	**(467,079)**
At 31 December 2019	**176,832**	**-**	**21,221**	**27,692**	**217,228**	**269,676**	**(96,691)**	**10,463**	**5,128**	**1,164,664**	**5,058,983**	**6,855,196**	**98,771**	**6,953,967**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (restated)
Operating activities		
Profit before tax	**1,886,348**	1,654,209
Adjustments for:		
Depreciation and amortisation of property, plant and equipment and intangible asset	**376,992**	374,459
Depreciation of right-of-use assets	**70,833**	–
Release of prepaid lease payments on land use rights	**–**	54,962
Interest expenses	**414,216**	416,707
Net foreign exchange loss	**110,014**	334,478
Impairment loss recognised in interests in associates	**53,224**	25,094
Impairment loss recognised in interest in a joint venture	**1,272**	–
Impairment loss on loans to an associate and a subsidiary of an associate of the Group	**18,585**	–
Impairment losses in relation to store suspensions	**–**	14,877
Loss on disposal/write-off of property, plant and equipment	**31,898**	966
Gain on disposal of a subsidiary	**–**	(2)
Gain on deemed disposal of associates	**(40,437)**	(2,516)
(Gain)loss on disposal/partial disposal of interests in associates	**(116,395)**	654
Gain on deemed disposal of a joint venture	**–**	(2,849)
Equity-settled share-based payments	**–**	(2,033)
Fair value change of investment properties	**(12,449)**	(23,000)
Fair value change of financial assets at FVTPL	**(7,352)**	2,344
Loss on disposal of financial assets at FVTPL	**3,014**	612
Income from wealth management products issued by banks	**–**	(8,715)
Income from structured bank deposits	**(169,922)**	(161,427)
Interest income on bank deposits	**(27,508)**	(18,769)
Interest income from short-term loans	**(17,123)**	(1,266)
Interest income from rental deposits	**(2,692)**	–
Dividend income from equity investments	**(1,854)**	(1,826)
Share of loss of associates	**102,854**	87,092
Share of loss of joint ventures	**127**	7,663
Operating cash flows before movements in working capital	**2,673,645**	2,751,714
Decrease in inventories	**377,292**	455,728
Decrease in trade and other receivables	**259,071**	14,823
Decrease in amounts due from related companies	**10,952**	800
(Decrease) in bills, trade and other payables	**(75,508)**	(731,559)
(Decrease) increase in amounts due to related companies	**(313,625)**	16,024
Increase in prepayments from customers	**345,910**	208,788
Decrease in contract liabilities	**(624,755)**	(499,349)
Net cash generated from operations	**2,652,982**	2,216,969
PRC income tax and land appreciation tax paid	**(535,807)**	(464,021)
Net cash generated from operating activities	**2,117,175**	1,752,948

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000 (restated)
Investing activities			
Investments in structured bank deposits		**(73,598,920)**	(60,608,960)
Redemption of structured bank deposits		**73,702,620**	60,612,790
Investments in wealth management products issued by banks		**–**	(2,020,000)
Redemption of wealth management products issued by banks		**300,000**	2,020,000
Placement of restricted cash		**(112,087)**	(107,157)
Withdrawal of restricted cash		**107,157**	116,286
Purchase of:			
– financial assets at FVTPL		**(245,333)**	(177,200)
– equity instruments at FVTOCI		**(51,679)**	(135,796)
Proceeds from disposal of:			
– financial assets at FVTPL		**131,974**	116,447
– equity instruments at FVTOCI		**141,497**	93,865
Purchase of property, plant and equipment		**(466,082)**	(300,391)
Acquisition of a subsidiary		**(80,000)**	–
Proceeds from disposal of property, plant and equipment		**1,538**	2,103
Capital contribution to associates		**(240)**	(55,257)
Proceeds from disposal of a subsidiary	39	**–**	63,855
Proceeds from disposal/partial disposal of interests in associates	22	**146,610**	15,337
Proceeds from disposal of a joint venture		**29**	–
Interest received on bank deposits		**23,637**	18,769
Interest received on loans to a third party and an associate		**1,043**	–
Income received from structured bank deposits		**174,923**	155,759
Income received from wealth management products issued by banks		**233**	18,797
Dividends received from equity investments		**1,854**	1,826
Payments for rental deposits		**(309)**	–
Withdrawn of rental deposits		**549**	–
Advance to related companies		**(9,713)**	(39,436)
Repayment from related companies		**30,268**	–
Loans to third parties		**–**	(115,589)
Repayment from a third party		**13,462**	–
Net cash generated from (used in) investing activities		**213,031**	(323,952)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB' 000	2018 RMB' 000 (restated)
Financing activities		
New bank loans raised	**1,010,000**	4,025,402
Repayment of bank loans	**(1,276,722)**	(4,819,465)
Repayment of PRC Medium-term notes	**(1,500,000)**	–
Interest paid	**(398,346)**	(367,091)
Dividends paid to owners of the Company	**(467,079)**	(728,642)
Repurchase of shares	**(2,965)**	(46,948)
Proceeds on exercise of share options	**–**	44,103
Receipts from rental deposits as lessors	**115,623**	–
Repayments of rental deposits as lessors	**(54,473)**	–
Repayments of leases liabilities	**(11,755)**	–
Net cash used in financing activities	**(2,585,717)**	(1,892,641)
Net decrease in cash and cash equivalents	**(255,511)**	(463,645)
Cash and cash equivalents at beginning of the year	**5,336,773**	5,800,418
Cash and cash equivalents at end of the year	**5,081,262**	5,336,773

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 centre 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 49, 22 and 23 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 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

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 disclosures 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 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis.

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 16 Leases *(Continued)*

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.3%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	86,632
Less: Recognition exemption – low value assets	(81)
Change in allocation basis between lease and non-lease components	(4,582)
Lease liabilities resulting from lease modifications of existing leases	(1,117)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(13,509)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	67,343
Analysed as:	
Current	16,495
Non-current	50,848
	67,343

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 16 Leases (Continued)

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(a)	60,067
Reclassified from land use rights	(b)	2,115,304
Adjustments on rental deposits at 1 January 2019	(c)	63,911
		2,239,282
By class:		
Land use rights		2,115,304
Buildings		123,978
		2,239,282

(a) Upon the application of HKFRS 16, an amount of RMB60,067,000 representing right-of-use assets relating to operating leases was recognised.

(b) Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portions of the land use rights amounting to RMB57,158,000 and RMB2,058,146,000 respectively were reclassified to right-of-use assets.

(c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB63,911,000 was adjusted to rental deposits paid and right-of-use assets.

Effective from 1 January 2019, leasehold lands which were classified as properties under development for sale and completed properties for sale are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

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 16 Leases *(Continued)*

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(d) Before the application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under bills, trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB20,965,000 was adjusted to rental deposits received and advance lease payments.

(e) The net effects arising from the initial application of HKFRS 16 resulted in a decrease in the carrying amount of interest in an associate of RMB6,882,000 with corresponding adjustment to retained profits.

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Note	**Impact of adopting HKFRS 16 at 1 January 2019**
		RMB'000
Retained profits		
Recognition of right-of-use assets and lease liabilities	(e)	**(14,158)**

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 16 Leases (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
		RMB'000	RMB'000	**RMB'000**
Non-current Assets				
Land use rights	(b)	2,058,146	(2,058,146)	**-**
Right-of-use assets	(a) (b) (c)	–	2,239,282	**2,239,282**
Interests in associates	(e)	357,223	(6,882)	**350,341**
Other receivables				
– Rental deposits	(c)	111,638	(63,911)	**47,727**
Current Assets				
Land use rights	(b)	57,158	(57,158)	**-**
Current Liabilities				
Lease liabilities		–	16,495	**16,495**
Non-current Liabilities				
Other payables				
– Rental deposits	(d)	126,933	(20,965)	**105,968**
– Advance lease payments	(d)	–	20,965	**20,965**
Lease liabilities		–	50,848	**50,848**
Capital and reserves				
Reserves	(e)	6,030,906	(14,158)	**6,016,748**

Note: For the purpose of reporting cash flows generated from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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 16 Leases (Continued)

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement profit or loss and other comprehensive income and cash flows for the current year ended 31 December 2019 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 16 as a lessor
	RMB'000	RMB'000	RMB'000
Non-current Liabilities			
Other payables			
– Rental deposits	106,505	(21,668)	128,173
– Advance lease payments	22,579	22,579	–
Capital and reserves			
Reserves	6,678,364	(911)	6,679,275

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 16 Leases *(Continued)*

Impact on the consolidated profit and loss and other comprehensive income

	Note	As reported	Adjustments	Amounts without application of HKFRS 16 as a lessor
		RMB'000	RMB'000	RMB'000
Revenue	(f)	6,149,446	5,870	6,143,576
Finance costs	(f)	(414,216)	(6,781)	(407,435)
Profit before tax		1,886,348	(911)	1,887,259
Profit for the year		1,172,593	(911)	1,173,504
Total comprehensive income for the year		1,198,740	(911)	1,199,651

(f) The adjustments relate to reduction in rental income and finance costs of RMB5,870,000 and RMB6,781,000 respectively if the discounting effects for refundable rental deposits were not adjusted.

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 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1and HKAS 8	*Definition of Material*[4]
Amendments to HKFRS 9, HKAS39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 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

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

4 Effective for annual periods beginning on or after 1 January 2020

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)*

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework* in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the revised Conceptual Framework for Financial Reporting mentioned below, the directors of the Company 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.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Business combination under common control:

On 10 May 2019, the Group entered into an equity purchase agreement with 南京金鷹國際集團有限公司(Nanjing Golden Eagle International Group Co., Ltd.), an indirect wholly-owned subsidiary of GEICO, to acquire 100% equity interests of 徐州金鷹文化發展有限公司(Xuzhou Golden Eagle Cultural Development Co., Ltd.) ("Xuzhou Cultural Development") at cash consideration of RMB80,000,000. Xuzhou Cultural Development is principally engaged in the businesses of property investment, management and development. The acquisition of Xuzhou Cultural Development was completed on 23 May 2019. The consideration paid for the acquisition of Xuzhou Cultural Development are accounted for as distributions to the Group's controlling shareholder, which have been fully settled during the year.

Since GEICO is the ultimate holding company of Xuzhou Cultural Development prior to and after the acquisition, the acquisition involves business combination under common control and has been accounted for using the principles of merger accounting. As a result, the comparative of consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2018 and the consolidated statement of financial position as at 31 December 2018 and 1 January 2018 have therefore been restated, in order to include the results of the combining entity since the date when Xuzhou Cultural Development first came under common control.

The effects of adopting merger accounting to account for the acquisition of Xuzhou Cultural Development on the consolidated statement of profit or loss and other comprehensive income of the Group for the current and prior year are as follows:

	2019 RMB'000	2018 RMB'000
Increase in revenue	614	830
Increase in other income, gains and losses	446	70
Increase in employee benefits expense	(4,200)	(7,320)
Increase in depreciation of property, plant and equipment	(4,083)	(512)
Increase in rental expenses	–	(12)
Decrease in other expenses	3,399	4,743
Increase in finance income	2	7
Decrease in income tax expense	953	547
Net decrease in profit and total comprehensive income for the year	(2,869)	(1,647)
Net decrease in profit and total comprehensive income for the year attributable to:		
Owners of the Company	(2,869)	(1,647)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Business combination under common control: *(Continued)*

The effects of adopting merger accounting to account for the acquisition of Xuzhou Cultural Development on the consolidated statement of financial position as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018			1 January 2018		
	Originally stated RMB'000	Adjustments RMB'000	Restated RMB'000	Originally stated RMB'000	Adjustments RMB'000	Restated RMB'000
Non-current assets						
Property, plant and equipment	8,336,401	394,234	8,730,635	8,733,659	334,117	9,067,776
Land use rights – non-current portion	2,058,146	–	2,058,146	2,150,477	–	2,150,477
Investment properties	2,127,520	–	2,127,520	1,880,520	–	1,880,520
Intangible asset	12,582	–	12,582	13,247	–	13,247
Goodwill	17,664	–	17,664	17,664	–	17,664
Interests in associates	357,223	–	357,223	410,270	–	410,270
Interests in joint ventures	13,577	–	13,577	27,476	–	27,476
Available-for-sale investments	–	–	–	309,920	–	309,920
Equity instruments at FVTOCI	172,078	–	172,078	–	–	–
Financial assets at FVTPL	119,421	–	119,421	–	–	–
Deferred tax assets	103,064	833	103,897	113,273	286	113,559
	13,317,676	395,067	13,712,743	13,656,506	334,403	13,990,909
Current assets						
Inventories	428,119	–	428,119	433,409	–	433,409
Properties under development for sale	1,303,433	–	1,303,433	1,444,051	–	1,444,051
Completed properties for sale	1,051,786	–	1,051,786	1,309,835	–	1,309,835
Land use rights – current portion	57,158	–	57,158	57,746	–	57,746
Trade and other receivables	1,126,856	6,638	1,133,494	1,100,261	3,411	1,103,672
Amounts due from related companies	80,819	(1,969)	78,850	40,647	(474)	40,173
Tax assets	6,883	–	6,883	44,563	–	44,563
Financial assets at FVTPL	1,020,004	–	1,020,004	–	–	–
Structured bank deposits	–	–	–	717,933	–	717,933
Investments in interest bearing instruments	–	–	–	310,315	–	310,315
Restricted cash	107,157	–	107,157	116,286	–	116,286
Bank balances and cash	5,336,323	450	5,336,773	5,800,326	92	5,800,418
	10,518,538	5,119	10,523,657	11,375,372	3,029	11,378,401

3. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Business combination under common control: *(Continued)*

	31 December 2018			1 January 2018		
	Originally stated RMB'000	Adjustments RMB'000	Restated RMB'000	Originally stated RMB'000	Adjustments RMB'000	Restated RMB'000
Current liabilities						
Bills, trade and other payables	4,377,695	963	4,378,658	6,445,641	507	6,446,148
Amounts due to related companies	259,837	363,092	622,929	305,690	299,147	604,837
Tax liabilities	529,961	–	529,961	395,166	–	395,166
Prepayments from customers	2,510,436	–	2,510,436	2,301,648	–	2,301,648
Contract liabilities	827,506	–	827,506	–	–	–
Deferred revenue	–	–	–	25,496	–	25,496
Bank loans	218,666	–	218,666	4,799,852	–	4,799,852
PRC medium-term notes	1,497,180	–	1,497,180	–	–	–
	10,221,281	364,055	10,585,336	14,273,493	299,654	14,573,147
Net current assets (liabilities)	297,257	(358,936)	(61,679)	(2,898,121)	(296,625)	(3,194,746)
Total assets less current liabilities	13,614,933	36,131	13,651,064	10,758,385	37,778	10,796,163
Non-current liabilities						
Bank loans	4,051,105	–	4,051,105	–	–	–
Senior notes	2,579,227	–	2,579,227	2,451,306	–	2,451,306
PRC medium-term notes	–	–	–	1,493,850	–	1,493,850
Deferred tax liabilities	701,303	–	701,303	632,386	–	632,386
	7,331,635	–	7,331,635	4,577,542	–	4,577,542
Net assets	6,283,298	36,131	6,319,429	6,180,843	37,778	6,218,621
Capital and reserves						
Share capital	176,865	–	176,865	176,368	–	176,368
Reserves	5,994,775	36,131	6,030,906	5,886,176	37,778	5,923,954
Equity attributable to owners of the Company	6,171,640	36,131	6,207,771	6,062,544	37,778	6,100,322
Non-controlling interests	111,658	–	111,658	118,299	–	118,299
Total equity	6,283,298	36,131	6,319,429	6,180,843	37,778	6,218,621

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Change in presentation of consolidated statement of financial position:

Certain comparative figures on the consolidated statement of financial position as at 31 December 2018 and 1 January 2018 have been re-classified to conform to the current year presentation.

	31 December 2018			1 January 2018		
	Originally stated RMB'000	Reclassification RMB'000	Restated RMB'000	Originally stated RMB'000	Reclassification RMB'000	Restated RMB'000
Non-current assets						
Other receivables	–	111,638	111,638	–	112,529	112,529
Current assets						
Trade and other receivables	1,133,494	(111,638)	1,021,856	1,103,672	(112,529)	991,143
Current liabilities						
Bills, trade and other payables	4,378,658	(126,933)	4,251,725	6,446,148	(117,315)	6,328,833
Non-current liabilities						
Other payables	–	126,933	126,933	–	117,315	117,315

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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 and investment properties 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.

4. 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 and other comprehensive income 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Merger accounting for business combination involving businesses under common control

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The 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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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.

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, 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.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction, 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 a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) 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 property, 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.

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 fair value, adjusted to exclude any prepaid or accrued operating lease income.

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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Properties under development/properties for sale

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties for sale upon completion.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives 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 property, plant and equipment, right-of-use assets and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) 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 market place.

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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Financial assets

Classification and subsequent measurement of financial assets

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 selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/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 held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL *(Continued)*

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.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables and amounts due from related companies) which are subject to impairment under HKFRS 9. 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 debtors with significant balances.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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).

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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.

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 HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

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 weighted average 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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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 or 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.

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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

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:

- 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);
- a refund liability/contract liability; and
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(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.

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.

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.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand- alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of inventory are presented within "properties under development for sale" and "completed properties for sale".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (prior to 1 January 2019) *(Continued)*

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.

The Group as a lessor

Classification and measurement of leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new 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.

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. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

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

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.

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' 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 and associates, and interests in 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 to the same taxable entity by the same taxation authority.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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-based payments 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-based payments.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 4, management of the Company are required to make 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES *(Continued)*

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.

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 2019, a deferred tax asset of RMB32,882,000 (2018: RMB56,011,000 (restated)) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB136,197,000 (2018: RMB195,417,000) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgement and is satisfied that the assumptions used in valuation have reflected the current market conditions. The carrying amount of investment properties at 31 December 2019 was RMB2,240,624,000 (2018: RMB2,127,520,000).

6. REVENUE

(i) Disaggregation of revenue

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

	2019 **RMB'000**	2018 RMB'000 (restated)
Commission income from concessionaire sales	**2,046,792**	2,145,615
Direct sales	**2,325,696**	2,187,336
Sales of properties	**817,555**	1,365,844
Management fees	**38,926**	38,925
Hotel operations	**32,474**	36,629
Automobile services fees	**25,000**	22,539
Revenue from contracts with customers	**5,286,443**	5,796,888
Rental income	**863,003**	773,313
Total revenue	**6,149,446**	6,570,201
Timing of revenue recognition under HKFRS 15		
A point in time	**5,247,517**	5,757,963
Over time	**38,926**	38,925
Total	**5,286,443**	5,796,888

6. REVENUE *(Continued)*

(i) Disaggregation of revenue *(Continued)*

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

Gross sales proceeds	**2019**	2018
	RMB'000	RMB'000
		(restated)
Concessionaire sales	**13,757,252**	14,125,203
Direct sales	**2,641,857**	2,534,792
Sales of properties	**829,346**	1,402,539
Management fees	**41,453**	41,437
Hotel operations	**34,524**	39,046
Automobile service fees	**28,095**	25,880
Gross sales proceeds from contracts with customers	**17,332,527**	18,168,897
Rental income	**914,257**	826,781
Total gross sales proceeds	**18,246,784**	18,995,678

(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. Based on opinion from external legal counsel, 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.

6. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

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

	Sales of properties		Customer loyalty programmes	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**161,327**	490,239	**14,551**	25,201
More than one year but not more than two years	**–**	312,066	**–**	–
Total	**161,327**	802,305	**14,551**	25,201

7. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors and chief executive officer/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 as follows:

– Retail operations consists of:

  - Southern Jiangsu Province, including stores at Nanjing, Suzhou, 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 centre and stylish department store chain in the PRC (the "Retail Operations").

7. SEGMENT INFORMATION *(Continued)*

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

Segment revenue and results

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

	Retail Operations						
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western and the other regions of the PRC RMB'000	Subtotal RMB'000	Property development and hotel operations RMB'000	Other operations RMB'000	Total RMB'000
For the year ended 31 December 2019							
Gross sales proceeds	6,399,906	8,575,170	2,208,639	17,183,715	889,731	173,338	18,246,784
Segment revenue	2,352,530	2,239,641	587,647	5,179,818	874,625	95,003	6,149,446
Segment results	728,596	1,049,162	246,606	2,024,364	289,701	(56,442)	2,257,623
Central administration costs and Directors' salaries							(63,701)
Finance income							47,323
Finance costs							(414,216)
Other gains and losses							162,300
Share of loss of associates							(102,854)
Share of loss of joint ventures							(127)
Profit before tax							1,886,348
Income tax expense							(713,755)
Profit for the year							1,172,593

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Retail Operations						
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000 (restated)	Western and the other regions of the PRC RMB'000	Subtotal RMB'000 (restated)	Property development and hotel operations RMB'000	Other operations RMB'000	Total RMB'000 (restated)
For the year ended 31 December 2018							
Gross sales proceeds	6,703,535	8,324,081	2,355,981	17,383,597	1,464,620	147,461	18,995,678
Segment revenue	2,388,308	2,104,356	565,152	5,057,816	1,424,161	88,224	6,570,201
Segment results	820,098	962,015	247,639	2,029,752	415,181	(51,877)	2,393,056
Central administration costs and Directors' salaries							(69,696)
Finance income							20,035
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							1,654,209
Income tax expense							(762,996)
Profit for the year							891,213

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of central administration costs, Directors' salaries, finance income, finance costs, other gains and losses, share of loss of associates and joint ventures and income tax expense. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

Amounts included in the measure of segment profit or loss:

	Retail Operations						
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western and the other regions of the PRC RMB'000	Subtotal RMB'000	Property development and hotel operations RMB'000	Other operations RMB'000	Total RMB'000
For the year ended 31 December 2019							
Depreciation and amortisation of property, plant and equipment and intangible asset	**168,754**	**127,994**	**43,433**	**340,181**	**19,306**	**17,505**	**376,992**
Depreciation of right-of-use assets	**33,384**	**17,751**	**13,835**	**64,970**	**-**	**7,997**	**72,967**
Less: amounts capitalised	**-**	**(2,134)**	**-**	**(2,134)**	**-**	**-**	**(2,134)**
	33,384	**15,617**	**13,835**	**62,836**	**-**	**7,997**	**70,833**

	Retail Operations						
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000 (restated)	Western and the other regions of the PRC RMB'000	Subtotal RMB'000 (restated)	Property development and hotel operations RMB'000	Other operations RMB'000	Total RMB'000 (restated)
For the year ended 31 December 2018							
Depreciation and amortisation of property, plant and equipment and intangible asset	163,627	124,811	43,727	332,165	19,686	22,608	374,459
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

8. OTHER INCOME, GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000 (restated)
Other income		
Income from suppliers and customers	**525,333**	473,327
Government grants	**18,197**	9,278
Others	**3,191**	3,480
	546,721	486,085
Other gains and losses		
Net foreign exchange loss	**(110,014)**	(334,478)
Dividend income from equity investments	**1,854**	1,826
Investment income of structured bank deposits	**169,922**	161,427
Investment income of wealth management products issued by banks	**–**	8,715
Fair value change of investment properties	**12,449**	23,000
Fair value change of financial assets at FVTPL	**7,352**	(2,344)
Loss on disposal of financial assets at FVTPL	**(3,014)**	(612)
Gain on disposal of a subsidiary (note 39)	**–**	2
Gain on deemed disposal of associates	**40,437**	2,516
Gain (loss) on disposal/partial disposal of interests in associates (note 22)	**116,395**	(654)
Gain on deemed disposal of a joint venture	**–**	2,849
Impairment losses under expected credit loss model	**(18,585)**	–
Impairment loss recognised in interests in associates (note 22)	**(53,224)**	(25,094)
Impairment loss recognised in interest in a joint venture (note 23)	**(1,272)**	–
Impairment losses in relation to store suspensions	**–**	(14,877)
	162,300	(177,724)
	709,021	308,361

During the year, the relevant government authorities granted one-off and unconditional subsidies to the Group amounting to RMB18,197,000 (2018: RMB9,278,000) in relation to support the Group's development in the local districts 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.

9. FINANCE INCOME

	2019 RMB'000	2018 RMB'000 (restated)
Interest income on bank deposits	**27,508**	18,769
Interest income from loans to third parties and associates	**17,123**	1,266
Interest income from refundable rental deposits paid	**2,692**	–
	47,323	20,035

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on:		
Bank loans	**243,229**	254,621
Senior notes	**124,109**	119,556
PRC medium-term notes	**43,933**	63,930
Proceeds from pre-sale of properties	**28,060**	64,674
Refundable rental deposits received	**6,781**	–
Lease liabilities	**3,164**	–
	449,276	502,781
Less: amounts capitalised in the cost of qualifying assets		
Properties under development for sale	**(35,060)**	(86,074)
	414,216	416,707

Finance costs capitalised are calculated by applying a weighted average capitalisation rate of 5.0% (2018: 5.3%) per annum.

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000 (restated)
PRC Enterprise Income Tax:		
Current year	**509,774**	559,574
Land Appreciation Tax ("LAT")	**71,103**	76,367
(Over) under provision in prior years	**(2,874)**	555
	578,003	636,496
Deferred tax charge:		
Current year	**135,752**	126,500
	713,755	762,996

Hong Kong Profits Tax has not been provided as the Group had no assessable profit which 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% (2018: 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.

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.

11. INCOME TAX EXPENSE *(Continued)*

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

	2019 RMB'000	2018 RMB'000 (restated)
Profit before tax	**1,886,348**	1,654,209
Tax at the applicable tax rate of 25% (2018: 25%)	**471,587**	413,552
Tax effect of share of loss of associates	**25,713**	21,773
Tax effect of gain on deemed disposal of associates	**(10,109)**	(629)
Tax effect of share of loss of joint ventures	**32**	1,916
Tax effect of gain on deemed disposal of a joint venture	**–**	(712)
Tax effect of expenses not deductible for tax purpose	**149,359**	218,451
Tax effect of income not taxable for tax purpose	**(19,119)**	(11,328)
Tax effect of tax losses not recognised	**1,044**	8,403
LAT	**71,103**	76,367
Tax effect of LAT	**(17,776)**	(19,092)
Utilisation of tax losses previously not recognised	**(15,849)**	(639)
(Over) under provision in prior years	**(2,874)**	555
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**70,700**	64,837
Income tax at concessionary rate	**(10,056)**	(10,458)
Tax charge for the year	**713,755**	762,996

12. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**1,760**	555
Other staff:		
Salaries and other benefits	**340,884**	359,978
Retirement benefits schemes contributions	**38,671**	43,203
Equity-settled share-based payments	**–**	(2,033)
	381,315	401,703
Auditor's remuneration	**2,490**	2,380
Depreciation and amortisation of property, plant and equipment and intangible asset	**376,992**	374,459
Depreciation of right-of-use assets	**72,967**	–
Release of prepaid lease payments on land use rights	**–**	57,096
Less: amounts capitalised	**(2,134)**	(2,134)
	70,833	54,962
Loss on disposal/write-off of property, plant and equipment	**31,898**	966
Gross rental income from investment properties	**(104,042)**	(103,837)
Less: direct operating expenses incurred for investment properties	**11,555**	11,907
	(92,487)	(91,930)

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

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

	2019					2018				
		Other emoluments					Other emoluments			
	Fees	Salaries and other benefits	Retirement benefits schemes contributions	Equity-settled share-based payments	Total	Fees	Salaries and other benefits	Retirement benefits schemes contributions	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors										
Mr. Wang Hung, Roger	-	-	-	-	-	-	-	-	-	-
Ms. Wang Janice S. Y.	-	127	6	-	133	-	122	6	-	128
Mr. Hans Hendrik Marie Diederen (Note 1)	-	1,108	70	-	1,178	-	-	-	-	-
Sub-total	-	1,235	76	-	1,311	-	122	6	-	128
Independent non-executive Directors										
Mr. Wong Chi Keung	190	-	-	-	190	183	-	-	-	183
Mr. Lay Danny J	127	-	-	-	127	122	-	-	-	122
Mr. Lo Ching Yan (Note 2)	79	-	-	-	79	-	-	-	-	-
Mr. Wang Sung Yun, Eddie (Note 3)	53	-	-	-	53	122	-	-	-	122
Sub-total	449	-	-	-	449	427	-	-	-	427
Chief Executive Officer										
Mr. Su Kai (Note 4)	-	-	-	-	-	-	294	22	-	316
Total	449	1,235	76	-	1,760	427	416	28	-	871

Notes:

1. Mr. Hans Hendrik Marie Diederen was appointed as an executive Director of the Company with effect from 19 March 2019.

2. Mr. Lo Ching Yan was appointed as an independent non-executive Director of the Company with effect from 23 May 2019.

3. Mr. Wang Sung Yun, Eddie was retired as an independent non-executive Director of the Company with effect from 23 May 2019.

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

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

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

The emoluments of the five individuals with highest emoluments in the Group, one of them is a director of the Company who was appointed during the year (2018: none of whom is a director nor the chief executive officer of the Company). Details of the emoluments for the year of the five (2018: five) highest paid individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	**5,271**	3,063
Retirement benefits schemes contributions	**344**	284
Equity-settled share-based payments	**–**	100
	5,615	3,447

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
Nil to Hong Kong dollar ("HK$") 1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**2**	1
	5	5

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

14. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year:		
2018 Final dividend of RMB0.160 per share		
(2017 Final dividend: RMB0.3000)	**268,979**	504,170
2019 Interim dividend of RMB0.118 per share		
(2018 Interim dividend: RMB0.1338)	**198,100**	224,472
	467,079	728,642

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB0.231 per share (2018: a final dividend of RMB0.160 per share), in an estimated aggregate amount of RMB387,858,000 (2018: RMB268,979,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

15. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,185,480**	897,854

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,679,364**	1,672,584
Effect of dilutive potential ordinary shares attributable to share options	**–**	5,698
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,679,364**	1,678,282

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 2019 and 31 December 2018 because the exercise price of these options were higher than the average market prices of the Company's shares during both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2018 (originally stated)	9,349,069	1,275,586	139,090	239,071	9,418	2,951	56,360	11,071,545
Acquisition of a subsidiary under common control (note 3)	17,017	–	–	508	–	–	321,405	338,930
At 1 January 2018 (restated)	9,366,086	1,275,586	139,090	239,579	9,418	2,951	377,765	11,410,475
Additions/other adjustment (restated)	(29,056)	94,521	104	15,492	2,504	50	82,204	165,819
Transfers	2,330	711	–	–	–	–	(3,041)	–
Disposals	–	–	(776)	(6,557)	(6,009)	(358)	–	(13,700)
Derecognised on disposal of a subsidiary (note 39)	–	–	–	–	–	–	(300)	(300)
Transferred to investment properties	(125,797)	–	–	–	–	–	–	(125,797)
At 31 December 2018 (restated)	9,213,563	1,370,818	138,418	248,514	5,913	2,643	456,628	11,436,497
Additions	56,560	96,123	101	7,632	1,615	1,579	390,502	554,112
Transfers	755,641	2,497	–	1,258	–	–	(759,396)	–
Disposals	(43,057)	(200)	(16,397)	(7,216)	(1,941)	(1,681)	–	(70,492)
Transferred to investment properties	(96,852)	–	–	–	–	–	–	(96,852)
At 31 December 2019	9,885,855	1,469,238	122,122	250,188	5,587	2,541	87,734	11,823,265
DEPRECIATION AND AMORTISATION								
At 1 January 2018 (originally stated)	1,226,545	848,984	101,648	152,180	5,987	2,542	–	2,337,886
Acquisition of a subsidiary under common control (note 3)	4,495	–	–	318	–	–	–	4,813
At 1 January 2018 (restated)	1,231,040	848,984	101,648	152,498	5,987	2,542	–	2,342,699
Provided for the year (restated)	225,651	112,925	8,556	25,364	988	310	–	373,794
Eliminated on disposals	–	–	(390)	(5,404)	(4,496)	(341)	–	(10,631)
At 31 December 2018 (restated)	1,456,691	961,909	109,814	172,458	2,479	2,511	–	2,705,862
Provided for the year	231,423	116,105	6,273	21,513	888	125	–	376,327
Eliminated on disposals	(13,814)	(150)	(14,753)	(5,888)	(1,005)	(1,447)	–	(37,057)
At 31 December 2019	1,674,300	1,077,864	101,334	188,083	2,362	1,189	–	3,045,132
CARRYING VALUES								
At 31 December 2019	8,211,555	391,374	20,788	62,105	3,225	1,352	87,734	8,778,133
At 31 December 2018 (restated)	7,756,872	408,909	28,604	76,056	3,434	132	456,628	8,730,635

16. 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 RMB4,194,093,000 (2018: RMB4,433,920,000). In the opinion of the Directors, the relevant ownership certificates can be obtained without incurring significant costs.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group as lessor

The Group leases out a number of properties under operating leases. The leases typically run for an initial period of 1 month to 15 years. The disclosure of these properties under operating leases classified under leasehold and buildings and the reconciliation of the carrying amounts at the beginning and the end of the reporting period are set out as below:

	RMB'000
COST	
At 1 January 2019	2,289,059
Additions	107,570
Transferred to self-used	(28,049)
Disposals	(1,160)
At 31 December 2019	2,367,420
DEPRECIATION	
At 1 January 2019	281,785
Provided for the year	59,763
Transferred to self-used	(3,899)
Eliminated on disposals	(306)
At 31 December 2019	337,343
CARRYING VALUE	
At 31 December 2019	2,030,077

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2019			
Carrying amount	2,115,304	123,978	2,239,282
At 31 December 2019			
Carrying amount	2,058,137	108,996	2,167,133
For the year ended 31 December 2019			
Depreciation charge	57,167	15,800	72,967
Less: capitalised in properties under development for sale	(2,134)	–	(2,134)
	55,033	15,800	70,833
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			5,198
Variable lease payments not included in the measurement of lease liabilities			314,549
Total cash outflow for leases			333,261
Additions to right-of-use assets			12,633

The Group leases certain offices, warehouses, retail store properties and equipment for its operations. Lease contracts are entered into for fixed term of 2 to 20 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leases of retail store properties contain variable lease payments that are determinate based on certain percentage of the store's gross sales proceeds after deduction of related sales and discounts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB334,044,000 (2018: RMB344,976,000) in which the Group is in the process of obtaining.

18. LAND USE RIGHTS

	2018
	RMB' 000
Analysed for reporting purposes as:	
Non-current assets	2,058,146
Current assets	57,158
	2,115,304

Upon application of HKFRS 16 on 1 January 2019, the land use rights were reclassified to right-of-use assets.

19. INVESTMENT PROPERTIES

The Group leases out various retail floor area under operating leases with rentals receivable monthly. The leases typically run for an initial period of 1 month to 15 years, with unilateral rights by leasor to extend the lease beyond initial period. Majority of the lease contracts contain market review clauses in the event the leasee exercises the option to extend. The leases of retail floor area contain variable lease payments that are determinate based on certain percentage of the leasee's gross sales or gross profit after deduction of related sales and discounts and the minimum annual lease payments are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the functional currencies of the respective group entities. The lease contracts do not contain residual value guarantee and/or leasee's option to purchase the property at the end of lease term.

	Amount
	RMB' 000
Fair Value	
At 1 January 2018	1,880,520
Transferred from property, plant and equipment (note 16)	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
Transferred from property, plant and equipment (note 16)	101,090
Net change in fair value recognised in profit or loss	12,449
Disposals	(435)
At 31 December 2019	2,240,624

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.

19. INVESTMENT PROPERTIES *(Continued)*

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 (2018: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), independent qualified professional valuers not connected to the Group.

In estimating the fair value of the completed properties, the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

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% (2018: 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 (2018: 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 5.5%-6.5% (2018: 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 RMB235 (2018: RMB234) per 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.

19. INVESTMENT PROPERTIES *(Continued)*

Completed investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
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% (2018: 5.5%-6.5%).	An increase in the capitalisation rate used would result in a decrease in fair value, and vice versa.
		Monthly market rent, using direct market comparables and taking into account of time, location, and individual factors, such as frontage and size of the property, of RMB278 (2018: RMB276) per 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.
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% (2018: 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 RMB285 (2018: RMB120-285) per 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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19. INVESTMENT PROPERTIES *(Continued)*

Completed investment properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
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% (2018: 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 RMB309 (2018: RMB309) per 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 5.25%-6% (2018: 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 RMB308 (2018: RMB299) per 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.

19. 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% (2018: 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 RMB98-266 (2018: RMB95-261) per 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 2019	31 December 2018
	RMB'000	RMB'000
Wuhu New City Plaza located in Wuhu	**492,000**	491,000
Baxian City located in Nantong	**286,000**	284,000
Nantong Renmin Road Store located in Nantong	**276,000**	275,060
Jiangdu Golden Eagle Commercial Plaza located in Yangzhou	**235,000**	235,000
Xianlin Golden Eagle Tiandi located in Nanjing	**227,100**	223,900
Suzhou Gaoxin Golden Eagle Commercial Plaza located in Suzhou	**202,100**	201,800
Other properties	**522,424**	416,760
	2,240,624	2,127,520

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

20. INTANGIBLE ASSET

	Franchise right
	RMB'000
COST	
At 1 January 2018, 31 December 2018 and 31 December 2019	13,302
AMORTISATION	
At 1 January 2018	55
Provide for the year	665
At 31 December 2018	720
Provide for the year	665
At 31 December 2019	1,385
CARRYING VALUES	
At 31 December 2019	11,917
At 31 December 2018	12,582

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

21. GOODWILL

	Amount
	RMB'000
COST	
At 1 January 2018, 31 December 2018 and 31 December 2019	263,179
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2018, 31 December 2018 and 31 December 2019	245,515
CARRYING VALUE	
At 31 December 2019 and 31 December 2018	17,664

21. GOODWILL *(Continued)*

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units ("CGUs") 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 2019 and 31 December 2018 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 2019 and 2018.

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% (2018: 10%) per annum.

21. GOODWILL *(Continued)*

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

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

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

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

22. INTERESTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Cost of investments in associates		
Listed	**292,616**	310,067
Unlisted	**291,456**	291,216
Share of post-acquisition losses and other comprehensive income	**(302,979)**	(218,966)
Impairment loss in associates	**(78,318)**	(25,094)
	202,775	357,223
Fair value of listed investments	**145,865**	181,298

22. INTERESTS IN ASSOCIATES *(Continued)*

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

Name of associate	Place/country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/registered capital held by the Company		Principal activities
			2019	2018	
中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) ("Allied")	Taiwan	Share capital – Taiwan Dollar 723,332,000	**42.6%**	42.6%	Trading of disperse dyestuffs and motor vehicles 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	**N/A**	9.5%	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. (Notes 1 & 2)	Korea	Share capital – Korea (South) Won 4,092,442,700	**14.1%**	18.1%	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. ("Whittle") (Note 2)	Cayman Islands	Share capital – United States dollar ("USD") 176,830,776	**8.9%**	10%	Development and operation of global private school

22. 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
			2019	2018	
iP2 Entertainment Holding S.A. ("iP2 Entertainment")	The Grand Duchy of Luxembourg	Share capital – USD142,416	**20%**	20%	Development and operation of immersive family entertainment centre
江蘇博浪傳媒有限公司 (Jiangsu Bolang Media Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**40%**	40%	Operation of media service
Golden Eagle & Shinwon Trading Co., Limited	Hong Kong	Share capital – USD7,500,000	**33.3%**	33.3%	Branded fashion retailer
南京華文金麟文化產業投資有限公司 (Nanjing Jinlin Culture Industry Investment Co., Ltd.)	PRC	Registered capital – RMB1,000,000	**24%**	N/A	Investment holding

Notes:

1. In 2019, the Group disposed/partial disposed of its equity interests in Beijing Pop Mart Cultural & Creative Corp., Ltd. and Toebox Korea Ltd. to independent third parties at an aggregate consideration of RMB146,610,000 resulting in a gain on disposal/partial disposal of interests in associates amounted to RMB116,395,000 (2018: loss on disposal of an associate amounted to RMB654,000).

2. 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.

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.

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

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

	Allied		Whittle	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**111,540**	79,016	**619,377**	69,200
Non-current assets	**208,628**	222,227	**2,523,749**	598,309
Current liabilities	**90,097**	80,539	**669,870**	331,456
Non-current liabilities	**8,778**	12,182	**3,017,084**	240,203
Revenue	**249,412**	97,457	**17,070**	–
Profit (loss) for the year	**11,908**	(102,252)	**(1,066,278)**	(407,607)
Other comprehensive income (expense) for the year	**863**	4,300	**(14,200)**	15,504
Total comprehensive income (expense) for the year	**12,771**	(97,952)	**(1,080,478)**	(392,103)

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

	Allied		Whittle	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net assets (liabilities)	**221,293**	208,522	**(543,828)**	95,850
Proportion of the Group's ownership interest	**42.6%**	42.6%	**8.92%**	10%
Goodwill	**–**	–	**102,556**	126,056
Impairment	**(25,094)**	(25,094)	**–**	–
Others	**1,570**	1,570	**–**	–
Carrying amount of the Group's interest	**70,769**	65,327	**54,047**	135,622

22. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2019 RMB'000	2018 RMB'000
The Group's share of post-tax profit (loss) and total comprehensive income (expense)	**4,863**	(377)
Aggregate carrying amount of the Group's interests in these associates	**77,959**	156,274

23. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investments in joint ventures	**14,320**	14,720
Share of post-acquisition losses and other comprehensive expense	**(899)**	(1,143)
Impairment loss in a joint venture	**(1,272)**	–
	12,149	13,577

23. 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	Country of establishment and operations	Fully paid registered capital	Effective proportion of nominal value of registered capital held by the Company		Principal activities
			2019	2018	
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	**N/A**	40%	Branded chain coffeehouse
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 services provider
南京千可果業有限公司 (Nanjing Qianke Drink Co., Ltd.)	PRC	Registered capital – RMB1,020,400	**51%**	51%	Branded chain beverage
Goldmark Global Company Limited	HK	Share capital – HK$20	**50%**	N/A	Investment holding

Aggregate information of joint ventures that are not individually material

	2019 RMB'000	2018 RMB'000
The Group's share of post-tax losses and total comprehensive expense	**(127)**	(7,663)
Aggregate carrying amount of the Group's interests in these joint ventures	**12,149**	13,577

24. TRADE AND OTHER RECEIVABLES

	2019 **RMB'000**	2018 RMB'000 (restated)
Trade receivables	**80,012**	198,091
Advance to suppliers	**39,147**	51,752
Rental deposits	**53,340**	113,516
Other deposits	**16,952**	16,664
Deposits paid for purchases of goods	**5,411**	7,591
Loans to third parties (Note)	**122,207**	117,698
Other taxes recoverable	**139,657**	176,732
Other receivables and prepayments	**370,174**	451,450
	826,900	1,133,494
Presented as:		
Non-current assets	**53,242**	111,638
Current assets	**773,658**	1,021,856
	826,900	1,133,494

Note: As at 31 December 2019, the amount represents a short-term loan advanced to an independent third party, which is guaranteed, bearing fixed rate interest of 12% per annum and repayable within 270 days. As at 31 December 2018, the amount also included a loan in the amount of USD2,000,000 (equivalent to RMB13,426,000) advanced to another independent third party which was fully repaid during the current year.

For operations other than property development, 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 which are normally settled within 15 days.

Trade receivables amounted to RMB74,121,000 (2018: RMB183,793,000) 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.

As at 31 December 2019, rental deposits in an aggregated amount of RMB106,000,000 paid to related companies of the Group were classified in accordance with HKFRS 16 as other receivables and right-of-use assets in the amounts of RMB49,718,000 and RMB56,282,000, respectively.

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 the amounts are considered recoverable at the end of each reporting period.

25. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL

	2019	2018
	RMB'000	RMB'000
Equity instruments at FVTOCI		
Listed equity investments (Note 1)	**117,463**	172,078
Financial assets at FVTPL		
Non-current:		
Unquoted fund investment	**200,000**	100,000
Listed equity investments	**37,118**	19,421
	237,118	119,421
Current:		
Structured bank deposits (Note 2)	**611,070**	719,771
Wealth management products issued by banks (Note 3)	**–**	300,233
	611,070	1,020,004

Notes:

1. In the current year, the Group disposed of listed equity investments in the PRC at an aggregate consideration of RMB141,497,000 (2018: 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 gain on disposal of RMB6,379,000 (2018: loss on disposal of RMB17,719,000) has been transferred to retained profits.

2. As at 31 December 2019, structured bank deposits represent foreign currency or interest rate linked structured bank deposits ("SBDs") placed by the Group to a number of banks for a term of one month to one year. Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rates from 1.7% to 5.2% (31 December 2018: 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. As at 31 December 2018, wealth management products issued by banks represented the Group's investments in restricted low risk debt instruments arranged by a bank in the PRC, which were principal guaranteed and the expected return rate at 3.2% per annum.

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26. DEFERRED TAXATION

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

	2019	2018
	RMB' 000	RMB' 000
		(restated)
Deferred tax assets	**94,389**	103,897
Deferred tax liabilities	**(781,064)**	(701,303)
	(686,675)	(597,406)

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

	Accelerated depreciation and amortisation allowances	Fair value adjustment on property, plant and equipment, investment properties and properties under development for sale arising from acquisition of subsidiaries	Undistributable profits of the PRC subsidiaries	LAT	Tax losses	Revaluation of equity instruments at FVTOCI	Revaluation of financial assets at FVTPL	Contract liabilities	Fair value adjustment on investment properties	Others	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2018	250,329	154,425	15,750	42,561	(79,399)	(10,453)	(1,191)	(6,233)	132,880	20,444	519,113
Effect on acquisition of a subsidiary under common control (note 3)	-	-	-	-	(286)	-	-	-	-	-	(286)
At 1 January 2018 (restated)	250,329	154,425	15,750	42,561	(79,685)	(10,453)	(1,191)	(6,233)	132,880	20,444	518,827
Charge (credit) for the year (restated) (note 11)	50,931	(3,097)	64,837	(16,191)	23,674	-	(584)	31	5,753	1,146	126,500
(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 1 January 2019 (restated)	301,260	151,328	23,750	26,370	(56,011)	(15,552)	(1,775)	(6,202)	152,629	21,609	597,406
Charge (credit) for the year (note 11)	50,778	(1,735)	70,700	(14,624)	23,129	-	1,838	2,647	3,112	(93)	135,752
Charge to other comprehensive income	-	-	-	-	-	10,285	-	-	1,059	-	11,344
Derecognised on disposal of FVTOCI	-	-	-	-	-	(2,127)	-	-	-	-	(2,127)
Reversal on payment of withholding tax	-	-	(55,700)	-	-	-	-	-	-	-	(55,700)
At 31 December 2019	352,038	149,593	38,750	11,746	(32,882)	(7,394)	63	(3,555)	156,800	21,516	686,675

26. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has unused tax losses of RMB267,725,000 (2018: RMB419,461,000 (restated)) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB131,528,000 (2018: RMB224,044,000 (restated)) of such losses which were tax losses arising from the PRC and can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. No deferred tax asset has been recognised in respect of the remaining RMB136,197,000 (2018: RMB195,417,000) 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 RMB2,401 million as at 31 December 2019 (2018: RMB2,110 million) as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future.

27. AMOUNTS DUE FROM RELATED COMPANIES

	2019 **RMB' 000**	2018 RMB' 000 (restated)
南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.) (Note 1)	**11,547**	11,285
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 1)	**7,379**	9,533
昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.) (Note 1)	**1,446**	1,169
南京金橋市場管理有限公司 (Nanjing Golden Bridge Market Management Co., Ltd.) (Note 1)	**1,250**	3,370
南京仙林金鷹天地科技實業有限公司 (Nanjing Xianlin Golden Eagle Tiandi Technology Industry Co., Ltd.) (Note 1)	**1,099**	5,016
Whittle School & Studios Holdings, Ltd. (Note 2)	**–**	25,695
Allied Industrial Corp., Ltd. (Note 2)	**–**	5,409
iP2 Entertainment Holdings IV, Inc. (Note 2)	**–**	6,863
iP2 Entertainment Holding S.A. (Note 2)	**–**	1,718
Others (Note 1)	**7,419**	8,792
	30,140	78,850

27. AMOUNTS DUE FROM RELATED COMPANIES *(Continued)*

As at 31 December 2019, 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 remaining amounts represent prepayments made for the Group's operations which are unsecured, interest free and repayable on demand.

Notes：

1. Fellow subsidiaries of the Group.

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

28. RESTRICTED CASH AND BANK BALANCES AND CASH

	2019	2018
	RMB'000	RMB'000
		(restated)
Restricted cash (Note 1)	**112,087**	107,157
Bank balances and cash (Note 2)	**5,081,262**	5,336,773
	5,193,349	5,443,930

Notes:

1. Restricted cash represents balances for the purpose of syndicated loan interest payments (note 33), 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 2019 is approximately 0.3% (2018: 0.3%) per annum.

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

29. BILLS, TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000 (restated)
Trade payables	**2,271,511**	2,190,582
Bills payables	**134,720**	78,600
Total trade payables	**2,406,231**	2,269,182
Payables for purchase of property, plant and equipment	**763,246**	829,962
Rental deposits	**236,046**	196,563
Suppliers' deposits	**133,102**	139,912
Accrued expenses	**154,404**	152,862
Accrued salaries and welfare expenses	**50,401**	54,476
Advance lease payments	**22,579**	–
Other taxes payable	**121,948**	121,070
Interest payable	**14,528**	30,762
Other payables	**589,570**	583,869
	4,492,055	4,378,658
Presented as:		
Non-current liabilities	**129,084**	126,933
Current liabilities	**4,362,971**	4,251,725
	4,492,055	4,378,658

Advance lease payments/rental deposits received were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

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

	2019 RMB'000	2018 RMB'000 (restated)
0 to 30 days	**1,654,630**	1,701,840
31 to 60 days	**319,991**	222,584
61 to 90 days	**134,293**	107,599
Over 90 days	**297,317**	237,159
	2,406,231	2,269,182

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

30. AMOUNTS DUE TO RELATED COMPANIES

	2019 RMB'000	2018 RMB'000 (restated)
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction Work Co., Ltd.) (Note 1)	**115,606**	126,269
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 1)	**68,528**	426,306
昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.) (Note 1)	**56,287**	56,287
南京建鄴金鷹置業有限公司 (Nanjing Jianye Golden Eagle Properties Co., Ltd.) (Note 1)	**12,619**	5,632
南京江寧金鷹科技實業有限公司 (Nanjing Jiangning Golden Eagle Technology Industry Co., Ltd.) (Note 1)	**13,773**	–
鹽城金鷹科技實業有限公司 (Yancheng Golden Eagle Technology Industry Co., Ltd.) (Note 1)	**11,151**	790
南京仙林金鷹天地科技實業有限公司 (Nanjing Xianlin Golden Eagle Tiandi Technology Industry Co., Ltd.) (Note 1)	**8,049**	2,614
吉林正業集團有限責任公司 (Jilin Zhengye Group Ltd.) (Note 2)	**–**	1,947
Others (Note 1)	**17,942**	3,084
	303,955	622,929

The amounts due to Nanjing Golden Eagle Construction Work Co., Ltd., Nanjing Golden Eagle International Group Co., Ltd. and Kunshan Golden Eagle Properties 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 90 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.

31. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	11,648
More than one year, but not exceeding two years	9,978
More than two years, but not exceeding five years	18,754
More than five years	18,369
	58,749
Less: Amount due for settlement within one year shown under current liabilities	11,648
Amount due for settlement after one year	47,101

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 RMB'000
HK$	1,964

32. PREPAYMENTS FROM CUSTOMERS/CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Prepayments from customers (i)	2,856,346	2,510,436
Contract liabilities:		
Deposits and prepayments received from pre-sale of properties (ii)	161,327	802,305
Deferred revenue arising from the Group's customer loyalty programmes (iii)	14,551	25,201
	175,878	827,506

As at 1 January 2018, contract liabilities amounted to RMB1,336,684,000.

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

32. PREPAYMENTS FROM CUSTOMERS/CONTRACT LIABILITIES *(Continued)*

(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.

Amount of RMB738,732,000 (2018: RMB998,110,000) related to deposits and prepayments received from pre-sale of properties was recognised as revenue during the year ended 31 December 2019, which was included in contract liabilities at the beginning of the current year.

(iii) Customer loyalty programmes

As at 31 December 2019, the customer loyalty points will be expired within 15 days (2018: 3 months).

33. BANK LOANS

	2019	2018
	RMB' 000	RMB' 000
Unsecured short-term bank loan	**80,000**	–
Secured Syndicated Loan (Note 1)	**4,022,626**	4,269,771
	4,102,626	4,269,771
Carrying amount repayable (Note 2):		
Within one year	**272,647**	218,666
More than two year, but not exceeding three years	**3,829,979**	4,051,105
	4,102,626	4,269,771
Less: Amount due within one year shown under current liabilities	**272,647**	218,666
Amount due after one year	**3,829,979**	4,051,105

33. BANK LOANS *(Continued)*

Notes:

1. In April 2018, the Group arranged a syndicated loan in the principal amounts of USD430,000,000 and HK$1,781,000,000 (equivalent to RMB4,130,771,000) to re-finance the maturing syndicated loan amounted to RMB4,799,852,000 as at 31 December 2017. The syndicated loan carries interest at LIBOR/HIBOR plus 2.5% (2018:2.5%) per annum and repayable in full in April 2021. The effective interest rates for the syndicate loan outstanding during the year are 5.7% to 5.8% (2018: 5.6% to 6.1%). Details of the assets pledged for the syndicated loan facilities are set out in note 42.

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

3. In August 2019, the Group arranged a variable-rate borrowing which carries interest at Loan Prime Rate plus 0.2% per annum and is repayable in full in August 2020. The effective interest rate on the borrowing during the year was 4.4%.

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

	2019 **RMB' 000**	2018 RMB' 000
USD	**2,625,704**	2,791,462
HK$	**1,396,922**	1,478,309
	4,022,626	4,269,771

34. PRC MEDIUM-TERM NOTES

On 21 September 2016, the Company issued medium-term notes in an aggregate principal amount of RMB1.5 billion at par (the "2016 Notes") in the national inter-bank market in the PRC. The 2016 Notes carried fixed coupon rate of 3.9% per annum, payable annually in arrears, and were fully repaid on 21 September 2019. The interest charged for the year was calculated by applying an effective interest rate of approximately 4.17% per annum since the 2016 Notes were issued.

35. SENIOR NOTES

	2019 RMB'000	2018 RMB'000
Senior notes	**2,625,392**	2,579,227
Interest payable within one year reclassified as current liabilities under other payables	**14,419**	14,186
	2,639,811	2,593,413
Carrying amount repayable:		
Within one year	**14,419**	14,186
More than one year, but not exceeding five years	**2,625,392**	2,579,227
	2,639,811	2,593,413
Less: Amount due within one year shown under current liabilities	**14,419**	14,186
Amount due after one year	**2,625,392**	2,579,227

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.

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.

35. SENIOR NOTES *(Continued)*

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 4.80% (2018: 4.80%) per annum to the liability component since the 2013 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.

36. SHARE CAPITAL

	Number of shares	Amount HK$' 000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2018	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
Shares repurchased and cancelled	(368,000)	(37)
At 31 December 2019	1,679,038,000	167,904

	RMB' 000
Shown in the consolidated statement of financial position:	
At 31 December 2019	**176,832**
At 31 December 2018	176,865

36. 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 2019					
– October 2019	**368,000**	**9.15**	**8.55**	**3,289**	**2,965**
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

In addition, during the year ended 31 December 2018, a total of 11,979,000 ordinary shares of HK$0.10 each of the Company were issued at HK$4.20 per share upon exercise of share options. These shares issued rank pari passu in all respects with the then existing shares. No share option was exercised in 2019.

During the year ended 31 December 2019, a total of 368,000 shares were repurchased and cancelled (2018: a total of 6,027,000 shares were repurchased and a total of 6,393,000 shares were cancelled).

37. 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.

37. RESERVES *(Continued)*

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.

38. 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.

38. 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

38. 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 2019					
Key management	**600,000**	**300,000**	**-**	**(200,000)**	**700,000**
Other employees	**900,000**	**(300,000)**	**-**	**-**	**600,000**
	1,500,000	**-**	**-**	**(200,000)**	**1,300,000**
Exercisable at 31 December 2019					**1,300,000**
Weighted average exercise price (HK$)	**19.95**	**-**	**-**	**19.95**	**19.95**
For the year ended 31 December 2018					
Executive director	100,000	-	(100,000)	-	-
Key management	980,000	550,000	(930,000)	-	600,000
Other employees	12,999,000	(550,000)	(10,949,000)	(600,000)	900,000
	14,079,000	-	(11,979,000)	(600,000)	1,500,000
Exercisable at 31 December 2018					1,500,000
Weighted average exercise price (HK$)	6.33	-	4.20	14.70	19.95

In respect of the share options exercised during the year ended 31 December 2018, the weighted average share price at the dates of exercise was HK$8.80. No share option was exercised in 2019.

39. 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.

39. DISPOSAL OF A SUBSIDIARY *(Continued)*

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

40. OPERATING LEASES

The Group as leasee

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

40. OPERATING LEASES *(Continued)*

The Group as leasee *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of certain offices, warehouses and retail 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
Within one year	18,700
In the second to fifth year inclusive	38,939
Over five years	28,993
	86,632

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
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.

40. OPERATING LEASES *(Continued)*

The Group as lessor

At the end of the reporting period, the Group had contracted with leasees in respect of retail floor areas which are negotiated for terms ranging from 1 month to 15 years.

Minimum lease payments receivable on leases are as follows：

	2019 **RMB' 000**
Within one year	**638,805**
In the second year	**421,220**
In the third year	**322,307**
In the fourth year	**195,033**
In the fifth year	**121,389**
After five years	**296,310**
	1,995,064

The Group had contracted with lessees in respect of retail floor area for the following future minimum lease payments:

	2018 RMB' 000
Within one year	610,201
In the second to fifth year inclusive	1,064,788
Over five years	354,000
	2,028,989

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.

41. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000 (restated)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**17,437**	153,409
– investments in associates	**25,000**	25,000
	42,437	178,409
Other commitment:		
– construction of properties under development (Note)	**302,155**	90,811

Note: As at 31 December 2019, included in the balance was RMB17,417,000 (2018: RMB656,000 (restated)) capital expenditure contracted for with fellow subsidiaries of the Group.

42. 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 facilities granted to the Group. Assets with the following carrying amounts have been pledged to secure the syndicated loan:

	2019 RMB'000	2018 RMB'000
Equity instruments at FVTOCI	**60,084**	53,952
Restricted cash	**46,646**	55,819
Bank balances and cash	**35,283**	269,392
	142,013	379,163

In addition, restricted cash amounted to RMB65,441,000 (2018: RMB49,489,000) have been pledged to secure general banking facilities granted to the Group.

43. RETIREMENT BENEFITS SCHEMES

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

43. RETIREMENT BENEFITS SCHEMES *(Continued)*

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 a trustee. 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 RMB38,747,000 (2018: RMB43,209,000 (restated)) 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.

44. 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	Lease liabilities RMB'000	Rental deposits RMB'000	Total RMB'000
At 1 January 2018	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
Adjustments upon application of HKFRS 16	–	–	–	–	67,343	175,598	242,941
As at 1 January 2019 (restated)	4,269,771	2,593,413	1,513,756	–	67,343	175,598	8,619,881
Financing cash flows	(483,975)	(121,645)	(1,557,689)	(467,079)	(13,514)	61,150	(2,582,752)
Non-cash changes:							
Foreign exchange translation	73,601	43,934	–	–	–	–	117,535
New leases entered	–	–	–	–	12,098	–	12,098
Early termination of leases	–	–	–	–	(10,342)	–	(10,342)
Finance costs recognised	243,229	124,109	43,933	–	3,164	6,781	421,216
Transferred to advance lease payments	–	–	–	–	–	(7,483)	(7,483)
Dividend declared	–	–	–	467,079	–	–	467,079
At 31 December 2019	4,102,626	2,639,811	–	–	58,749	236,046	7,037,232

45. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed 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	2019 RMB' 000	2018 RMB' 000 (restated)
Fellow subsidiaries	Property and ancillary facilities rentals paid	**273,122**	253,258
	Property management fee paid	**127,025**	128,243
	Decoration service fee paid	**59,085**	17,206
	Project management service fee paid	**7,136**	9,515
	Carpark management service fee paid	**4,639**	530
	Management fee received	**30,668**	30,668
	Carpark rental income received	**4,559**	3,162
Associates	Purchase of merchandise	**–**	18,430
	Interest Income	**238**	–

b) Compensation of key management personnel:

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

	2019 RMB' 000	2018 RMB' 000
Salaries and other benefits	**7,492**	4,181
Retirement benefits schemes contributions	**669**	333
Equity-settled share-based payments	**–**	100
	8,161	4,614

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

46. FINANCIAL GUARANTEE

	2019	2018
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers	**20,388**	182,102

The Group has cooperation relationship with certain financial institutions which arranged mortgage loan facilities for its property purchasers and provided guarantees to secure repayment 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 full repayment of mortgaged loans by the property purchasers, whichever is the earlier. In the opinion of the Directors, the fair value of the financial guarantee contracts is insignificant.

47. 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 balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank loans, senior notes and PRC medium-term notes disclosed in notes 33, 34 and 35 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 debts or the redemption of existing debts.

48. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 RMB' 000	2018 RMB' 000 (restated)
Financial assets		
Financial assets at amortised cost	**5,837,675**	6,278,736
Financial assets at FVTPL	**848,188**	1,139,425
Equity instruments at FVTOCI	**117,463**	172,078
	6,803,326	7,590,239
Financial liabilities		
Amortised cost	**(14,041,064)**	(15,274,703)

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 FVTOCI, bank loans and senior notes are denominated in USD or HK$ 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.

48. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

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

	Liabilities		Assets	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**5,251,096**	5,370,689	**176,121**	213,611
HK$	**1,396,922**	1,478,309	**150,411**	201,167

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

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2018: 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% (2018: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 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	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax profit	**253,806**	258,026	**65,539**	66,763
Other comprehensive income	**–**	–	**(3,213)**	(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.

48. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

Interest rate risk

(i) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk for its interest bearing financial liabilities and certain of its financial assets, including bank loans, wealth management products issued by banks, structured bank deposits and bank balances, which carry interests at prevailing market rates.

No interest rate swap arrangement has been entered into by the Group during the both years

(ii) Fair value interest rate risk

The Group is also exposed to fair value interest rate risk for certain financial assets and financial liabilities, including fixed-rate bank deposits, senior notes and PRC medium-term notes.

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

The sensitivity analysis below has been determined based on the exposure to variable-rate bank loans outstanding at the end of the reporting period. Structured bank deposits, 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 (2018: 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 (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit ended 31 December 2019 would decrease/increase by RMB20,413,000 (2018: decrease/increase by RMB21,349,000).

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. The management manages this exposure by maintaining a portfolio of investments with different risks.

48. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

Equity price risk *(Continued)*

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% (2018: 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% (2018: 15%) higher/lower, the post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB4,176,000 (2018: RMB2,185,000) as a result of the changes in fair value of investments at FVTPL, and the investment revaluation reserve would increase/decrease by RMB15,625,000 (2018: RMB21,538,000) as a result of the changes in fair value of investments at FVTOCI.

- If the prices of the respective equity instruments had been 30% (2018: 30%) higher/lower, the post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB8,352,000 (2018: RMB4,370,000) as a result of the changes in fair value of investments at FVTPL, and the investment revaluation reserve would increase/decrease by RMB31,249,000 (2018: RMB43,076,000) as a result of the changes in fair value of investments at FVTOCI.

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 2019, 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 for debtors with significant balances, 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 reporting period.

48. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and polices *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group has concentration of credit risk as 92.6% (2018: 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 2019. 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 the reporting period.

In order to minimise the credit risk with 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.

Except for debtors with credit-impaired amounting to RMB18,585,000, which was fully impaired during the year ended 31 December 2019, the credit risk on amounts due from related companies is minimal as such related parties have sufficient capital to settle the debts, 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 property purchase price. If a purchaser defaults on 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 management of the Group 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.

48. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and polices *(Continued)*

Credit risk and impairment assessment *(Continued)*

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 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 2019, the Group has available unutilised banking facilities of RMB16,000 million (2018: RMB16,000 million).

The following table details the Group's contractual maturity for its non-derivative financial liabilities and lease 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.

48. 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 2019						
Non-derivative financial liabilities and lease liabilities:						
Bills, trade and other payables	-	4,152,745	-	-	4,152,745	4,152,745
Amounts due to related companies	-	303,955	-	-	303,955	303,955
Lease liabilities	-	12,284	34,005	24,377	70,666	58,749
Prepayments from customers	-	2,856,346	-	-	2,856,346	2,856,346
Bank loans	5.77	272,730	4,129,474	-	4,402,204	4,102,626
Senior notes	4.63	107,556	2,944,856	-	3,052,412	2,625,392
Guarantee in respect of mortgage facilities for certain purchasers	-	20,388	-	-	20,388	20,388
		7,726,004	7,108,335	24,377	14,858,716	14,120,201
At 31 December 2018						
Non-derivative financial liabilities:						
Bills, trade and other payables	–	3,795,160	–	–	3,795,160	3,795,160
Amounts due to related companies	–	622,929	–	–	622,929	622,929
Prepayments from customers	–	2,510,436	–	–	2,510,436	2,510,436
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
		8,936,426	7,692,576	–	16,629,002	15,456,805

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.

48. 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 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 2019 RMB'000	31 December 2018 RMB'000		
Listed equity securities at FVTOCI	**117,463**	172,078	Level 1	Quoted prices in active markets
Listed equity securities at FVTPL	**37,118**	19,421	Level 1	Quoted prices in active markets
Unquoted fund investment at FVTPL	**200,000**	100,000	Level 2	Fair value of underlying investment is determined on recent transaction price.
Structured bank deposits	**611,070**	719,771	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	**-**	300,233	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.

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

48. 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 the end of the reporting period, 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.

49. 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
			2019	2018	
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

49. 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 2019	2018	Principal activities
Golden Eagle Retail Management Limited (金鷹商貿管理有限公司)	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	**N/A**	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%	Inactive
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 centre
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 lifestyle centre
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

49. 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
			2019	2018	
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 centre
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 centre
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 centre
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 centre

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For the year ended 31 December 2019

49. 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
			2019	2018	
南京金鷹國際貿易有限公司 (Nanjing Golden Eagle Industry Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	100%	Investment holding and trading
宿遷金鷹國際購物中心有限公司 (Suqian Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
南京建鄴金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of lifestyle centre
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

49. 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
			2019	2018	
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.)	PRC	Registered capital – RMB280,000,000	**100%**	100%	Operation of lifestyle centre
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 centre
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 centre
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 centre

49. 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
			2019	2018	
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 centre
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
南京金鷹奇跡商貿有限公司 (Nanjing Golden Eagle Wonderplace Trading Co., Ltd.) ("Nanjing 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 centre
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
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

49. 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
			2019	2018	
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

49. 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
			2019	2018	
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 Centre Development Co., Ltd.)	PRC	Registered capital – RMB400,000,000	**100%**	100%	Property development and operation of lifestyle centre
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
南京金鷹商貿投資控股集團有限公司 (Nanjing Golden Eagle Retail Holdings Group Co., Ltd.) ("Nanjing Golden Eagle Retail") (Note 2)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Investment holding
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%**	100%	Investment holding

49. 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
			2019	2018	
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%**	100%	Communication and information service
徐州金鷹文化發展有限公司 (Xuzhou Golden Eagle Culture Development Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100% (Restated)	Property development and investment
南京金鷹商業發展有限公司 (Nanjing Golden Eagle Business Development Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
揚州金鷹商業運營有限公司 (Yangzhou Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
南京金鷹萌寵文化產業有限公司 (Nanjing Golden Eagle Pet Culture Industry Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	N/A	Inactive
上海金鷹商業管理有限公司 (Shanghai Golden Eagle Business Management Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	N/A	Inactive
徐州金鷹商業運營有限公司 (Xuzhou Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
西安金鷹商業運營有限公司 (Xi'an Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
泰州金鷹商業運營有限公司 (Taizhou Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive

49. 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
			2019	2018	
昆明金鷹商業運營有限公司 (Kunming Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
淮安金鷹商業運營有限公司 (Huai'an Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
鹽城金鷹商業運營有限公司 (Yancheng Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
宿遷金鷹商業運營有限公司 (Suqian Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
昆山金鷹商業運營有限公司 (Kunshan Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
蘇州金鷹商業運營有限公司 (Suzhou Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive
南通金鷹商業運營有限公司 (Nantong Golden Eagle Business Operation Co., Ltd.)	PRC	Registered capital – RMB5,000,000	**100%**	N/A	Inactive

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, Changzhou Ocean World, Nanjing Ocean World, Nanjing Golden Eagle Wonderplace, Shanghai Jinhengsheng, Nanjing Jinhengsheng and Nanjing Golden Eagle Retail 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.

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	2019 RMB' 000	2018 RMB' 000
Assets		
Equipment	**13**	–
Equity instruments at FVTOCI	**1,964**	1,888
Interests in and amounts due from unlisted subsidiaries	**3,325,270**	3,276,210
Other receivables	**4**	4
Amounts due from fellow subsidiaries	**709**	526
Bank balances and cash	**11,101**	10,471
	3,339,061	3,289,099
Liabilities		
Other payables	**20,799**	17,771
Senior notes	**2,625,392**	2,579,227
	2,646,191	2,596,998
Net assets	**692,870**	692,101
Capital and reserves		
Share capital (see note 36)	**176,832**	176,865
Reserves	**516,038**	515,236
Total equity	**692,870**	692,101

50. 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 2018	(31)	–	27,106	(4,863)	31,628	1,037,181	1,091,021
Profit for the year	–	–	–	–	–	159,062	159,062
Fair value loss on investments in equity investments at FVTOCI	–	–	–	(830)	–	–	(830)
Total comprehensive (expense) income 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 14)	–	–	–	–	–	(728,642)	(728,642)
At 31 December 2018	–	64,153	27,659	(5,693)	7,097	422,020	515,236
Profit for the year	–	–	–	–	–	470,734	470,734
Fair value loss on investments in equity investments at FVTOCI	–	–	–	79	–	–	79
Total comprehensive income for the year	–	–	–	79	–	470,734	470,813
Shares repurchased and cancelled	–	(2,932)	33	–	–	(33)	(2,932)
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	(1,969)	1,969	–
Dividends recognised as distribution (note 14)	–	–	–	–	–	(467,079)	(467,079)
At 31 December 2019	–	61,221	27,692	(5,614)	5,128	427,611	516,038

51. EVENT AFTER THE REPORTING PERIOD

Since early 2020, the coronavirus epidemic ("the COVID-19 outbreak") has spread across China and other countries. A series of precautionary and control measures have been and/or will continue to be implemented across China, including extension of the Chinese New Year holidays nationwide, postponement of work resumption after the Chinese New Year holidays in some regions, implementation of restrictions and controls over the travel of people and traffic arrangements, quarantine of certain residents and heightening of hygiene and epidemic prevention requirements. It has affected retail business in China and economic activities of the Group to some extent.

As an operator of retail stores in China, the Group's revenue, cash flows and profit from operations are expected to decrease as compared to the same period in 2019 due to the impact of the COVID-19 outbreak. Certain Group's stores shortened their opening hours in February and early March 2020.

In preparing the consolidated financial statements, the Group applies fair value model to measure its investment properties, financial assets at FVTOCI and financial assets at FVTPL. In 2020, fair value of the Group's investment properties and financial assets at fair value may be subject to fluctuations due to the COVID-19 outbreak.

Up to the date on which these consolidated financial statements are issued, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the financial performance and position of the Group and is currently unable to estimate with certainty the quantitative impacts to the Group. The management of the Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its financial impact.

The COVID-19 outbreak is a non-adjusting event after the financial year ended 31 December 2019 and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.