



金鷹
GOLDEN EAGLE

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



2012 *Annual* 年報 *Report*



Enriching everyone's life.

Our Mission

Adding value to our society
Enriching everyone's life

Our Value

Integrity, Passion, Innovation and Cooperation
We do better than we promise

Our Vision

Globalised with sustainable growth
To be the best in what we do

We do better than we promise!



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Corporate Profile

BUILD NATIONWIDE NETWORK FROM YANGTZE RIVER DELTA FOOTHOLD

Since the opening of our first department store, Nanjing Xijiekou Store, the Group has successfully opened 27 self-owned stores through almost 17 years of operations, with a total gross floor area of 1,107,377 square meters and a total operating area of 786,758 square meters as at 31 December 2012. These stores span across four provinces and one municipality, namely Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai, covering 16 cities including Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Changzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Liyang, Hefei, Huaibei, Xi'an and Kunming.

Leveraging on our leading position in Jiangsu Province where the Group enjoys strong competitive advantages, the Group also placed strategic focus on its development in Anhui Province and is gradually expanding its market share to achieve a leading position. As for the western region of China, the Group positions itself strategically in Xi'an in Shaanxi Province and Kunming in Yunnan Province for the development in the western region of China. The Group will devote more efforts to solidify and expand its market share in these markets while gradually expanding into their neighboring cities. Meanwhile, the Group will actively explore opportunities in the first and second-tier cities as well as third-tier cities which have immense potential so as to develop a nationwide network of chain stores.

SECURE LONG-TERM LEASES TO SUPPLEMENT SELF-OWNED PROPERTIES

The Group's department stores are situated at prime shopping districts in their respective cities and the Group always adheres to its core development strategies of developing in self-owned properties. In order to capture development opportunities, the Group also secures high quality properties by entering into long-term leases with target lease term of ten years or above, hence minimising the impact of rental increase on our department stores' operation. We also procure landlords to charge rentals with reference to a percentage of the relevant store's sales proceeds. As at 31 December 2012, approximately 58.7% of the total gross floor area of our stores are located in self-owned properties.

DEVELOP MORE MEGA STORES FOR ONE-STOP SHOPPING

To cope with the competitive landscape among different retail formats, the Group has, in addition to the core functions of department store, introduced more varieties of services, such as dining, entertainment, beauty & personal care, hair styling, cinemas and pre-school educations, in our retailing complexes so as to enrich the categories of our services offer, to enhance the attractiveness of our department stores to target customers and to promote Golden Eagle's "Complete Lifestyle Experience 全心全意全生活" concept.

DEVELOP PROPRIETARY BRANDS TO ENHANCE "GOLDEN EAGLE" BRAND EQUITY

The Group has formed a professional team to develop our own proprietary brands. By offering a rich brand mix with a wide variety of products in our stores, the Group is dedicated to boosting the competitiveness of its brands so as to meet target customers' needs and enhance the brand value of "Golden Eagle".



Corporate Profile

MONITOR CONSUMPTION TREND OF TARGET CUSTOMERS, EXPLORE POTENTIALS OF E-COMMERCE

E-commerce has become the new trend as department stores and retail industry proactively exploring new sales channels. In order to develop e-commerce as a new growth driver for our department store operation, the Group has formed a professional team to conduct feasibility studies of adopting e-commerce as one of our sales channels, and to identify a profitable e-commerce business model for department store operation. Through the introduction of e-commerce, the Group can deliver high-quality products and services to more customers regardless of the geographical boundaries.

VALUABLE RELATIONSHIPS WITH VIP CUSTOMERS WITH HIGH LOYALTY

Through the provision of exclusive value-added services for VIP customers and continuous improvement in the quality of our services, the loyalty and degree of satisfaction of VIP customers are enhanced. The Group has successfully secured over 1,170,000 loyal VIP customers as at 31 December 2012, which has further strengthened the Group's position for long-term development and expansion. Spendings from VIP customers accounted for 58.0% of the total gross sales proceeds of the Group during the period under review, while the spending of VIP customers from established stores on average represented more than 64.0% of the gross sales proceeds of individual stores.

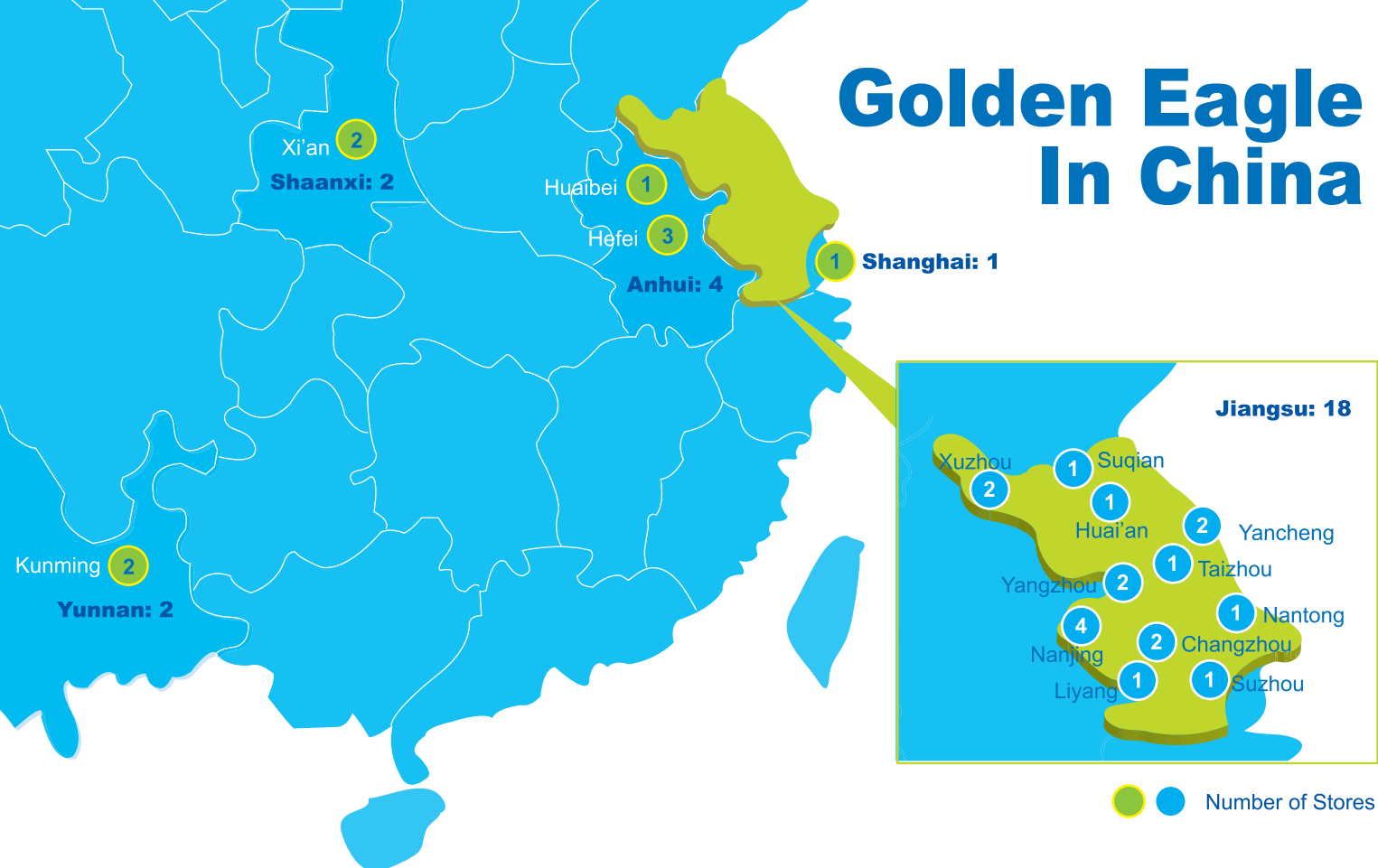
STANDARDISED QUALITY MANAGEMENT SYSTEM AND INDUSTRY-LEADING INTELLIGENT E-PLATFORM

The Group has obtained the ISO9001 quality management award and manages every department store via a standardised management system. In June 2012, all of the Group's chain stores were connected to our industry-leading intelligent e-platform. It is a customer-oriented platform built on a SAP system which is adopted by many companies under Fortune 500. Customer experience was improved and the individual needs of our target customers were adequately satisfied through core elements of business intelligence (BI), precision marketing (PM), supply chain management (SCM) and customer relationship management (CRM). Operational efficiency will also be enhanced alongside with optimisation of process operation flow and creation of new business value. This platform will become the new driving force for the Group to speed up business growth and escalate our core competence.

INTERNATIONALISED VISION AND LOCALISED OPERATING STRATEGIES

The Group appreciates the efforts and contributions of its employees. The Group organises regular professional training sessions and overseas study trips for management and employees in order to enhance their sustainable development capabilities and their insights for internationalised management. The Group also implements a localised management system which is suitable for the relevant local markets. For each of the stores, the Group recruits local talents to form its management team such that the Group can utilise their knowledge on the local market. As at 31 December 2012, the Group had approximately 5,100 employees.

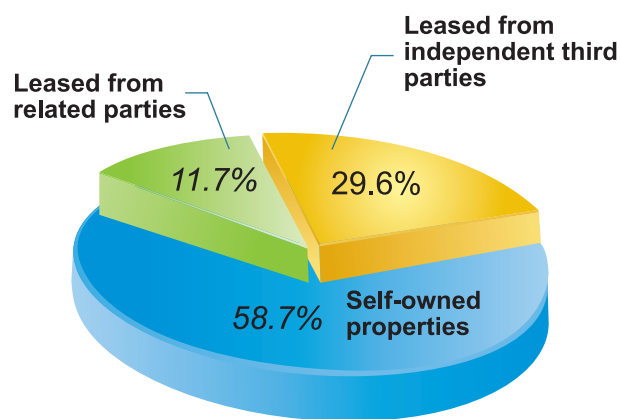
Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 58.7%* of total gross floor area.

Gross Floor Area (square meters)			
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	33,447		33,447
Nantong Store	9,297		9,297
Yangzhou Store	37,562	3,450	41,012
Suzhou Store [^]		14,958	14,958
Xuzhou Store	59,934		59,934
Xi'an Gaoxin Store	27,287		27,287
Taizhou Store	58,374		58,374
Kunming Store	116,817		116,817
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	55,768		55,768
Yancheng Store	95,026		95,026
Yangzhou Jinghua Store		29,598	29,598
Shanghai Store		21,306	21,306
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		42,795	42,795
Hefei Dadongmen Store		10,356	10,356
Hefei Baihuajing Store		12,294	12,294
Anhui Huaibei Store		34,714	34,714
Hefei Suzhou Road Store		59,906	59,906
Changzhou Jiahong Store		33,460	33,460
Xi'an Xiaozhai Store		19,000	19,000

Gross Floor Area (square meters)			
	Owned	Leased	Sub-total
Suqian Store	65,410	539	65,949
Liyang Store	53,469	18,355	71,824
Xuzhou People's Square Store	37,768		37,768
Kunming Nanya Store		36,870	36,870
Changzhou Wujin Store		55,200	55,200
Yancheng Outlet Store		18,377	18,377
Total	1,107,377		



* As a percentage of total gross floor area (square meters) as at 31 December 2012

[^] Suzhou Store was closed on 28 February 2013 due to lease expiration

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Ms. Zheng Shu Yun

NON-EXECUTIVE DIRECTOR

Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS IN THE PRC

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

PRINCIPAL BANKERS IN HONG KONG

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



Corporate Information

AUDITOR

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

HONG KONG LEGAL ADVISORS

F. Zimmern & Co.
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

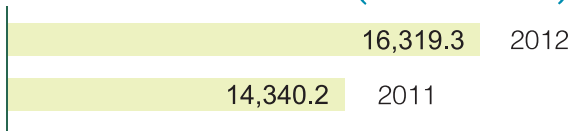
Royal Bank of Canada Trust Company (Cayman)
Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

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

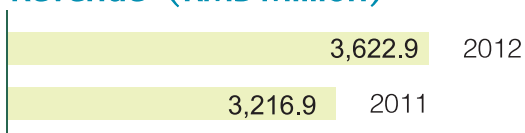
Financial Highlights

Gross Sales Proceeds (RMB Million)



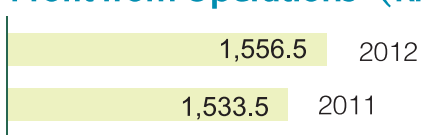
+13.8%

Revenue (RMB Million)



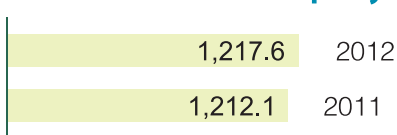
+12.6%

Profit from Operations (RMB Million)



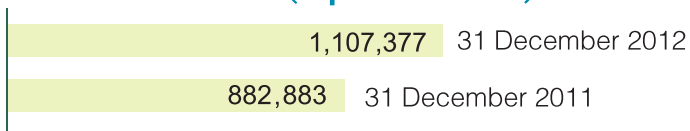
+ 1.5%

Profit Attributable to Owners of the Company (RMB Million)



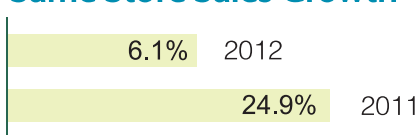
+ 0.5%

Gross Floor Area (square meters)



+ 25.4%

Same Store Sales Growth¹



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



Enrich life with styles!

Five Years Financial Summary

	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	2011 vs 2012 %
Consolidated Income Statement for the year ended 31 December						
Gross sales proceeds (note 1)	6,248,963	8,191,679	10,949,318	14,340,232	16,319,348	13.8%
Revenue (note 2)	1,426,361	1,850,093	2,450,358	3,216,892	3,622,917	12.6%
Profit from operations (note 2)	709,960	958,212	1,245,765	1,533,490	1,556,540	1.5%
Profit for the year attributable to owners of the Company (note 2)	613,356	250,910	959,202	1,212,057	1,217,642	0.5%
Basic earnings per share RMB (note 2)	0.338	0.137	0.494	0.623	0.629	1.0%
Consolidated Statement of Financial Position as at 31 December						
Non-current assets (notes 2 and 3)	2,510,893	3,415,231	4,787,647	6,959,206	7,773,201	11.7%
Current assets	2,271,731	2,568,146	3,196,686	4,383,379	6,013,375	37.2%
Total assets (notes 2 and 3)	<u>4,782,624</u>	<u>5,983,377</u>	<u>7,984,333</u>	<u>11,342,585</u>	<u>13,786,576</u>	21.5%
Current liabilities (notes 2 and 3)	3,071,041	2,994,866	4,209,451	6,647,862	6,207,326	(6.6)%
Non-current liabilities	53,686	69,960	94,706	124,961	2,281,611	1,725.9%
Total liabilities (notes 2 and 3)	<u>3,124,727</u>	<u>3,064,826</u>	<u>4,304,157</u>	<u>6,772,823</u>	<u>8,488,937</u>	25.3%
Net Assets (note 2)	<u>1,657,897</u>	<u>2,918,551</u>	<u>3,680,176</u>	<u>4,569,762</u>	<u>5,297,639</u>	15.9%
Capital and reserves						
Equity attributable to owners of the Company (note 2)	1,657,897	2,918,551	3,680,176	4,566,778	5,294,969	15.9%
Non-controlling interest	—	—	—	2,984	2,670	(10.5)%
	<u>1,657,897</u>	<u>2,918,551</u>	<u>3,680,176</u>	<u>4,569,762</u>	<u>5,297,639</u>	15.9%
Net assets per share attributable to owners of the Company (RMB) (note 2)	0.934	1.503	1.894	2.349	2.737	16.5%
Number of shares in issued (in thousand)	1,774,555	1,941,967	1,942,824	1,943,846	1,934,607	

Notes:

- (1) Gross sales proceeds represent the gross amount of direct sales, concessionaire sales, rental income and management service fees charged to customers.
- (2) The financial information for the year ended 31 December 2008 has been adjusted due to the adoption of HK (IFRIC)-Int 13 "Customer Loyalty Programmes".
- (3) The consolidated statement of financial position as at 31 December 2010 has been restated to reflect an adjustment to the consideration for a business combination which was completed during the year ended 31 December 2010.



Chairman's Statement

INDUSTRY OVERVIEW

During 2012, China's economy continued to face challenges stemming from the complicated and volatile national and international economic conditions. The Euro-zone debt crisis is still the most dominant risk factor casting a long shadow over the global economy. To avoid the economy from worsening, the Federal Reserve of the US has launched the third round of quantitative easing policy, or QE3. Despite that, the pace of recovery remained slow. Meanwhile, as the property cooling measures weighed heavily on the real estate sector, China's economic growth inevitably slowed down and domestic consumption remained sluggish. These factors have brought certain impact on domestic consumption and the retail industries.

In order to tackle the complicated and volatile global and national economic conditions, the Chinese government has introduced a slew of economic policies in 2012 aiming to ease the liquidity and stabilise the currency. During the 18th National Congress of the Communist Party of China, the "New Four Modernisations" were introduced, including "industrialisation", "informatisation", "urbanisation" and "agriculturalisation", with Chinese characteristics. It is believed that the new economic campaign would help driving the domestic investment and consumption as part of the transformation of China's economy. Since the fourth quarter last year, there were clear signs that China's economy had bottomed out, which created favourable conditions for the recovery of consumption and the retail industries.

Overall, China's gross domestic product ("GDP") climbed 7.8% year-on-year in 2012 to reach RMB51.9 trillion. The growth was the slowest since 1999, but was still faster than other major countries and regions around the world. Total retail sales of consumer goods grew 14.3% year-on-year to RMB21.0 trillion. Yet, the pace of growth was 2.8 percentage points slower than that recorded last year. Urban disposable income per capita increased 12.6% year-on-year, reaching RMB24,565. Excluding the price factor, the increase was 9.6% in real terms. Consumer price index was up 2.6% year-on-year over the same period.

Jiangsu Province region, where the Group has already established a leading market position, achieved a GDP growth of 10.1% during 2012, which reached RMB5.4 trillion. Total retail sales of consumer goods grew 15.0% year-on-year to RMB1.8 trillion, while urban disposable income per capita increased 12.7% over the same period. These economic indicators confirmed the Group's strong belief of pursuing further development in the Jiangsu Province region.

Anhui Province region, the new focus of the Group's strategic development, achieved a GDP growth of 12.1% during 2012, which reached RMB1.7 trillion. Total retail sales of consumer goods grew 16.0% to RMB0.6 trillion while urban disposable income per capita increased 13.0% over the same period. These key indicators of economic growth are also above the national average.

Chairman's Statement

BUSINESS OPERATION AND MANAGEMENT

Due to various macroeconomic factors within and outside China, the growth of China's mid-to-high-end retailers began to slow down in 2012. However, with joint efforts of our staff, the Group still managed to record steady improvements in its results. During 2012, the gross sales proceeds ("GSP") of the Group reached RMB16.3 billion, representing an increase of 13.8% year-on-year. Net profit amounted to RMB1.2 billion, representing an increase of 0.5% as compared to last year. Same store sales growth ("SSSG") also maintained a stable growth pace of 6.1%.

The Group's chain stores continued to employ various effective methods to meet consumers' growing demand and build momentum for its chain-store sales. Through integrated merchandising and operation management, the Group's chain stores were able to carry out an extensive revamp of its brand and merchandise mix, while continuing to satisfy local consumers' demand for merchandise upgrade by introducing internationally renowned brands to major chain stores in the second and third-tier cities, aiming to further enhance the Group's local brand image and market share. For example, Xuzhou Store and Yangzhou Store introduced brands such as COACH, CHANEL and CLARINS; Yancheng Store introduced SK-II and CLARINS; Taizhou Store introduced ESTEE LAUDER; whereas Huai'an Store introduced LANCOME and Kunming Store introduced LONGCHAMP. On the other hand, the Group has also been actively developing its lifestyle experience department stores by entering into various flexible strategic investment arrangements or joint ventures with business partners, and has been gradually bringing in Apple premium reseller - Studio A, Mega City Food Court (臺灣瓦城美食廣場) and renowned aquariums to enhance the service mix provided, thereby further boosting customer traffic in the stores as well as providing a more comprehensive shopping experience for customers. For instance, Studio A was introduced in Xuzhou Store, Changzhou Wujin Store, Yangzhou Store and Yangzhou Jinghua Store this year and there were a total of nine Studio A stores occupying spaces in the Group's stores.

The Group continues to provide the most innovative and enhanced services to our VIP customers. The "goodee mobile App" (掌上金鷹) mobile phone application was introduced in December 2012 to provide personalised and distinguished service information, such as VIP membership award points and shopping record enquiries, parking alerts, exclusive promotions and new products information. As at the date of this report, the application has been downloaded for over 80,000 times. Furthermore, the Group continues to expand its collaboration with various banks. Through co-branded credit cards, the Group shares valuable customer base and marketing resources with these banks. As at the end of 2012, the Group had more than 1,170,000 VIP customers, which accounts for approximately 58.0% of the Group's total GSP, whereas sales from VIP customers at established stores exceeded 64.0% on average of the GSP for such stores.

The Group placed great importance on the improvement and enhancement of existing chain stores. In December 2012, the Group restructured the management of the Group's various major chain stores and their respective neighbouring chain stores by establishing six management regions, including Nanjing and Southern Jiangsu, Central Jiangsu, Northern Jiangsu, Hefei, Xi'an and Kunming, with a dedicated regional general manager being responsible for the distribution and allocation of resources across each region. Such restructuring has successfully preserved the Group's existing vertical management style, while effectively integrating the region's merchandising and operational resources at no extra costs. This arrangement has also accelerated the growth of new stores, shortened the ramp-up period and hence boosted the overall performance of our chain stores in the region.



Chairman's Statement

In June 2012, all of the Group's chain stores were connected to and operating on the industry-leading intelligent e-platform that was based on an advanced SAP system adopted by many Fortune 500 companies. With this platform as a foundation, various new business application sub-systems were thereafter developed to provide customer-oriented services; as well as making this platform the new driving force behind the Group's rapid growth and core competitiveness. In November 2012, the Group's chain stores in the Nanjing area were amongst those earliest stores which introduced the mobile POS payment system. The system significantly enhanced customers' shopping experience and needs. The supplier relations management system provided valuable product sales information and related value-added services for suppliers, allowing the chain stores and suppliers a more timely, accurate and better understanding of the ever-changing consumer habits, so as to improve sales performance. Trial run of the system started in February 2013 at Xi'an Gaoxin Store.

OPENING OF NEW STORES AND CHAIN DEVELOPMENT

During 2012, the Group opened a total of five new stores and added new retail space to the Huaibei Store and the Yancheng Store. The total gross floor area ("GFA") of the Group's chain stores increased by approximately 238,700 square meters. The pace of new stores opening remained steadfast.

On 8 January 2012, new retail space of approximately 7,700 square meters was added to the lower basement of Huaibei Store and the aggregate GFA of the Huaibei Store increased to approximately 34,700 square meters, providing a new driving force for growth.

On 12 January 2012, three new stores of the Group commenced operation on the same day, which fully demonstrated the Group's prominent execution capabilities of planning new stores in several districts concurrently. The new stores included:

- Kunming Nanya Store is situated in the emerging central business district ("CBD") in southern Kunming City with a total GFA of approximately 36,900 square meters, surrounded by a huge potential consumer base in its peripheral area. Upon its opening, the synergies created with Kunming Store strengthened the Group's mid-to-high-end retail market development in Kunming;
- Liyang Store is situated in the CBD of Liyang City with a total GFA of approximately 71,800 square meters. The store was the first chain store opened by the Group with an intention to penetrate into county level cities in southern Jiangsu Province. The store quickly gained popularity among the local consumers after it commenced operation; and
- Xuzhou People's Square Store, being the second chain store of the Group in Xuzhou, is also located in the prime shopping district in Xuzhou with a total GFA of approximately 37,800 square meters. The Group's leading position in Xuzhou and its peripheral area was further strengthened after this store was opened.

On 18 May 2012, Yancheng Outlet, comprising a total GFA of approximately 18,400 square meters, commenced operation and introduced the "Outlet Mall" business model that has been successfully operating in Nanjing to Yancheng for the first time. Meanwhile, Yancheng Outlet is located in Golden Eagle Tiandi Mall (金鷹天地廣場), a commercial complex with GFA of 320,000 square meters. It was designed as a one-stop stylish shopping destination encompassing shopping, leisure, entertainment, dining as well as a weekend destination.



Chairman's Statement

Changzhou Wujin Store, which is located in the prime shopping district in Wujin business district of Changzhou, commenced operation on 19 May 2012. The store comprises a total GFA of approximately 55,200 square meters. Leveraging on its rich merchandise mix and new auxiliary services offered in the local market, the store quickly became a preferred shopping destination for mid-to-high-end customers in Wujin business district. Synergies have been created among Changzhou Wujin Store, Changzhou Jiahong Store and Liyang Store, which laid a solid foundation for the Group to establish a leading position in the Changzhou market.

On 8 July 2012, new retail space with GFA of approximately 11,000 square meters was added to the lower basement of Yancheng Store and the aggregate GFA of Yancheng Store increased to approximately 95,000 square meters. After its expansion, not only has the store been well-equipped with adequate retail space in the prime area, but also more optimise with a more refined brand and merchandise portfolio, which in turn brings pleasant lifestyle shopping experiences to its customers. More traffic was diverted into the store and therefore further solidified Yancheng Store's leading position in the local market.

Suzhou Store was closed on 28 February 2013 due to the expiry of the lease. The Group has already identified a new retail location in the CBD of the Suzhou National New & Hi-tech Industrial Development Zone, which comprises GFA of more than 136,000 square meters. The store is expected to open in 2016.

The opening of the new stores during the year not only reflected the Group's determination to actively expand its stores network amid volatile and uncertain global economic environment, but also highlighted the Group's strategies of expansion of existing stores, single city, multiple stores and consolidation of leading position in the regional CBDs by operating lifestyle experienced department stores.

Based on the sites secured by the Group for its store expansion, it is anticipated that these stores will increase the GFA of the Group's chain stores by over 1.4 million square meters in the next four to five years. With these new store locations, the proportion of the Group's department stores operating at self-owned properties will be further increased, which in turn will ensure that the Group can operate steadily at high-quality premises with considerable scale and enriched service model in a long term cost-effective manner. In the meantime, the Group will continue to actively identify merger and acquisition opportunities that can fulfil its development and investment strategies and objectives, as well as provide effective supports to the Group's business expansion.

OUTLOOK

Although the US economy has been showing signs of recovery this year and the Japanese economy appears to be bottoming out due to a weakening Japanese yen, the debt crisis in Europe has not been resolved yet. The overall outlook of the global economy remains uncertain. Meanwhile, maintaining rapid development of a stable economy has always been the long-term goal of the Chinese government. Through the "Four New Modernisations", particularly the urbanisation of rural areas, the Chinese government intends to initiate a new wave of infrastructure investments to offset the negative impacts of weak exports and property cooling measures imposed on economic development. As a result, the economy is expected to maintain a steady growth throughout 2013. Furthermore, the Chinese government has also approved plans to increase domestic demand as a long-term economic development strategy, utilising the power of consumption to stimulate economic growth. Domestic consumption is



Chairman's Statement

expected to increase, followed by the significant development of retailing business as income level increases, social welfare system improves and domestic consumption stimulus measures are gradually implemented. In the long run, the combination of rapid urbanisation and fast expansion of the middle-class will continue to benefit the long-term development of the Group's retailing business in second and third tier cities.

The management is cautiously optimistic about China's economic development and growth of domestic consumption in the future. In 2013, the Group will implement a series of proactive and effective measures to focus on shortening the ramp-up period and nurturing period of new stores before reaching maturity. We will also explore ways to enhance the sales performance and profitability of established stores. These measures will be reflected on: firstly, the improved resources reallocation contributed by regional management to effectively speed up new stores growth and development; secondly, the continuous enhancement of brand and merchandise mix and amenity services offered to boost sales. Together with the support of our mobile phone application "goodee mobile App" (掌上金鹰), the provision of a comprehensive and innovative one-stop shopping experience to our customers. Thirdly, take advantage on our industry-leading SAP management platform, we will continue to improve and utilise the speedy impact that business application sub-systems, such as supplier relations management and mobile POS payment system, have on our business expansion, operational efficiency enhancement and creation of new business value; and finally, we will continue to provide innovative, practical and comprehensive staff training programmes so as to enhance the customer services provided by our front line employees.

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

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

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

Wang Hung, Roger

Chairman

22 March 2013

Management Discussion and Analysis

FINANCIAL REVIEW

GSP and Revenue

GSP of the Group grew to RMB16,319.3 million, representing a year-on-year growth of 13.8% or RMB1,979.1 million. The growth was mainly contributed by SSSG of 6.1%; the inclusion of full year sales proceeds of those stores or additional retail spaces opened or commenced operation in the year 2011; and the sales proceeds of those new stores or additional retail spaces opened or commenced operation in the year 2012.

Despite the complicated and volatile economic situation, increasing competitive market environment and the construction of Xinjiekou Store Phase II next door, Nanjing Xinjiekou Store (the flagship store of the Group) recorded stable SSSG of 1.2%, whilst Yangzhou Store and Xuzhou Store generated SSSG of 5.3% and 1.2% respectively for the year 2012. Furthermore, younger stores such as Nanjing Xianlin Store and Huaibei Store, the new growth driver of the Group's sales, have achieved remarkable SSSG of 58.8% and 46.0% respectively.

With increasing GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP decreased from 25.5% to 22.6% while the aggregate contributions to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from 50.2% to 45.0%.

During the year 2012, concessionaire sales contributed 91.0% (2011: 91.8%) of the Group's GSP, representing an increase of 12.9% from RMB13,160.2 million in 2011 to RMB14,853.4 million in 2012, and direct sales contributed 8.4% (2011: 7.8%) of the Group's GSP, representing an increase of 22.5% from RMB1,119.6 million to RMB1,371.6 million.

Commission rate from concessionaire sales decreased to 18.6% (2011: 19.6%). The decrease was mostly due to (i) the relatively strong performance of certain product categories which carry lower commission rates, including consumer electronics, gold and jewellery; (ii) the increase in sales contribution from younger stores which carry lower commission rates as opposed to mature stores like Nanjing Xinjiekou Store; and (iii) the increase in magnitude of promotion activities in newly opened and weaker stores in order to attract traffic and build up market position.

Gross profit margin from direct sales decreased to 17.8% (2011: 20.2%) as a result of (i) more discount initiatives on our direct sales products so as to provide good quality products with bargain price to the Group's loyal customers and to enhance traffic in the stores and (ii) the increase of 34.1% in supermarket sales, which generally carry lower gross profit margin, from RMB187.0 million to RMB250.7 million as most of the Group's new stores operate larger scale boutique supermarkets as one of the value-added services offered to our customers. Combined gross profit margin from concessionaire sales and direct sales decreased to 18.5% (2011: 19.6%).

In terms of GSP breakdown by merchandise categories, apparel and accessories contributed 54.9% (2011: 58.6%) of the GSP, gold, jewellery and timepieces contributed 18.8% (2011: 17.3%), cosmetics contributed 7.9% (2011: 7.1%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 18.4% (2011: 17.0%).

The Group's total revenue increased to RMB3,622.9 million, representing an increase of 12.6% from the same period last year. The increase in revenue was generally in line with the GSP growth.

Management Discussion and Analysis

Other operating income

Other operating income increased by RMB73.0 million or 52.9% to RMB211.2 million for the year 2012. The increase was mainly due to the net effects of (i) the increase in income from suppliers of RMB56.4 million; (ii) the increase in government grants of RMB6.0 million; and (iii) the decrease in reversal of income from customers of RMB9.1 million, which relates to reversal of an one-off income recognised in previous years.

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. Changes in inventories of merchandise increased by RMB200.1 million or 26.2% to RMB963.9 million for the year 2012. The increase was generally in line with the increase in direct sales.

Employee benefits expense

Employee benefits expense increased by RMB51.0 million or 16.9% to RMB352.7 million for the year 2012. The increase was mainly contributed by the net effects of (i) the inclusion of full year employee benefits expense for those stores or additional retail spaces opened or commenced operation in the year 2011; (ii) the inclusion of employee benefits expense for those new stores or additional retail spaces opened or commenced operation in the year 2012; (iii) the increase in salaries for all levels of staff; (iv) the adjustment in staff number due to the streamlining of roles and functions at all departments after the implementation of the SAP system; and (v) the increase in staff number to prepare for the Group's future development and expansion, including recruitments of experts and professionals for the preparation of the Group upcoming mega stores with multi-functions and amenities to enrich the concept of "lifestyle one-stop shopping destination" and the expansion and establishment of certain departments and functions such as merchandising department and e-commerce taskforce team.

Employee benefits expense as a percentage to GSP remains stable at 2.5%.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and investment property and release of prepaid lease payments on land use rights increased by RMB57.6 million or 40.1% to RMB201.2 million for the year 2012. The increase was primarily due to (i) the inclusion of full year depreciation and amortisation for those stores or additional retail spaces opened or commenced operation in the year 2011; (ii) the inclusion of depreciation and amortisation for those new stores or additional retail spaces opened or commenced operation in the year 2012; and (iii) the additional depreciation and amortisation charges recognised for construction, renovation and expansion of the Group's existing stores during the year 2012.

Depreciation and amortisation expenses as a percentage to GSP increased by 0.2 percentage point to 1.4% as compared to 1.2% for the same period last year.

Management Discussion and Analysis

Rental expenses

Rental expenses increased by RMB37.7 million or 29.2% to RMB166.7 million for the year 2012. The increase was mainly due to (i) the inclusion of full year rental expenses for those stores or additional retail spaces operating in leased properties opened or commenced operation in the year 2011; (ii) the inclusion of rental expenses for those leased stores or additional retail spaces opened or commenced operation in the year 2012; and (iii) the increase in sales contribution from stores which are operating in leased properties and paying rental expenses with reference to a percentage of GSP, such as Nanjing Zhujiang Store, Yangzhou Jinghua Store and Nanjing Xianlin Store.

Rental expenses as a percentage to GSP increased by 0.1 percentage point to 1.2% as compared to 1.1% in the same period last year.

Other operating expenses

Other operating expenses increased by RMB109.7 million or 22.7% to RMB593.1 million for the year 2012. Other operating expenses mainly include water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fees. The increase was primarily contributed by the inclusion of full year operating expenses for those stores or additional retail spaces opened or commenced operation in the year 2011 and the other operating expenses incurred for the 5 new stores and 2 existing store's additional retail space opened or commenced operation during the year under review.

Other operating expenses as a percentage to GSP increased by 0.4 percentage point to 4.3% as compared to 3.9% for the same period last year.

Had the Group's stores opened in the year 2011 and 2012 been excluded from the calculation, on a comparable basis, other operating expenses as a percentage to GSP would have been decreased by 0.3 percentage point to 3.2% as compared to 3.5% for the same period last year.

Profit from operations

Profit from operations, which is the earnings before interest and taxes, increased by RMB23.1 million or 1.5% to RMB1,556.5 million for the year 2012.

Profit from operations as a percentage to GSP decreased to 11.2%, representing a 1.3 percentage point decrease as compared to 12.5% for the same period last year while profit from operations as a percentage to revenue decreased to 43.0%, representing a 4.7 percentage points decrease as compared to 47.7% for the same period last year, which was mainly due to the decrease in gross profit margin for the year under review and the increase in operating expenses for new stores opened.

Had the Group's stores opened in the year 2011 and 2012 been excluded from the calculation, on a comparable basis, profit from operations increased by RMB100.1 million or 6.2% to RMB1,709.1 million for the year 2012. Profit from operations as a percentage to GSP remains stable at 13.4% while profit from operations as a percentage to revenue decreased to 50.2%, a 0.5 percentage point decrease as compared to 50.7% for the same period last year.



Management Discussion and Analysis

Finance income

Finance income comprised income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group in banks when the Group has surplus capital. Finance income increased by RMB54.9 million or 61.8% to RMB143.8 million for the year 2012 which was primarily due to more capital being placed in various short-term bank related deposits during the year 2012.

Interest expenses on bank loans

Interest expenses on bank loans increased by RMB59.8 million or 3.8 times to RMB75.6 million for the year 2012. The increase was primarily due to the increase in bank borrowings as the Group raised a dual-currency three-year term loan up to the principal sum of USD259.5 million and HKD665.0 million with a group of financial institutions during the year under review.

Other gains and losses

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

Other gains and losses decreased by RMB19.5 million or 49.3% to RMB20.1 million. Such decrease was primarily due to the net effects of (i) the decrease of net foreign exchange gains by RMB26.9 million to RMB6.5 million as a result of the fluctuations of RMB exchange rates during the year; (ii) a loss of RMB2.0 million was recorded for the fair value changes of the conversion and redemption options attached to the zero coupon convertible bonds subscribed by the Group as compared to a gain of RMB7.4 million reported in the same period year; and (iii) a net gain of RMB11.0 million on deemed disposal of the Group's interests in one of its associates, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司).

Share of profit (loss) of associates

Share of profit (loss) of associates represents the Group's share of results of its 38% owned associate (2011: 49%), Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司), and 30% owned associate, Anhui Sanxin Watch Co., Ltd. (安徽三新鐘錶有限公司).

Income tax expense

Income tax expense of the Group increased by RMB16.5 million or 4.0% to RMB430.5 million due to the increase in profit before income tax. The effective tax rate for the year under review was 26.1% (2011: 25.5%).

Management Discussion and Analysis

Profit for the year

Profit for the year increased by RMB5.4 million or 0.4% to RMB1,217.3 million. Because of the decrease in gross profit margin for the year under review and the increase in operating expenses for new stores opened, net profit margin to GSP was 8.7% (2011: 9.9%).

Had the Group's stores opened in the year 2011 and 2012 been excluded from the calculation, which represented the aggregate net losses generated by 9 loss making stores (2011: 4) of approximately RMB106.5 million (2011: RMB56.6 million), on a comparable basis, profit for the year increased by RMB55.2 million or 4.4% to RMB1,323.8 million for the year 2012. Net profit margin to GSP decreased to 10.4%, representing a 0.2 percentage point decrease as compared to 10.6% for the same period last year.

Capital expenditure

Capital expenditure of the Group during the year amounted to RMB1,033.7 million (2011: RMB1,584.1 million). It mainly represented contractual payments made for the acquisition of property, plant and equipment, construction of greenfield projects for department chain store development and the upgrade and/or expansion of the Group's existing retail spaces in order to further enhance the shopping environment and the Group's competitiveness in the local markets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally relies on cash flows generated from its operating activities as a primary source of liquidity. In order to take advantage of the interest rate spreads among different currencies, the Group borrowed short-term bank loans denominated in foreign currencies with an equivalent amount of RMB deposits as guarantees/securities.

On 18 April 2012, the Group entered into a dual-currency three-year term loan facility agreement (the "Term Loan Facility") of the principal amounts of up to USD259.5 million and HKD665.0 million (in aggregate equivalent to approximately RMB2,172.9 million) with a group of financial institutions which will be due for full repayment on 17 April 2015. The Term Loan Facility was used to refinance the Group's outstanding bridging loan facilities in the principal amount of USD105.0 million (equivalent to approximately RMB661.0 million) and to finance the Group's general corporate funding requirements.

As at 31 December 2012, the Group's cash and near cash (including bank balances and cash, pledged bank deposit, restricted cash, structured bank deposits and investments in interest bearing instruments) were RMB4,964.5 million (2011: RMB3,799.0 million) whereas the balances of the Group's short-term and long-term bank loans were RMB1,079.0 million (2011: RMB1,484.4 million) and RMB2,131.7 million (2011: nil) respectively.

Total assets of the Group as at 31 December 2012 amounted to RMB13,786.5 million (2011: RMB11,342.6 million) whereas total liabilities of the Group amounted to RMB8,488.9 million (2011: RMB6,772.8 million), resulting in the net assets position of RMB5,297.6 million (2011: RMB4,569.8 million). The gearing ratio, calculated by total bank borrowings over total assets of the Group, increased to 23.3% (2011: 13.1%) as at 31 December 2012. After excluding the effects of the cross currency interest rate swap arrangements, the adjusted gearing ratio was 17.5% (2011: 5.8%).

Management Discussion and Analysis

The capital commitments of the Group as at 31 December 2012 were RMB1,570.7 million (2011: RMB1,578.5 million), which were contracted for but not provided in the consolidated financial statements for the contractual payments of acquisition of property, plant and equipment and land use rights and acquisition of an associate and a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group has no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2012, the Group has pledged its equity interests in certain subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the Term Loan Facility granted to the Group.

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

	2012 RMB'000	2011 RMB'000
Available-for-sale investments	91,790	—
Trade and other receivables	17,898	—
Restricted cash	18,038	—
Bank balances and cash	286,078	—
	413,804	—

As at 31 December 2011, the Group has pledged a bank deposit of RMB110.0 million to a bank in the PRC for a short-term bank loan advanced to the Group which was fully repaid during the reporting period. Save for the aforesaid, the Group has not pledged any property, plant and equipment nor other assets to secure the general banking facilities of the Group.

FOREIGN EXCHANGE EXPOSURE

Certain Group's bank balances and cash, available-for-sale investments and bank loans are denominated in HKD, USD or TWD which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HKD/USD/TWD and RMB. During the year ended 31 December 2012, the Group recorded a net foreign exchange gains of RMB6.5 million (2011: RMB33.5 million). The Group's operating cashflows are not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2012, the Group employed a total of 5,100 employees (2011: 6,000) with remuneration in the aggregate sum of RMB352.7 million (2011: RMB301.7 million). The Group's remuneration policies are formulated with reference to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

Directors and Management Profiles

DIRECTORS

Executive Directors

Mr. Wang Hung, Roger (王恒), aged 64, chairman of the Company, is responsible for the overall management, strategic planning and major decision-making of the Group. Mr. Wang obtained a bachelor degree in Economics from Chinese Culture University of Taiwan and a master degree in business administration ("MBA") from Southeastern Louisiana University of the United States in 1969 and 1973 respectively. Mr. Wang established Transpacific Management Inc. in the United States in 1978 and is the president of the company. He established Golden Eagle International Group in 1992 and has been its chairman since then. Mr. Wang was awarded the Honorary Citizen of Nanjing in 1994. He is now the honorary chairperson of The Association of Overseas Affairs of Nanjing (南京市海外聯誼會). Mr. Wang was also awarded Entrepreneur of the Year 2011 China by Ernst & Young. He has over 34 years of experience in the development and management of real estate and department store retailing.

Ms. Zheng Shu Yun (鄭淑雲), aged 67, executive Director and Chief Operating Officer of the Group. Ms. Zheng was appointed as the executive Director with effect from 15 April 2009. Ms. Zheng obtained a diploma from Graduate School of Chinese Academy of Social Science in 1990. Ms. Zheng joined the Group in September 1995 and was promoted to vice president in January 2003. Ms. Zheng has over 47 years of experience in accounting and financial resources management. Ms. Zheng has retired from her position as the Chief Operating Officer of the Group with effect from 22 March 2013 and will retire from her directorship in the Company at the forthcoming annual general meeting ("AGM") to be held in May 2013. She will be re-designated as an adviser to the Group upon the conclusion of the AGM.

Non-executive Director

Mr. Han Xiang Li (韓相禮), aged 47, non-executive Director of the Company. Mr. Han has been the executive Director during the period from 26 February 2006 to 14 April 2009 and has been re-designated as the non-executive Director with effect from 15 April 2009. Mr. Han obtained a bachelor degree from Nanjing University of Finance and Economics (南京財經大學) in July 1986 and a MBA degree from the Nanjing University - Cornell University EMBA program in December 2007. He is also a member of the Chinese Institute of Certified Public Accountants. Mr. Han has over 26 years of experience in financial management.

Directors and Management Profiles

Independent non-executive Directors

Mr. Wong Chi Keung (黃之強), aged 58, who obtained a MBA degree from University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the Securities and Futures Ordinance of Hong Kong. Mr. Wong has been the executive director, deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited), a company listed on the Stock Exchange for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, First Natural Foods Holdings Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company Limited. All of these companies are listed on the Stock Exchange. Mr. Wong has over 36 years of experience in finance, accounting and management.

Mr. Wang Yao (王耀), aged 54, who obtained a PhD degree in engineering from Harbin Institute of Technology (哈爾濱工業大學) in March 1989. Mr. Wang is the vice-chairman of China General Chamber of Commerce (中國商業聯合會). Mr. Wang is also the officer (主任) of Information Centre of Commerce of the PRC (中華全國商業信息中心). He is primarily dedicated to the research on the PRC retail market, macroeconomy and retail data statistics and analysis. He provides retail market consulting services to the government. He also published periodic monitoring and forecastic reports on China consumables retail market from 1997 to 2012. Mr. Wang is also an independent non-executive director of Bosideng International Holdings Limited, a company listed on the Stock Exchange.

Mr. Liu Chi Husan, Jack (劉積瑄), aged 54, who obtained a bachelor degree in Laws from National Taiwan University (國立台灣大學) in 1981 and obtained Master of Law degrees from the University of Pennsylvania (美國賓州大學) and the University of Chicago (美國芝加哥大學) in the United States in 1984 and 1985 respectively. Mr. Liu was admitted to practice the laws of the State of California and Washington, D.C, in the United States and as a foreign lawyer permitted to practice the laws of Taiwan. Mr. Liu is now a director and a member of the Compensation Committee of East West Bancorp (華美銀行) (a company listed on the NASDAQ) and, at the same time, the chairman of East West Bank (China) Limited (華美銀行(中國)有限公司). He is also an independent director of Usun Technology Co., Ltd. (陽程科技有限公司) (a company listed on the Taiwan Stock Exchange), an independent director of Lung Yen Co., Ltd. (龍巖股份有限公司) (a company listed on the Taiwan Stock Exchange), a director of Transglobe Life Insurance Co., Ltd. (全球人壽股份有限公司) and a senior lawyer of Alliance International Law Offices in association with Deacons (的近律師行(台灣康德國際法律事務所)). Mr. Liu has over 27 years of experience in legal practices and over 15 years of experience in finance and investment.

Directors and Management Profiles

SENIOR MANAGEMENT (MEMBERS FROM THE OFFICE OF THE PRESIDENT)

Mr. Ko Yunchoul (高潤哲), aged 52, executive vice president of the Group. Mr. Ko obtained a bachelor degree in Law from Kyung Hee University (韓國慶熙大學) in South Korea in 1988 and a master degree in Economic Law from Peking University in 1999. He joined South Korea's Lotte Department Store in 2005. He has been the chairman of Beijing Intime Lotte Department Store and vice president of China Headquarter of South Korea's Lotte Department Store. He joined the Group in November 2012 for the current position and is responsible for merchandising management, new store opening and administrative works of the Group. Mr. Ko has over 22 years of experience in operational management. Mr. Ko has taken up the position as Chief Operating Officer of the Group with effect from 22 March 2013.

Mr. Wang Ming Yuan (王明遠), aged 42, vice president and Chief Information Officer of the Group. Mr. Wang obtained a bachelor degree in Materials Science from Jiangsu University (江蘇大學) in July 1993 and a master degree in Applied Computer Science from Xidian University (西安電子科技大學) in July 2003. He joined the Group in December 2011 for the current position, and is responsible for the Group's information technology and the implementation and integration of the Group's business intelligence projects. Mr. Wang has over 17 years of experience in information technology.

Mr. Shao Yong (邵勇), aged 48, vice president of the Group. Mr. Shao obtained a bachelor degree in Economics from Anhui Institute of Finance & Trade (安徽財貿學院) in 1991. He joined the Group in December 2002. He has been the general manager of Xuzhou Store, Yancheng Store and Huaibei Store and was promoted to the vice president of the Group in November 2006. He is responsible for the Group's integrated management in the northern part of Jiangsu Province since January 2013. He participates in the Group's overall operational management through regional management as well as the Group's chain development in the northern part of Jiangsu Province. Mr. Shao has over 19 years of experience in retail management.

Mr. Kong Jun (孔軍), aged 42, vice president of the Group. Mr. Kong obtained a bachelor degree in Engineering from Shanghai Jiao Tong University (上海交通大學) and a MBA degree from Southeast University (東南大學) in 1992 and 2001 respectively. He continued his study at the University of Birmingham in the United Kingdom from 2006 to 2008. He joined the Group in October 2009 and served as assistant president of the Group and also the general manager of Nanjing Store. He was also responsible for administration management, promotion planning and management of the merchandising centre. He is responsible for the Group's integrated management in Nanjing area and the southern part of Jiangsu Province, as well as the preparatory work of the Group's important projects such as Xijiekou Store Phase II and Kunshan projects since January 2013. Mr. Kong has over 20 years of experience in operational management and also worked in the United Kingdom for marketing management from May 2006 to September 2009.



Directors and Management Profiles

Ms. Zhang Hong (張紅), aged 44, vice president of the Group. Ms. Zhang obtained a bachelor degree in Mechanical Engineering from Nanjing Forestry University (南京林業大學) in 1990 and a MBA degree from Nanjing University in 2010. She joined Golden Eagle International Group in 2004 and served as the deputy director of the human resources department. She was re-designated to the Group in 2007, and served as the deputy director, director of the human resources department and assistant president of the Group. She was promoted to the current position in July 2011. She is responsible for the Group's daily human resources management. Ms. Zhang has over 17 years of experience in administration and human resources management.

Mr. Xia Ke Ying (夏克穎), aged 45, vice president of the Group. Mr. Xia obtained a bachelor degree in Industrial Management and Engineering from Fuzhou University (福州大學) in 1989. He obtained the certificates of certified public accountant in 1995, certified public valuer in 1997, real estate appraiser in 1998, judicial qualification in 2001 and professional lawyer in 2004. He joined the Group in December 2009 and served as the director of finance department and assistant president of the Group before being promoted to the current position in July 2011. He is responsible for the Group's central financial management. Mr. Xia has over 23 years of experience in financial management.

Ms. Tai Ping, Patricia (戴莘), aged 40, Chief Financial Officer of the Group. Ms. Tai obtained a double bachelor degree in Accounting and Information System from Monash University in Australia in 1995. Ms. Tai is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. She has over 17 years of experience in auditing and financial management. Ms. Tai joined the Group in September 2008 as assistant president of the Group and was promoted to Chief Financial Officer in April 2009. She is also serves as the Company Secretary of the Company with effect from December 2010.

Mr. Shao Long (邵龍), aged 36, assistant president of the Group. Mr. Shao obtained a bachelor degree from Wuhan University of Technology (武漢工業大學) in 1998 and a MBA degree from Nanjing University in 2006. He also obtained another MBA degree from University of Missouri of the United States in 2007. He joined the Group in June 2008 and served as the deputy director and director of the planning and pre-operation department of the Group. He was promoted to the current position in July 2010. He is responsible for the planning and pre-operation of new stores and renovation of existing stores. Mr. Shao has over 14 years of experience in construction management.

Mr. Tang Xi Qing (唐喜慶), aged 43, assistant president of the Group. Mr. Tang obtained a bachelor degree in Physics from Gannan Normal University (贛南師範學院) in 1993. He joined the Group for the current position since 2008. He is responsible for business development of the Group. Mr. Tang has over 20 years of experience in mass media and public relations management.



Directors and Management Profiles

Ms. Liu Meng Jie (劉夢婕), aged 33, assistant president of the Group. Ms. Liu graduated from Jinling Institute of Technology (南京金陵科技學院) in 2001, majoring in International Business Management. She joined the Group in 2001 and served as the deputy manager of the Group's promotion planning department, manager of promotion planning department of Nanjing Store, and manager, deputy director and director of the Group's promotion planning department. She was promoted to the current position in January 2013. She is responsible for the Group's promotion planning. Ms. Liu has over 12 years of experience in promotion planning and management.

Mr. Li Pei (李培), aged 48, assistant president of the Group. Mr. Li obtained a bachelor degree in Animal Husbandry and Veterinary Medicine from Yangzhou University (揚州大學) in 1986. He joined the Group in October 2001 and served as the deputy director of merchandising department of Yangzhou Store, director of operational department of Xuzhou Store, assistant general manager and deputy general manager of Xi'an Store, general manager of Huai'an Store and general manager of Yancheng Store. He was promoted to the current position in January 2013. He is responsible for the Group's integrated management in the central part of Jiangsu Province, as well as daily operational management of Yancheng Store. Mr. Li has over 20 years of experience in retail management.



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Directors are of the opinion that save for the deviations from code provisions A.2.1 and E.1.2, details of which are set out in the paragraphs headed "Chairman and Chief Executive Officer" and "Number of Meetings and Directors' Attendance" below, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practice (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively, the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which were in force at the material time for the year ended 31 December 2012.

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

THE BOARD

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

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

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

Corporate Governance Report

BOARD COMPOSITION

As at the date of this report, the Board comprised 6 members, including two executive Directors, Mr. Wang Hung, Roger (Chairman) and Ms. Zheng Shu Yun (Chief Operating Officer, the "COO"); one non-executive Director, Mr. Han Xiang Li; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Liu Chi Husan, Jack. Other than being members of the Board, there is no other relationship between the members of the Board. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to provide sufficient checks and balances that serve to safeguard the interests of the Company and its shareholders as a whole.

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

During the year ended 31 December 2012, the Board had at all times met the relevant requirements under the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing not less than one-third of the Board), with at least one independent non-executive Director possessing appropriate accounting and related financial management expertise. The independence of the independent non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and the Company is of the view that all independent non-executive Directors meet the independence guidelines and are independent in accordance with the relevant rules and requirements.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Ms. Zheng has retired from her position as the COO with effect from 22 March 2013 while Mr. Ko Yunchoul, the executive vice president of the Group who was responsible for merchandising management, new store opening and administrative works of the Group before, has taken up her position as the COO with effect from 22 March 2013.

Corporate Governance Report

APPOINTMENT, RE-ELECTION AND REMOVAL

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

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

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation in accordance with the Company's Articles of Association.

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the year ended 31 December 2012, eleven Board meetings were held and two sets of unanimous written resolutions of the Directors were made. Notice of regular Board meetings is given to all Directors at least 14 days before each meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials, including relevant background information and supporting analysis, are normally sent to all Directors at least three days before the regular Board meeting (and so far as practicable for such other Board meetings) to ensure that the Directors would have sufficient time and attention to the affairs of the Company. Their individual attendance of the eleven Board meetings was as follows: —

Mr. Wang Hung, Roger (11/11), Ms. Zheng Shu Yun (11/11), Mr. Han Xiang Li (11/11), Mr. Wong Chi Keung (11/11), Mr. Wang Yao (11/11), and Mr. Liu Chi Huan, Jack (11/11).

During the year ended 31 December 2012, one general meeting was held. The individual attendance of each of the Directors at the general meeting was as follows:-

Mr. Wang Hung, Roger (0/1), Ms. Zheng Shu Yun (0/1), Mr. Han Xiang Li (0/1), Mr. Wong Chi Keung (1/1), Mr. Wang Yao (0/1), and Mr. Liu Chi Huan, Jack (1/1).

According to Code provision E.1.2, the Chairman should attend the annual general meeting. At the annual general meeting held on 17 May 2012, Mr. Wang Hung, Roger, the Chairman of the Board, did not attend because he was engaged in another unexpected and urgent appointment. The Directors will endeavour to rearrange their other appointments and attend all general meetings in the future.



Corporate Governance Report

PRACTICES AND CONDUCT OF MEETINGS OF THE BOARD AND BOARD COMMITTEES

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

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

Each Director is required to make disclosure of his/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 not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her associates) is materially interested nor shall he/she be counted in the quorum present at the meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the year ended 31 December 2012.

ACCOUNTABILITY AND AUDIT AND AUDITOR'S REMUNERATION

The Directors acknowledge their responsibility for the preparation of the financial statements which give a true and fair presentation of the state of affairs of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012. This responsibility has also been mentioned in the Independent Auditor's Report on page 54 of this annual report.

In preparing the financial statements for the year ended 31 December 2012, 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 and interim results of the Group for the year ended 31 December 2012 were published within 3 months and 2 months respectively after the end of the relevant periods to provide stakeholders with transparent and timely financial information of the Group.



Corporate Governance Report

The statement by the auditors of the Company about their reporting responsibilities is set out on page 54 of this annual report. The auditors of the Company received approximately RMB1.95 million for the provision of audit services rendered during the year ended 31 December 2012 and no non-audit services had been rendered by the auditor of the Company during the period under review.

INTERNAL CONTROL AND THEIR EFFECTIVENESS

The Board has the overall responsibility for maintaining sound and effective internal controls for the Group to safeguard the interests of its stakeholders and the assets of the Group at all times. To this end, 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 2012, the internal audit department had conducted reviews on the effectiveness of the internal control system covering all material factors related to financial, operational, compliance controls, various functions for risk management and physical and information security. Two semi-annual internal control reports containing its findings and results were reported to the Audit Committee during the Audit Committee meetings and had been delivered to all Directors for review.

The Audit Committee had reported during the Audit Committee meetings the key findings identified by the Company's external auditors in respect of the Group's internal controls and discussed findings and actions or measures taken in addressing those findings. No material issues on the Group's internal control system have been identified by the Company's internal audit department and the Company's external auditors during the year ended 31 December 2012 which required significant rectification works.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under the code provision A.6.5 of the CG Code regarding the continuous professional development. A summary of the trainings received by each of the Directors during the year ended 31 December 2012 is as follows:

	Reading	Attending training programs
Mr. Wang Hung, Roger	✓	✓
Ms. Zheng Shu Yun	✓	✓
Mr. Han Xiang Li	✓	✓
Mr. Wong Chi Keung	✓	✓
Mr. Wang Yao	✓	✓
Mr. Liu Chi Husan, Jack	✓	✓

BOARD COMMITTEES

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

Audit Committee

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

During the year ended 31 December 2012, the Audit Committee reviewed the Group's interim and annual accounts and the effectiveness of internal control procedures. The Audit Committee had performed the following works:

- (a) reviewed the financial reports for the six months ended 30 June 2012 and for the year ended 31 December 2012;
- (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 the Company's external auditor on the operations of the Group; and



Corporate Governance Report

(e) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31 December 2012.

During the year ended 31 December 2012, two Audit Committee meetings were held. The individual attendance of its members is as follows:—

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

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Liu Chi Huan, Jack. The Remuneration Committee is chaired by Mr. Liu Chi Huan, Jack. In order to comply with the amendments to the Listing Rules which has become effective on 1 April 2012, Mr. Liu Chi Huan, Jack has been appointed as chairman of the Remuneration Committee in place of Mr. Wang Hung, Roger with effect from 12 March 2012.

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

During the year ended 31 December 2012, the Remuneration Committee had reviewed the Group's policy on the remuneration of all Directors and senior management and one Remuneration Committee meeting was held. The individual attendance of its members is as follows:—

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

Nomination Committee

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

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

During the year ended 31 December 2012, no new Director had been appointed and no meeting was held by the Nomination Committee. The Nomination Committee will meet as and when required.



Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

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

COMPANY SECRETARY

The Company Secretary is Ms. Tai Ping, Patricia. Her biographical details are set out in the section headed "Directors and Management Profiles" of this annual report. The Company Secretary took no less than 15 hours of relevant professional training during the year ended 31 December 2012 as required by the Listing Rules.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") executed by Mr. Wang Hung, Roger, GEICO Holdings Limited and Golden Eagle International Retail Group Limited, the controlling shareholders of the Company (collectively referred to as the "Covenantors") in favour of the Company, the Covenantors have given certain undertakings and granted certain rights to the Company (including but not limited to the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal) (as defined in the prospectus of the Company dated 8 March 2006) (collectively, the "Undertakings"). Details of the Undertakings are set out in the paragraph headed "Deed of Non-Competition" of the Directors' Report on page 52 of this annual report.

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

COMMITMENT TO TRANSPARENCY

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



Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

The Company did not amend its Articles of Association during the year ended 31 December 2012.



Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

Any one or more shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

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

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



Directors' Report

The Directors are pleased to present the 2012 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in the People's Republic of China (the "PRC"). The principal activities of the subsidiaries and associates of the Company are set out in notes 43 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 56.

The Directors now recommend the payment of a final dividend of RMB0.188 (2011: RMB0.188) per share to the shareholders appeared on the register of members of the Company on Wednesday, 29 May 2013. The final dividend (if approved) will be paid on or before Friday, 28 June 2013.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years ended 31 December 2012 is set out on page 9.

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

Details of movements in property, plant and equipment, land use rights and investment property of the Group during the year are set out in notes 17, 18 and 19 respectively to the consolidated financial statements.

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

During the year ended 31 December 2012, pursuant to the general mandate given to the Directors of the Company, the Company repurchased an aggregate of 15,521,000 shares of its own ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HKD240.8 million (equivalent to approximately RMB196.2 million).

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

Details of the share repurchase and other movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

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



Directors' Report

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution to shareholders amounted to approximately RMB365.9 million (2011: RMB424.9 million).

DIRECTORS

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

Executive Directors

Mr. Wang Hung, Roger (*Chairman*)

Ms. Zheng Shu Yun (*Chief Operating Officer*)

Non-executive Director

Mr. Han Xiang Li

Independent non-executive Directors

Mr. Wong Chi Keung

Mr. Wang Yao

Mr. Liu Chi Husan, Jack

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

According to Article 87 of the Articles of Association of the Company, Mr. Wang Hung, Roger and Mr. Han Xiang Li will retire by rotation. Mr. Wang Hung, Roger and Mr. Han Xiang Li will be eligible and have offered themselves for re-election at the forthcoming annual general meeting. Due to the reaching of retirement age, Ms. Zheng Shu Yun will also retire at the forthcoming annual general meeting but will not offer herself for re-election.

DIRECTORS' SERVICE CONTRACTS

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

Directors' Report

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

As at 31 December 2012, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Mr. Wang Hung, Roger ("Mr. Wang") (Note)	Interest in controlled corporation	1,330,344,000	68.77%

Note: These 1,330,344,000 Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Mr. Wang is deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,330,344,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2012, none of the Directors, chief executive nor their associates had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

Directors' Report

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

As at 31 December 2012, 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 (<i>Note</i>)	Interest in controlled corporation	1,329,344,000	68.71%
Golden Eagle International Retail Group Limited (<i>Note</i>)	Beneficial owner	1,329,344,000	68.71%

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

Save as disclosed above, as at 31 December 2012, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

During the year ended 31 December 2012, 6,282,000 share options were exercised and 7,272,000 share options were forfeited. Details of the Scheme are set out in note 36 to the consolidated financial statements.

As at 31 December 2012, there were a total of 23,227,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 1.2 per cent. of the entire issued share capital of the Company as at the date of this report.

Directors' Report

Movements of the Company's share options during the year and outstanding as at 31 December 2012 were as follows:

	Number of share options						Exercise period (Note1)	Exercise price HKD	Price of the Company's Share immediately before the grant date HKD	Price of the Company's Shares on the date immediately before the exercise date (Note 2) HKD
	Outstanding at		Exercised	Forfeited	Outstanding at					
	1 January	Reclassification	during	during	31 December	Date of Grant				
	2012		the year	the year	2012					
Executive Directors	150,000	—	(150,000)	—	—	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	20.15
Non-executive Director	100,000	—	(100,000)	—	—	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	15.70
	510,000	—	(510,000)	—	—	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	19.33
Key management	490,000	190,000	(680,000)	—	—	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	16.95
	1,535,000	—	(215,000)	(640,000)	680,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	19.68
	2,800,000	900,000	—	(500,000)	3,200,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	2,700,000	—	—	(2,700,000)	—	31 May 2011	31 May 2012 to 30 May 2021	20.26	20.05	N/A
Other employees	217,000	—	(217,000)	—	—	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	20.10
	4,451,000	(190,000)	(4,173,000)	(88,000)	—	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	18.79
	14,778,000	—	(237,000)	(744,000)	13,797,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	20.01
	8,850,000	(900,000)	—	(2,400,000)	5,550,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	200,000	—	—	(200,000)	—	31 May 2011	31 May 2012 to 30 May 2021	20.26	20.05	N/A
	<u>36,781,000</u>	<u>—</u>	<u>(6,282,000)</u>	<u>(7,272,000)</u>	<u>23,227,000</u>					
Exercisable at 31 December 2012					5,909,000					

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The prices of the Company's shares on the dates immediately before the exercise dates are the weighted average of the closing prices as quoted on the Stock Exchange immediately before the dates on which the share options were exercised.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

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

Under the Xinjiekou Tenancy Agreement, the annual rent in respect of the Xinjiekou Office Premises is approximately RMB7.6 million. The annual rent was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for the year ended 31 December 2012 amounted to approximately RMB7,519,000.

Directors' Report

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

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

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

The annual consideration for the lease shall be equivalent to 5% of the gross sales proceeds derived from the operations of Nanjing Zhujiang Store less relevant value-added tax, subject to the use of the minimum guaranteed gross sales proceeds of the sub-lessees of the South Additional Units (if any) in the calculation of consideration if the gross sales proceeds derived from the relevant area are lower than the minimum guaranteed gross sales proceeds. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Amended Zhujiang Tenancy Agreement for the year ended 31 December 2012 amounted to approximately RMB26,329,000.

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

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

Directors' Report

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Shanghai Additional Tenancy Agreement") with Shanghai Golden Eagle Tiandi in respect of the lease of the entire 9th floor of Golden Eagle Shopping Plaza (the "Additional Shanghai Properties") as exhibition centre for a period of 2 years commencing from 1 July 2009. On 16 November 2010, a supplemental agreement to the Shanghai Additional Tenancy Agreement was entered into between Golden Eagle (China) and Shanghai Golden Eagle Tiandi to extend the lease for another 21/2 years commencing from 1 July 2011.

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

The annual consideration for the lease of the Shanghai Properties shall be equivalent to 5% of the gross sales proceeds derived from the operations of Shanghai Store less relevant value-added tax while the consideration for the lease of the Additional Shanghai Properties is RMB6.5 per square meter per day and a property management fee of RMB81,880.50 each month. The considerations were arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement for the year ended 31 December 2012 amounted to approximately RMB17,040,000 and RMB3,896,000 respectively while the property management fee paid by the Group under the Shanghai Additional Tenancy Agreement amounted to approximately RMB983,000.

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

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Hanzhong Plaza Tenancy Agreement") in respect of the lease of a 5-storey shopping plaza with an underground accessory room (the "Hanzhong Plaza") with Golden Eagle International Group, for a term of 10 years in order to facilitate the Group to expand its business operations and increase its market share in Nanjing.

The annual consideration for the lease of Hanzhong Plaza shall be equivalent to the aggregate of (a) 5% of the annual gross sales proceeds derived from the operations of Hanzhong Plaza less relevant value-added tax for the portion of annual gross sales proceeds not exceeding RMB160,000,000; (b) 4% of the annual gross sales proceeds derived from the operations of Hanzhong Plaza less relevant value-added tax for the portion of annual gross sales proceeds exceeding RMB160,000,000; and (c) 25% of the proceeds derived from sub-letting the units in Hanzhong Plaza less property tax, business tax and other relevant taxes. The minimum guaranteed rental payable under the Hanzhong Plaza Tenancy Agreement is RMB6,100,000 per calendar year. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Hanzhong Plaza Tenancy Agreement for the year ended 31 December 2012 amounted to approximately RMB7,927,000.

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

Directors' Report

The consideration for the lease of Ancillary Facilities is RMB1,900,000 per calendar year. The consideration was arrived at after arm's length negotiation between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for lease of Ancillary Facilities for the year ended 31 December 2012 amounted to RMB1,900,000.

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

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

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

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

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

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

Directors' Report

- (ii) for those concessionaires which the Group charges less than 10% commission rate on their concessionaire sales, 50% of the gross sale proceeds derived from the operations of those concessionaires (less relevant value-added tax) multiplied by the commission rate charged by the Group; and
- (iii) 50% of the proceeds derived from sub-letting the units in Nanjing Xianlin Store less property tax, business tax and other relevant taxes; or

(b) RMB9,500,000.

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

The rental expenses paid by the Group under the Total Xianlin Tenancy Agreement for the year ended 31 December 2012 amounted to approximately RMB19,930,000.

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

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

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

Under the Suqian Tenancy Agreement, the annual rent is RMB150,000 per year. The annual rent was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for the year ended 31 December 2012 amounted to approximately RMB144,000.

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

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

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

- (a) the aggregate of:
 - (i) during the first three years commencing from the Soft Opening Date (aa) for those concessionaires which the Group charges 6% or more commission rate on their concessionaire sales, 3% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax); and (bb) for those concessionaires which the Group charges less than 6% commission rate on their concessionaire sales, the amount to be calculated in accordance with the following formula: Gross sale proceeds derived from the operation of those concessionaire (less the relevant value-added tax) X Commission rate charged by the Group X 50%;
 - (ii) from the date falling the fourth anniversary of the Soft Opening Date (aa) for those concessionaires which the Group charges 10% or more commission rate on their concessionaire sales, 5% of the annual gross sales proceeds derived from the operation of those concessionaire (less the relevant value-added tax); and (bb) for those concessionaires which the Group charges less than 10% commission rate on their concessionaire sales, the amount to be calculated in accordance with the following formula: Gross sale proceeds derived from the operation of those concessionaire (less the relevant value-added tax) X Commission rate charged by the Group X 50%; and
 - (iii) 50% of the proceeds derived from sub-letting the units in Yancheng Golden Eagle Outlet (less property tax, business tax and other relevant taxes), provided that the aggregate floor area of the units to be subleased shall not exceed 10% of the aggregate floor area of Yancheng Golden Eagle Outlet; or
- (b) RMB2,000,000.

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

The rental expenses paid by the Group under the Yancheng Outlet Tenancy Agreement for the year ended 31 December 2012 amounted to approximately RMB1,298,000.

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Lease of office premises from Nanjing Zhujiang No.1 by Golden Eagle (China)

On 23 June 2011, a lease agreement (the "Zhujiang Office Tenancy Agreement") in respect of the lease of 47th floor and 55th floor of Zhujiang No. 1 Plaza ("Nanjing Zhujiang No. 1 Offices") was entered into between Golden Eagle (China) and Nanjing Zhujiang No. 1, for a term commencing from 17 August 2011 and expiring on 31 December 2013. The Group originally intended to use the Nanjing Zhujiang No. 1 Offices as its new Nanjing head office in order to increase the operating area of Nanjing Xinjiekou Store as the existing head office of the Group is immediately above Nanjing Xinjiekou Store.

On 20 January 2012, Golden Eagle (China) and Nanjing Zhujiang No. 1 entered into a termination agreement to terminate the Zhujiang Office Tenancy Agreement and release from each other of any liabilities arising for such termination as the Group decided to postpone the relocation plan and to focus its resources on new store expansion and existing store extension plan in light of the global financial instability and the uncertainty in the PRC's macroeconomic environment and the retail market.

No rental or termination cost has been paid or payable by Golden Eagle (China) to Nanjing Zhujiang No.1 in respect of the lease.

Property Management Services Agreements

On 16 November 2010, Golden Eagle (China) and 南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Asset Management Co., Ltd.*) ("Nanjing Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, entered into a property management services agreement, pursuant to which Nanjing Golden Eagle Properties shall provide property management services to Nanjing Xinjiekou Store and those stores under its control, including, as at 31 December 2012, Nantong Store, Yangzhou Store, Suzhou Store, Xuzhou Store, Xi'an Gaoxin Store, Taizhou Store, Kunming Store, Huai'an Store, Yancheng Store, Shanghai Store, Yangzhou Jinghua Store, Nanjing Hanzhong Store, Nanjing Xianlin Store, Hefei Dadongmen Store, Hefei Baihuajing Store, Anhui Huabei Store, Hefei Suzhou Road Store, Changzhou Jiahong Store, Xi'an Xiaozhai Store, Suqian Store, Liyang Store, Xuzhou People's Square Store, Kunming Nanya Store, Changzhou Wujin Store and Yancheng Outlet Store for a term of three years commencing from 1 January 2011.

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

The entering into of the aforesaid property management services agreements enables the Group to focus on the development and operations of department store chain in the PRC. The property management services shall include but not limited to the provision of property (interior) maintenance, cleaning, environmental and greenery services and a fee equivalent to the actual cost incurred plus a mark-up of 10% will be charged. These fees were arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of property management services fees paid by the Group under the aforesaid property management services agreements for the year ended 31 December 2012 amounted to approximately RMB63,382,000.

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Carpark Management Services Agreements

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

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

These fees were arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of carpark management services fees paid by the Group under the Carpark Management Services Agreements for the year ended 31 December 2012 amounted to approximately RMB2,078,000.

Project Management Services Agreement

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

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

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The service fees paid by the Group to Golden Eagle International Group under the Project Management Services Agreement for the year ended 31 December 2012 amounted to approximately RMB4,650,000.

Decoration Services Agreement

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

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

The service fees paid by the Group under the Decoration Services Agreement for the year ended 31 December 2012 amounted to approximately RMB100,364,000.

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.38 of the Listing Rules confirming that for the year ended 31 December 2012 the continuing connected transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the relevant announcements made by the Company in respect of the disclosed continuing connected transactions.

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.

*, For identification purpose only



Directors' Report

The related party transactions with fellow subsidiaries of the Group as disclosed in note 42 to the consolidated financial statements constituted continuing connected transactions of the Group. Those transactions have complied with the requirements for connected transactions under Chapter 14A of the Listing Rules.

The related party transactions with the associates of the Group relating to the purchase of merchandise as disclosed in note 42 to the consolidated financial statements do not constitute continuing connected transaction of the Group.

STATUS OF CONNECTED TRANSACTIONS PENDING COMPLETION

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

Framework Agreement

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

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

The purpose of the acquisition of Xinjiekou Store phase II with an estimated aggregate gross floor area of 50,000 square meters is to increase the operating area of Nanjing Xinjiekou Store and the consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction is expected to complete in the year 2013 and Xinjiekou Store phase II is expect to commence operation in 2014.

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

Cooperation Framework Agreement

On 28 March 2011, the Group entered into a cooperation framework agreement with 昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.) ("Kunshan Golden Eagle Properties"), being a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for the acquisition of a property which is situated at Kunshan City, Jiangsu Province. This transaction is also disclosed in note 42 to the consolidated financial statements as a related party transaction and has complied with the requirements for connected transactions under Chapter 14A of the Listing Rules. Completion of the acquisition is expected to take place in 2014.



Directors' Report

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

The consideration for the acquisition of Kunshan Property of RMB1,125,750,000 (subject to adjustment) was calculated based on RMB9,500 per square meter and the estimated aggregate gross floor area of approximately 118,500 square meters and may be adjusted depending on the actual gross floor area of Kunshan Property actually to be delivered to the Group upon completion. The consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction is expected to complete in 2013 and Kunshan Property is expected to commence operation in 2014.

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

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

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

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

Pursuant to the terms of the Term Loan Facility Agreement, it will constitute, among others, an event of default if at any time when the entire or part of the Term Loan Facility remains outstanding, Mr. Wang ceases to (i) hold directly or indirectly not less than 51% of the beneficial interest in the Company; (ii) be the single largest shareholder of the Company; (iii) be the Chairman and executive Director of the Company; or (iv) maintain the management control of the Company or have the right to determine the composition of majority of the Board. Upon occurrence of an event of default, all outstanding loans together with accrued interest and any other amounts accrued under the Term Loan Facility Agreement may become immediately due and payable. The facility was fully utilised and remained outstanding as at 31 December 2012.

Directors' Report

DEED OF NON-COMPETITION

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

- (a) Mr. Wang and the companies controlled by him will not dispose all or part of the equity interest in Shanghai Shopping and Xinbai Shopping to third parties;
- (b) the Group entered into the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement with Shanghai Golden Eagle Tiandi for the lease of the Shanghai Properties for a term of 20 years commencing from the date on which Shanghai Store commences operation and for the lease of the Additional Shanghai Properties for a term of 2¹/₂ years commencing from 1 July 2011. Details of the aforesaid agreements are disclosed under the sub-section headed "Lease of property for department store operation and exhibition centre from Shanghai Golden Eagle Tiandi by Shanghai Store and Golden Eagle (China) respectively" in the section headed "Annual Review of Continuing Connected Transactions" of this report; and
- (c) the reason for not including Xinbai Shopping as part of the Group as disclosed in the Prospectus has not been changed, and the Directors are of the view that exercising the option for Xinbai Shopping is not in the interest of the Group as a whole

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

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

EMOLUMENT POLICY

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

* For identification purpose only



Directors' Report

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

MAJOR CUSTOMERS AND SUPPLIERS

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information publicly available to the Company, there is sufficient public float as required by the Listing Rules throughout the year ended 31 December 2012.

PRE-EMPTIVE RIGHTS

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

AUDITORS

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

On behalf of the Board

Wang Hung, Roger
Chairman

22 March 2013

Independent Auditor's Report



TO THE MEMBERS OF GOLDEN EAGLE RETAIL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 144, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	7	3,622,917	3,216,892
Other operating income	9	211,207	138,158
Changes in inventories of merchandise		(963,885)	(763,797)
Employee benefits expense		(352,693)	(301,699)
Depreciation and amortisation of property, plant and equipment and investment property		(181,264)	(138,845)
Release of prepaid lease payments on land use rights		(19,974)	(4,829)
Rental expenses		(166,675)	(128,959)
Other operating expenses		(593,093)	(483,431)
Profit from operations		1,556,540	1,533,490
Finance income	10	143,838	88,912
Interest expenses on bank loans wholly repayable within five years		(75,611)	(15,840)
Other gains and losses	11	20,052	39,531
Share of profit (loss) of associates		2,973	(20,162)
Profit before tax		1,647,792	1,625,931
Income tax expense	12	(430,464)	(414,010)
Profit for the year	13	1,217,328	1,211,921
Profit (loss) attributable to:			
Owners of the Company		1,217,642	1,212,057
Non-controlling interest		(314)	(136)
		1,217,328	1,211,921
Earnings per share			
– Basic (RMB per share)	16	0.629	0.623
– Diluted (RMB per share)	16	0.625	0.618

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Profit for the year	<u>1,217,328</u>	<u>1,211,921</u>
<i>Other comprehensive income (expense)</i>		
Gain (loss) on fair value changes of available-for-sale investments	47,190	(40,132)
Reclassified to profit or loss on disposal of available-for-sale investments	(524)	1,689
Income tax relating to components of other comprehensive item	(2,057)	2,549
Share of exchange difference of an associate	(7,487)	—
Release of exchange reserve upon deemed disposal of an associate	<u>1,625</u>	<u>—</u>
Other comprehensive income (expense) for the year (net of tax)	<u>38,747</u>	<u>(35,894)</u>
Total comprehensive income for the year	<u><u>1,256,075</u></u>	<u><u>1,176,027</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	1,256,389	1,176,163
Non-controlling interest	<u>(314)</u>	<u>(136)</u>
	<u><u>1,256,075</u></u>	<u><u>1,176,027</u></u>

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	31.12.2012 RMB'000	31.12.2011 RMB'000
<i>Non-current assets</i>			
Property, plant and equipment	17	4,024,938	3,906,293
Land use rights - non-current portion	18	1,296,779	1,318,887
Investment property	19	90,651	92,738
Deposits and prepayments	20	1,320,263	992,800
Goodwill	21	256,908	256,908
Interests in associates	22	416,410	91,701
Available-for-sale investments	23	226,429	170,667
Investment in convertible bonds	24	60,858	57,869
Amount due from a former shareholder of a subsidiary	25	—	19,756
Deferred tax assets	26	79,965	51,587
		7,773,201	6,959,206
<i>Current assets</i>			
Inventories		398,536	304,366
Trade and other receivables	27	387,046	248,298
Land use rights - current portion	18	22,103	22,103
Amounts due from fellow subsidiaries	28	12,998	9,644
Available-for-sale investments	23	228,194	—
Investments in interest bearing instruments	29	607,140	872,494
Structured bank deposits	29	1,489,919	863,048
Pledged bank deposit	29	—	110,000
Restricted cash	29	27,118	—
Bank balances and cash	29	2,840,321	1,953,426
		6,013,375	4,383,379

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	31.12.2012 RMB'000	31.12.2011 RMB'000
<i>Current liabilities</i>			
Trade and other payables	30	2,084,983	2,062,924
Amounts due to related companies	31	51,214	455,465
Short-term bank loans	32	1,078,986	1,484,371
Tax liabilities		85,207	126,506
Deferred revenue	33	2,906,936	2,518,596
		6,207,326	6,647,862
Net current liabilities		(193,951)	(2,264,483)
Total assets less current liabilities		7,579,250	4,694,723
<i>Non-current liabilities</i>			
Bank loans	32	2,131,735	—
Deferred tax liabilities	26	149,876	124,961
		2,281,611	124,961
Net assets		5,297,639	4,569,762
<i>Capital and reserves</i>			
Share capital	34	196,822	197,577
Reserves		5,098,147	4,369,201
Equity attributable to owners of the Company		5,294,969	4,566,778
Non-controlling interest		2,670	2,984
Total equity		5,297,639	4,569,762

The consolidated financial statements on pages 56 to 144 were approved and authorised for issue by the board of directors on 22 March 2013 and are signed on its behalf by:

WANG HUNG, ROGER
DIRECTOR

ZHENG SHU YUN
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									Attributable to non-controlling interest		Total
	Share capital	Share premium	Capital redemption reserve	Special reserve	Investment revaluation reserve	Exchange reserve	Share option reserve	Statutory surplus reserve	Retained profits	Total	interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note 35)				(note 35)				
At 1 January 2011	197,489	1,640,836	5,115	217,228	3,601	—	41,850	472,887	1,101,170	3,680,176	—	3,680,176
Profit (loss) for the year	—	—	—	—	—	—	—	—	1,212,057	1,212,057	(136)	1,211,921
Other comprehensive expense for the year	—	—	—	—	(35,894)	—	—	—	—	(35,894)	—	(35,894)
Total comprehensive (expense) income for the year	—	—	—	—	(35,894)	—	—	—	1,212,057	1,176,163	(136)	1,176,027
Shares repurchased and cancelled	(164)	(24,743)	164	—	—	—	—	—	(164)	(24,907)	—	(24,907)
Exercise of share options	252	16,081	—	—	—	—	(4,600)	—	—	11,733	—	11,733
Recognition of equity-settled share-based payments	—	—	—	—	—	—	13,584	—	—	13,584	—	13,584
Appropriation	—	—	—	—	—	—	—	189,846	(189,846)	—	—	—
Dividends recognised as distribution (note 15)	—	—	—	—	—	—	—	—	(289,971)	(289,971)	—	(289,971)
Capital contribution from non-controlling interest	—	—	—	—	—	—	—	—	—	—	3,120	3,120
At 31 December 2011	197,577	1,632,174	5,279	217,228	(32,293)	—	50,834	662,733	1,833,246	4,566,778	2,984	4,569,762
Profit (loss) for the year	—	—	—	—	—	—	—	—	1,217,642	1,217,642	(314)	1,217,328
Other comprehensive income (expense) for the year	—	—	—	—	44,609	(5,862)	—	—	—	38,747	—	38,747
Total comprehensive income (expense) for the year	—	—	—	—	44,609	(5,862)	—	—	1,217,642	1,256,389	(314)	1,256,075
Shares repurchased and cancelled	(1,265)	(194,913)	1,265	—	—	—	—	—	(1,265)	(196,178)	—	(196,178)
Exercise of share options	510	35,697	—	—	—	—	(12,054)	—	—	24,153	—	24,153
Recognition of equity-settled share-based payments	—	—	—	—	—	—	10,440	—	—	10,440	—	10,440
Appropriation	—	—	—	—	—	—	—	110,883	(110,883)	—	—	—
Dividends recognised as distribution (note 15)	—	—	—	—	—	—	—	—	(366,613)	(366,613)	—	(366,613)
At 31 December 2012	196,822	1,472,958	6,544	217,228	12,316	(5,862)	49,220	773,616	2,572,127	5,294,969	2,670	5,297,639

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Operating activities		
Profit before tax	1,647,792	1,625,931
Adjustments for:		
Depreciation and amortisation of property, plant and equipment and investment property	181,264	138,845
Interest expenses	75,611	15,840
Release of prepared lease payments on land use rights	19,974	4,829
Equity-settled share-based payments	10,440	13,584
Changes in fair value of derivative financial instruments	2,000	(7,389)
Loss on disposal of property, plant and equipment	132	1,304
Income from structured bank deposits	(63,839)	(37,376)
Income from investments in interest bearing instruments	(53,976)	(31,845)
Interest income	(19,336)	(15,522)
Gain on deemed disposal of an associate, net of release of exchange reserve	(10,975)	—
Net foreign exchange gains	(6,530)	(33,450)
Effective interest income on investment in convertible bonds	(4,989)	(1,480)
Share of (profit) loss of associates	(2,973)	20,162
Effective interest income on amount due from a former shareholder of a subsidiary	(1,698)	(2,689)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	(524)	1,689
Operating cash flows before movements in working capital	1,772,373	1,692,433
Increase in long-term rental deposits	(14,200)	—
Increase in inventories	(94,170)	(91,734)
Increase in trade and other receivables	(138,748)	(34,850)
(Increase) decrease in amounts due from fellow subsidiaries	(6)	11,139
Increase in trade and other payables	54,569	240,352
Decrease in amounts due to related companies	(2,608)	(8,076)
Increase in deferred revenue	388,340	626,725
Net cash generated from operations	1,965,550	2,435,989
PRC income tax paid	(477,283)	(362,077)
Net cash generated from operating activities	1,488,267	2,073,912

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	NOTE	2012 RMB'000	2011 RMB'000
Investing activities			
Investments in interest bearing instruments		(5,749,000)	(870,000)
Investments in structured bank deposits		(2,417,251)	(842,750)
Additions to property, plant and equipment		(733,572)	(730,491)
Purchase of available-for-sale investments		(378,587)	(198,406)
Investments in associates		(316,623)	(98,367)
Prepayments for acquisition of property, plant and equipment and land use rights		(300,113)	(254,856)
Placement of restricted cash		(60,604)	—
Deposits paid for acquisition of an associate and a subsidiary		(13,150)	—
Purchase of subsidiaries (net of cash and cash equivalent acquired)	37	—	(598,797)
Subscription of convertible bonds		—	(49,000)
Additional consideration paid for acquisition of a subsidiary		—	(5,011)
Redemption of investments in interest bearing instruments		6,019,000	400,000
Redemption of structured bank deposits		1,802,898	519,750
Proceeds from disposal of available-for-sale investments		141,821	63,729
Withdrawal (placement) of pledged bank deposit		110,000	(110,000)
Income received from structured bank deposits		51,321	24,196
Income received from investments in interest bearing instruments		49,330	29,790
Withdrawal of restricted cash		33,486	—
Repayment from a former shareholder of a subsidiary		21,454	21,453
Interest received from bank deposits		19,336	15,522
Proceeds from disposal of property, plant and equipment		251	26
Net cash used in investing activities		(1,720,003)	(2,683,212)
Financing activities			
Repayment of bank loans		(1,203,711)	(458,427)
Dividends paid to owners of the Company		(366,613)	(289,971)
Repurchase of own shares		(196,178)	(24,907)
Interest paid		(114,145)	(15,840)
Capital contribution from non-controlling interest		—	3,120
New bank loans raised		2,975,125	1,517,821
Proceeds on exercise of share options		24,153	11,733
Net cash generated from financing activities		1,118,631	743,529
Net increase in cash and cash equivalents		886,895	134,229
Cash and cash equivalents at beginning of the year		1,953,426	1,819,197
Cash and cash equivalents at end of the year		2,840,321	1,953,426

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger ("Mr. Wang"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in The People's Republic of China (the "PRC"). The principal activities of the subsidiaries and associates of the Company are set out in notes 43 and 22 respectively.

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

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

In the current year, the Group has applied the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12

Deferred Tax: Recovery of Underlying Asset

Amendments to HKFRS 7

Financial Instruments: Disclosures –
Transfers of Financial Assets

The application of these 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (Revised 2011)	Employee Benefits ¹
HKAS 27 (Revised 2011)	Separate Financial Statements ¹
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁴
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013

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

³ Effective for annual periods beginning on or after 1 January 2015

⁴ Effective for annual periods beginning on or after 1 July 2012

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards may have impact on amounts reported in the consolidated financial statements. The Group is still in the process of assessing the impact and such impact will be disclosed in the future consolidated financial statements upon the completion of a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, 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.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA (the "HKFRS financial statements"). 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 principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

Changes in the Group's ownership interests in existing subsidiaries

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

Buildings under development for future owner-occupied purpose

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets at fair value through profit or loss

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated income statement.

Loans and receivables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Investment in convertible bonds

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of the Group's goodwill was RMB256,908,000 (2011: RMB256,908,000), and no impairment loss was recognised during both years. Details of the recoverable amount calculation are disclosed in note 21.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

6A. Categories of financial instruments

	31.12.2012 RMB'000	31.12.2011 RMB'000
<i>Financial assets</i>		
Available-for-sale investments	454,623	170,667
Derivative component in investment in convertible bonds	26,115	28,115
Loans and receivables (including bank balances and cash, restricted cash, pledged bank deposit, structured bank deposits and investments in interest bearing instruments)	5,169,976	4,005,544
<i>Financial liabilities</i>		
Amortised cost	5,153,613	3,826,178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, investment in convertible bonds, amount due from a former shareholder of a subsidiary, trade and other receivables, investments in interest bearing instruments, structured bank deposits, pledged bank deposit, restricted cash, bank balances and cash, amounts due from fellow subsidiaries, amounts due to related companies, trade and other payables and bank loans. 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 equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6B.1. Market risk

Foreign currency risk

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

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

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

	Liabilities		Assets	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
USD	1,791,046	403,258	166,858	11,528
HKD	1,419,675	1,081,113	230,257	187,076
TWD	—	—	228,194	—

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

6B.1. Market risk (Continued)

Foreign currency risk - Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2011: 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% (2011: 5%) change in foreign currency rates.

	USD Impact		HKD Impact		TWD Impact	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Increase (decrease) in post-tax profit for the year:						
if RMB weakens against foreign currency	(81,209)	(19,587)	(64,060)	(45,483)	—	—
if RMB strengthens against foreign currency	81,209	19,587	64,060	45,483	—	—
Increase (decrease) in investment revaluation reserve for the year:						
if RMB weakens against foreign currency	—	—	4,590	5,621	—	—
if RMB strengthens against foreign currency	—	—	(4,590)	(5,621)	—	—

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

6B.1. Market risk (Continued)

Interest rate risk

(i) Cash flow interest rate risk

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

During the year ended 31 December 2012, the Group entered into interest rate swap arrangements to hedge against the floating interest rate risk of certain short-term bank loans as disclosed in note 32 although hedge accounting was not applied.

(ii) Fair value interest rate risk

The Group is also exposed to fair value interest rate risk for certain financial assets, including investment in convertible bonds, pledged bank deposit and fixed-rate bank deposits, which carried interests at fixed rates.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

6B.1. Market risk (Continued)

Interest rate risk - Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank loans outstanding at the end of the reporting period. Structure bank deposits, investments in interest bearing instruments, and interest rate swap arrangements that result in economic hedge of cash flow rate risk are not included as the impact is insignificant at the end of the reporting period. The analysis is prepared assuming the variable-rate bank loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2011: 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 (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would decrease/increase by RMB16,246,000 (2011: decrease/increase by RMB7,422,000).

Other price risks

(i) Equity price risk

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

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analyses purposes, the sensitivity rates are 15% and 30% (2011: 15% and 30%) respectively in the current year as a result of the volatile financial market.

- If equity prices had been 15% (2011: 15%) higher/lower, investment revaluation reserve would increase/decrease by RMB28,919,000 (2011: RMB23,418,000), as a result of changes in fair value of available-for-sale investments.
- If equity prices had been 30% (2011: 30%) higher/lower, investment revaluation reserve would increase/decrease by RMB57,837,000 (2011: RMB46,837,000), as a result of changes in fair value of available-for-sale investments.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

6B.1. Market risk (Continued)

Other price risks (Continued)

(ii) Fair value risk on derivatives

The derivative component of the Group's investment in convertible bonds is required to be measured at fair value with changes in fair value recognised in the consolidated income statement. The fair value will be affected either positively or negatively, amongst others, by the changes in the volatility of the equity value of the issuer.

If the volatility had been 10% higher/lower and all other variables were held constant, the Group's profit for the year (as a result of changes in fair value of derivative component of investment in convertible bonds) would increase/decrease by RMB1,567,000 and RMB1,559,000, respectively.

6B.2. Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

6B.3. Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants, if any. The Group relies principally on cash flows generated from its operating activities as a primary source of liquidity. The Group had net current liabilities of RMB193,951,000 (2011: RMB2,264,483,000) as at the end of the reporting period. The Directors consider that the Group has sufficient liquid assets to be generated from its operations to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. The Group closely monitors forecast, actual cash flows, the available unutilised banking facilities of RMB7,000 million (2011: RMB8,386 million) in order to maintain an appropriate mix of liquidity portfolio.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

	Weighted average effective interest rate %	Within 1 year RMB'000	1-5 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2011					
Investments in interest bearing instruments	4.60	885,083	—	885,083	872,494
Structured bank deposits	4.31	879,242	—	879,242	863,048
Pledged bank deposit	3.25	113,585	—	113,585	110,000
Cash and cash equivalents	0.53	1,963,779	—	1,963,779	1,953,426
		<u>3,841,689</u>	<u>—</u>	<u>3,841,689</u>	<u>3,798,968</u>
Non-derivative financial liabilities:					
Trade and other payables	—	1,886,342	—	1,886,342	1,886,342
Amounts due to related companies	—	455,465	—	455,465	455,465
Short-term bank loans	2.58	1,523,196	—	1,523,196	1,484,371
		<u>3,865,003</u>	<u>—</u>	<u>3,865,003</u>	<u>3,826,178</u>
Net		<u>(23,314)</u>	<u>—</u>	<u>(23,314)</u>	<u>(27,210)</u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

6.C. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair value of option-based derivatives is estimated using the Binomial option pricing model; and
- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Interest rate swap contracts and other embedded derivatives are not included in the table as the fair value is insignificant at the end of each reporting period.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

6.C. Fair value (Continued)

At 31 December 2012

Financial assets at FVTPL

Derivative component in investment
in convertible bonds

— — 26,115 26,115

Available-for-sale financial assets

Listed equity securities

226,429 — — 226,429

Total

226,429 — 26,115 252,544

At 31 December 2011

Financial assets at FVTPL

Derivative component in investment
in convertible bonds

— — 28,115 28,115

Available-for-sale financial assets

Listed equity securities

170,667 — — 170,667

Total

170,667 — 28,115 198,782

7. REVENUE

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

	2012 RMB'000	2011 RMB'000
Revenue from department store operations		
– direct sales	1,172,228	956,946
– income from concessionaire sales	2,363,166	2,204,482
– rental income	72,742	40,974
– management service fees	14,781	14,490
	3,622,917	3,216,892

Notes to the Consolidated Financial Statements

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7. REVENUE (CONTINUED)

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

Gross sales proceeds

	2012 RMB'000	2011 RMB'000
From department store operations		
– direct sales	1,371,552	1,119,628
– concessionaire sales	14,853,349	13,160,153
– rental income	77,057	43,404
– management service fees	17,390	17,047
	<u>16,319,348</u>	<u>14,340,232</u>

8. SEGMENT INFORMATION

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

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

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

Notes to the Consolidated Financial Statements

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8. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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

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

Notes to the Consolidated Financial Statements

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8. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
<i>For the year ended 31 December 2011</i>						
Gross sales proceeds	<u>5,022,005</u>	<u>6,167,883</u>	<u>1,542,526</u>	<u>12,732,414</u>	<u>1,607,818</u>	<u>14,340,232</u>
Segment revenue	<u>1,270,673</u>	<u>1,295,508</u>	<u>269,866</u>	<u>2,836,047</u>	<u>380,845</u>	<u>3,216,892</u>
Segment results	<u>736,268</u>	<u>728,981</u>	<u>110,017</u>	<u>1,575,266</u>	<u>28,854</u>	<u>1,604,120</u>
Central administration costs and Directors' salaries						(70,630)
Finance income						88,912
Interest expenses on bank loans wholly repayable within five years						(15,840)
Other gains and losses						39,531
Share of loss of associates						<u>(20,162)</u>
Profit before tax						1,625,931
Income tax expense						<u>(414,010)</u>
Profit for the year						<u>1,211,921</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of central administration costs, Directors' salaries, finance income, interest expenses on bank loans wholly repayable within five years, other gains and losses and share of profit (loss) of associates.

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8. SEGMENT INFORMATION (CONTINUED)

Segment assets

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

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
<i>At 31 December 2012</i>						
Segment assets	<u>1,776,897</u>	<u>2,577,687</u>	<u>1,463,195</u>	<u>5,817,779</u>	<u>370,695</u>	<u>6,188,474</u>
Interests in associates						416,410
Investment in convertible bonds						60,858
Deferred tax assets						79,965
Investments in interest bearing instruments						607,140
Structured bank deposits						1,489,919
Restricted cash						27,118
Bank balances and cash						2,840,321
Other corporate assets						<u>2,076,371</u>
Consolidated total assets						<u><u>13,786,576</u></u>
<i>At 31 December 2011</i>						
Segment assets	<u>1,531,058</u>	<u>2,423,818</u>	<u>1,496,758</u>	<u>5,451,634</u>	<u>342,130</u>	5,793,764
Interests in associates						91,701
Investment in convertible bonds						57,869
Deferred tax assets						51,587
Investments in interest bearing instruments						872,494
Structured bank deposits						863,048
Pledged bank deposit						110,000
Bank balances and cash						1,953,426
Other corporate assets						<u>1,548,696</u>
Consolidated total assets						<u><u>11,342,585</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. SEGMENT INFORMATION (CONTINUED)

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

Other segment information

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

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
<i>For the year ended 31 December 2012</i>						
Addition to non-current assets (Note)	122,375	130,824	8,237	261,436	9,729	271,165
Depreciation and amortisation of property, plant and equipment and investment property	34,758	81,660	37,671	154,089	18,521	172,610
Release of prepaid lease payments on land use rights	2,118	7,058	12,932	22,108	—	22,108
Less: amounts capitalised	—	(2,134)	—	(2,134)	—	(2,134)
<i>For the year ended 31 December 2011</i>						
Addition to non-current assets (Note)	247,524	703,863	817,233	1,768,620	46,017	1,814,637
Depreciation and amortisation of property, plant and equipment and investment property	24,125	59,796	23,867	107,788	25,084	132,872
Release of prepaid lease payments on land use rights	2,118	7,194	1,259	10,571	—	10,571
Less: amounts capitalised	(2,118)	(3,624)	—	(5,742)	—	(5,742)

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

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9. OTHER OPERATING INCOME

	2012 RMB'000	2011 RMB'000
Income from suppliers and customers	181,353	115,855
Government grants	25,646	19,604
Others	4,208	2,699
	<u>211,207</u>	<u>138,158</u>

10. FINANCE INCOME

	2012 RMB'000	2011 RMB'000
Income from structured bank deposits	63,839	37,376
Income from investments in interest bearing instruments	53,976	31,845
Interest income on bank deposits	17,658	13,426
Interest income on pledged bank deposit	1,678	2,096
Effective interest income on:		
Investment in convertible bonds (note 24)	4,989	1,480
Amount due from a former shareholder of a subsidiary (note 25)	1,698	2,689
	<u>143,838</u>	<u>88,912</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

11. OTHER GAINS AND LOSSES

	2012 RMB'000	2011 RMB'000
Gain on deemed disposal of an associate, net of release of exchange reserve (note 22)	10,975	—
Net foreign exchange gains	6,530	33,450
Changes in fair value of:		
Held-for-trading investments	4,023	381
Derivative component of investment in convertible bonds (note 24)	(2,000)	7,389
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	524	(1,689)
	20,052	39,531

12. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
PRC Enterprise Income Tax:		
Current year	423,747	402,593
(Over) under provision in prior years	(763)	631
	422,984	403,224
Withholding tax on distribution of earnings from the PRC subsidiaries	13,000	—
Deferred tax (credit) charge:		
Current year	(5,520)	10,786
	430,464	414,010

Hong Kong Profits Tax has not been provided as the Group had a tax loss in Hong Kong during the year ended 31 December 2012 (2011: nil).

Subsidiaries of the Company located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2011: 25%) pursuant to the relevant PRC Enterprise Income Tax laws.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

12. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before tax as follows:

	2012 RMB'000	2011 RMB'000
Profit before tax	1,647,792	1,625,931
Tax at the applicable tax rate of 25% (2011: 25%)	411,948	406,483
Tax effect of share of (profit) loss of associates	(743)	5,040
Tax effect of expenses not deductible for tax purpose	25,356	9,689
Tax effect of income not taxable for tax purpose	(11,615)	(14,317)
Tax effect of tax losses not recognised	1,719	1,379
(Over) under provision in prior years	(763)	631
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	18,500	18,150
Others	(13,938)	(13,045)
Tax charge for the year	430,464	414,010

13. PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	602	949
Other staff:		
Salaries and other benefits	303,003	257,653
Retirement benefits schemes contributions	38,648	29,689
Equity-settled share-based payments	10,440	13,408
	352,693	301,699
Auditor's remuneration	1,950	1,950
Release of prepaid lease payments on land use rights	22,108	10,571
Less: amounts capitalised	(2,134)	(5,742)
	19,974	4,829
Loss on disposal of property, plant and equipment	132	1,304
Gross rental income from investment property	(11,745)	—
Less: direct operating expenses incurred for investment property	2,003	—
	(9,742)	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2012					2011				
	Other emoluments				Total	Other emoluments				Total
	Fees	Salaries and other benefits	Retirement scheme contributions	Equity-settled share-based payments		Fees	Salaries and other benefits	Retirement scheme contributions	Equity-settled share-based payments	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors										
Mr. Wang Hung, Roger	—	—	—	—	—	—	—	—	—	—
Ms. Zheng Shu Yun	—	192	—	—	192	—	192	—	48	240
Mr. Cheng Siu Ming (Note 1)	—	—	—	—	—	—	236	—	25	261
Sub-total	—	192	—	—	192	—	428	—	73	501
Non-executive Director										
Mr. Han Xiang Li	—	—	—	—	—	—	—	—	49	49
Independent non-executive Directors										
Mr. Wong Chi Keung	176	—	—	—	176	167	—	—	—	167
Mr. Wang Yao	117	—	—	—	117	111	—	—	—	111
Mr. Lau Shek Yau, John (Note 2)	—	—	—	—	—	41	—	—	—	41
Mr. Liu Chi Husan, Jack (Note 3)	117	—	—	—	117	80	—	—	—	80
Sub-total	410	—	—	—	410	399	—	—	—	399
Total	410	192	—	—	602	399	428	—	122	949

Notes:

1. Mr. Cheng Siu Ming was appointed as an executive Director of the Company with effect from 19 May 2011 and resigned with effect from 30 December 2011.
2. Mr. Lau Shek Yau, John was retired as an independent non-executive Director of the Company with effect from 18 May 2011.
3. Mr. Liu Chi Husan, Jack was elected as an independent non-executive Director of the Company with effect from 18 May 2011.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

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

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	1,813	1,698
Retirement benefits schemes contributions	204	73
Equity-settled share-based payments	2,613	3,352
	<u>4,630</u>	<u>5,123</u>

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
Nil to HKD1,000,000 (Equivalent to Nil to RMB814,000)	—	1
HKD1,000,001 to HKD1,500,000 (Equivalent to RMB814,001 to RMB1,221,000)	4	3
HKD1,500,001 to HKD2,000,000 (Equivalent to RMB1,221,001 to RMB1,628,000)	1	1
	<u>5</u>	<u>5</u>

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

15. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2011 of RMB0.188 (year ended 31 December 2010: RMB0.150) per share	<u>366,613</u>	<u>289,971</u>

A final dividend of RMB0.188 (2011: RMB0.188) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

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16. EARNINGS PER SHARE

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

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

	2012 RMB'000	2011 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>1,217,642</u>	<u>1,212,057</u>
	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,936,417	1,944,227
Effect of dilutive potential ordinary shares attributable to share options	<u>12,427</u>	<u>18,334</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,948,844</u>	<u>1,962,561</u>

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 year ended 31 December 2012 and 31 December 2011 because the exercise price of these options were higher than the average market prices of the Company's shares during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2011	2,537,156	516,546	98,620	62,235	7,789	68,332	3,290,678
Additions	4,339	183,470	1,193	11,634	687	597,148	798,471
Acquired on acquisition of subsidiaries (note 37)	229,598	—	—	1	13	296,419	526,031
Transfers	340,396	6,154	455	—	—	(347,005)	—
Disposals	(2,201)	(10,388)	(4)	(1,538)	(801)	—	(14,932)
At 31 December 2011	3,109,288	695,782	100,264	72,332	7,688	614,894	4,600,248
Additions	1,727	37,096	843	19,785	313	238,441	298,205
Transfers	689,853	98,129	4,380	46,435	—	(838,797)	—
Disposals	—	(23,880)	—	(2,066)	(560)	—	(26,506)
At 31 December 2012	3,800,868	807,127	105,487	136,486	7,441	14,538	4,871,947
DEPRECIATION AND AMORTISATION							
At 1 January 2011	267,318	231,512	35,714	30,327	3,841	—	568,712
Provided for the year	52,580	71,009	5,368	8,905	983	—	138,845
Eliminated on disposals	(1,148)	(10,388)	(4)	(1,344)	(718)	—	(13,602)
At 31 December 2011	318,750	292,133	41,078	37,888	4,106	—	693,955
Provided for the year	84,817	76,617	4,651	12,201	891	—	179,177
Eliminated on disposals	—	(23,752)	—	(1,867)	(504)	—	(26,123)
At 31 December 2012	403,567	344,998	45,729	48,222	4,493	—	847,009
CARRYING VALUES							
At 31 December 2012	3,397,301	462,129	59,758	88,264	2,948	14,538	4,024,938
At 31 December 2011	2,790,538	403,649	59,186	34,444	3,582	614,894	3,906,293

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

The carrying value of the Group's property interests situated in the PRC comprises land and buildings held under:

Medium-term land use rights
Long-term land use rights

2012	2011
RMB'000	RMB'000
2,958,213	2,341,190
439,088	449,348
<u>3,397,301</u>	<u>2,790,538</u>

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 RMB531,630,000 (2011: RMB505,795,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

18. LAND USE RIGHTS

	2012 RMB'000	2011 RMB'000
CARRYING VALUE		
At beginning of the year	1,340,990	923,561
Acquired on acquisition of a subsidiary (note 37)	—	428,000
Released during the year	(22,108)	(10,571)
At end of the year	<u>1,318,882</u>	<u>1,340,990</u>
Analysed for reporting purposes as:		
Non-current assets	1,296,779	1,318,887
Current assets	22,103	22,103
	<u>1,318,882</u>	<u>1,340,990</u>

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

As at the end of the reporting period, the Group is in the process of obtaining land use right certificates in respect of medium-term land use rights with a carrying value of approximately RMB543,750,000 (2011: RMB971,750,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

19. INVESTMENT PROPERTY

	Amount RMB'000
COST	
At 1 January 2011	—
Acquired on acquisition of a subsidiary (note 37)	92,738
	<hr/>
At 31 December 2011 and 31 December 2012	92,738
	<hr/>
DEPRECIATION	
At 1 January 2011 and 31 December 2011	—
Provided for the year	2,087
	<hr/>
At 31 December 2012	2,087
	<hr/>
CARRYING VALUE	
At 31 December 2012	90,651
	<hr/> <hr/>
At 31 December 2011	92,738
	<hr/> <hr/>

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

The fair value of the Group's investment property at 31 December 2012 was RMB102,193,000 (2011: RMB92,738,000). The fair value has been arrived at based on a valuation carried out by RHL Appraisal Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

20. DEPOSITS AND PREPAYMENTS

	2012 RMB'000	2011 RMB'000
Prepayments for acquisition of property, plant and equipment and land use rights (Note 1)	1,292,913	992,800
Deposit for acquisition of an associate and a subsidiary (Note 2)	13,150	—
Rental deposits	14,200	—
	<u>1,320,263</u>	<u>992,800</u>

Notes:

1. Included in the balance is prepayments of RMB1,002,913,000 (2011: RMB702,800,000) paid to fellow subsidiaries of the Group for construction of properties to be delivered to the Group in the future.
2. Included in the balance is deposit of RMB10,000,000 (2011: nil) paid for acquisition of a subsidiary which owns a piece of land and the Group intends to develop a department store on that piece of land.

21. GOODWILL

	Amount RMB'000
COST AND CARRYING VALUE	
At 1 January 2011, 31 December 2011 and 31 December 2012	<u>256,908</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. GOODWILL (CONTINUED)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units (CGUs) and groups of CGUs which are principally engaged in the operation of department stores in respective cities. The carrying amount of goodwill as at 31 December 2012 allocated to these units is as follows:

	31.12.2012 and 31.12.2011 RMB'000
Operation of department stores:	
Nantong Golden Eagle International Shopping Centre Co., Ltd.	9,735
Yangzhou Golden Eagle International Industry Co., Ltd.	481
Xuzhou Golden Eagle International Industry Co., Ltd.	731
Xi'an Golden Eagle International Shopping Centre Co., Ltd.	6,717
Xi'an Golden Eagle Yanta Shopping Centre Co., Ltd.	8,371
Anhui Golden Eagle Retail Co., Ltd. and Hefei Golden Eagle International Shopping Centre Co., Ltd	230,873
	<u>256,908</u>

During the year ended 31 December 2012, management of the Group determines that there is no impairment of any of its CGUs containing goodwill. The recoverable amounts of these CGUs have been determined based on a value in use calculation of the respective CGUs which containing similar key assumptions. For the purpose of determining the value in use, cash flow projections based on financial budgets approved by management covering a five year period has been used. The discount rate applied to the cash flow projections is 10% (2011: 10%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. GOODWILL (CONTINUED)

Key assumptions used in the value in use calculation

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

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

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

22. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of investments in associates		
Listed	228,560	98,367
Unlisted	198,487	12,057
Share of post-acquisition loss and other comprehensive expenses	(10,637)	(18,723)
	<u>416,410</u>	<u>91,701</u>
Fair value of listed investments	<u>545,048</u>	<u>162,582</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/registered capital held by the Company		Principal activity
			2012	2011	
安徽三新鐘錶有限公司 (Anhui Sanxin Watch Co., Ltd.) ("Anhui Sanxin")	PRC	Registered capital - RMB20,000,000	30%	30%	Trading
中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.)	Taiwan	Share capital - TWD2,000,000,000	38%	49%	Manufacture and trading of disperse dyestuffs and investment holding
蘇州高新金鷹商業廣場有限公司 (Suzhou Gaoxin Golden Eagle Plaza Co., Ltd.)	PRC	Registered capital - RMB621,430,000	30%	—	Inactive

During the year ended 31 December 2011, the Group subscribed 37,500,000 shares of 中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) ("Allied") at a price of TWD 11.64 each (the "Subscription"), representing 49% equity interest in the enlarged issued share capital of Allied. Allied is a company incorporated in the Republic of China ("Taiwan") in 1964 with its shares listed on the Taiwan's GreTai Securities Market (證券櫃台買賣中心). Allied is now acting as a sourcing arm of the Group in Taiwan and is also engaged in the manufacturing and trading of disperse dyestuffs and investment holding. Total consideration paid by the Group for the Subscription amounting to TWD436,500,000 (equivalent to approximately RMB98,367,000).

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22. INTERESTS IN ASSOCIATES (CONTINUED)

Subsequent to the Subscription, in October 2012, Allied issued a total of 123,590,000 shares at a price of TWD15.352 per share, in which the Group subscribed 39,351,000 shares (the "Second Subscription"). After the Second Subscription, the Group's equity interest in Allied reduced to 38%. The reduction in the Group's equity interest in Allied is treated as a deemed disposal, with the impact of the change, net of release of exchange reserve, amounting to RMB10,975,000 recognised in profit or loss (note 11).

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
	RMB'000	RMB'000
Total assets	1,298,369	329,469
Total liabilities	(62,336)	(133,150)
Net assets	1,236,033	196,319
The Group's share of net assets	416,410	91,701
	2012	2011
	RMB'000	RMB'000
Total revenue	264,807	230,326
Total profit (loss) for the year	9,585	(33,435)
The Group's share of profit (loss)	2,973	(20,162)

Notes to the Consolidated Financial Statements

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23. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Equity securities stated at fair value		
– listed in the PRC	134,639	58,254
– listed in Hong Kong	91,790	112,413
	226,429	170,667
Unlisted equity securities	228,194	—
Total	454,623	170,667
Analysed for reporting purpose as:		
– Current assets	228,194	—
– Non-current assets	226,429	170,667
	454,623	170,667

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

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

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

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24. INVESTMENT IN CONVERTIBLE BONDS

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

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

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

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

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

	31 December 2012	31 December 2011
Risk-free interest rate	3.2%	3.2%
Dividend yield	—	—
Volatility	50.1%	65.6%
Time to maturity	3.6 years	4.6 years

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24. INVESTMENT IN CONVERTIBLE BONDS (CONTINUED)

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

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
Subscribed on 15 August 2011	28,274	20,726	49,000
Effective interest income recognised during the year (note 10)	1,480	—	1,480
Changes in fair value	—	7,389	7,389
At 31 December 2011	29,754	28,115	57,869
Effective interest income recognised during the year (note 10)	4,989	—	4,989
Changes in fair value	—	(2,000)	(2,000)
At 31 December 2012	34,743	26,115	60,858

25. AMOUNT DUE FROM A FORMER SHAREHOLDER OF A SUBSIDIARY

	2012 RMB'000	2011 RMB'000
Loan receivable	20,807	40,563
Other receivable	463	189
	21,270	40,752
Analysed for reporting purposes as:		
Non-current	—	19,756
Current (note 27)	21,270	20,996
	21,270	40,752

The amount of loan receivable is unsecured, repayable in 3 instalments over 3 years from 2011 and bears an effective interest rate of 5.31% per annum. The amount of other receivable is unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

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26. DEFERRED TAXATION

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

	2012 RMB'000	2011 RMB'000
Deferred tax assets	79,965	51,587
Deferred tax liabilities	(149,876)	(124,961)
	<u>(69,911)</u>	<u>(73,374)</u>

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

	Accelerated depreciation allowances	Undistributable profits of the PRC subsidiaries	Start up costs	Tax losses	Revaluation of investments	Deferred revenue	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	68,584	25,400	(4,190)	(4,033)	(1,365)	(17,784)	(1,475)	65,137
Charge (credit) for the year (note 12)	10,730	18,150	(517)	(18,796)	696	(1,547)	2,070	10,786
Credit to other comprehensive income	—	—	—	—	(2,549)	—	—	(2,549)
At 31 December 2011	79,314	43,550	(4,707)	(22,829)	(3,218)	(19,331)	595	73,374
Charge (credit) for the year (note 12)	18,930	18,500	219	(36,311)	—	4,456	1,686	7,480
Charge to other comprehensive income	—	—	—	—	2,057	—	—	2,057
Reversal on payment of withholding tax	—	(13,000)	—	—	—	—	—	(13,000)
At 31 December 2012	<u>98,244</u>	<u>49,050</u>	<u>(4,488)</u>	<u>(59,140)</u>	<u>(1,161)</u>	<u>(14,875)</u>	<u>2,281</u>	<u>69,911</u>

At the end of the reporting period, the Group has unused tax losses of approximately RMB286,270,000 (2011: RMB139,985,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB236,735,000 (2011: RMB97,326,000) of such losses which were tax losses arising from PRC and can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. No deferred tax asset has been recognised in respect of the remaining RMB49,535,000 (2011: RMB42,659,000) due to the unpredictability of future profit streams. Such losses were arising from Hong Kong and may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

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26. DEFERRED TAXATION (CONTINUED)

Pursuant to the PRC Enterprise Income Tax laws, withholding tax is imposed on dividends declared by PRC subsidiaries of the Group in respect of profits earned from 1 January 2008 onwards. Deferred taxation has been provided for the portion of profits that are expected to be distributed by the PRC subsidiaries and no deferred taxation has been provided for the remaining profits of approximately RMB2,995 million as at 31 December 2012 (2011: RMB2,128 million) as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future.

27. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	63,680	67,161
Management service fee receivable	17,898	17,418
Trade prepayments to suppliers	53,088	10,584
Deposits (Note)	76,827	85,992
Deposits paid for purchases of goods	4,315	4,300
Amount due from a former shareholder of a subsidiary (note 25)	21,270	20,996
Other taxes recoverable	82,776	—
Other receivables and prepayments	67,192	41,847
	387,046	248,298

Note: Included in the balance is RMB18,000,000 (2011: RMB17,000,000) rental deposits paid in respect of leasing of properties for department store operations from fellow subsidiaries of the Group.

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

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28. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2012 RMB'000	2011 RMB'000
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group")	10,233	7,947
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development")	2,070	1,008
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.)	71	131
南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Assets Management Co., Ltd.)	—	500
Others	624	58
	12,998	9,644

The amounts due from Nanjing Golden Eagle Group and Nanjing Construction and Development relate to deposits paid to them for the acquisition of property, plant and equipment, and the remaining amounts represent trade receivables from fellow subsidiaries which are unsecured, interest-free and repayable on demand.

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

	2012 RMB'000	2011 RMB'000
Investments in interest bearing instruments (Note 1)	607,140	872,494
Structured bank deposits (Note 2)	1,489,919	863,048
Pledged bank deposit (Note 3)	—	110,000
Restricted cash (Note 4)	27,118	—
Bank balances and cash (Note 5)	2,840,321	1,953,426
	4,964,498	3,798,968

Notes:

- Investments in interest bearing instruments represent the Group's investments in entrusted RMB loans or other restricted low risk debt instruments arranged by banks in the PRC. The investments are principal guaranteed by the banks which carry variable rates of interest and are stated at amortised cost with effective interest ranging from 5.0% to 6.5% (2011: 4.5% to 5.8%) per annum for a term of one year.
- Structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits ("SBDs") placed by the Group to a number of banks for a term of one year. Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rates from 2.9% to 5.2% (2011: 1.8% to 5.1%) per annum with reference to the performance of exchange rate or interest rate or commodity price during the investment period and the principal sums are denominated in RMB fixed and guaranteed by those banks. In the opinion of the Directors, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.
- Pledged bank deposit at 31 December 2011 represented deposit pledged to a bank in the PRC for a short-term bank loan denominated in HKD granted to the Group. The pledged bank deposit carried a fixed interest rate of 3.3% per annum and was released during the year after the settlement of the relevant short-term bank loan.
- Restricted cash at 31 December 2012 represents balances maintained in interest reserve accounts for the purpose of syndicated loans interest payments (note 32) and bank deposits restricted for settlement of concessionaire sales of precious metal.
- 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 earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying 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 2012 is approximately 0.4% (2011: 0.5%) 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.

Notes to the Consolidated Financial Statements

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30. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	1,541,510	1,535,479
Purchase of property, plant and equipment	97,890	130,400
Other taxes payable	97,069	92,132
Suppliers' deposits	96,236	84,450
Accrued salaries and welfare expenses	42,760	37,278
Other payables	209,518	183,185
	2,084,983	2,062,924

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

	2012 RMB'000	2011 RMB'000
0 to 30 days	1,301,696	1,307,933
31 to 60 days	122,692	124,732
61 to 90 days	64,202	50,186
Over 90 days	52,920	52,628
	1,541,510	1,535,479

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

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31. AMOUNTS DUE TO RELATED COMPANIES

	2012 RMB'000	2011 RMB'000
南京金鷹工程建設有限公司 (Nanjing Construction and Development) (Note 1)	42,901	23,835
南京金鷹國際集團有限公司 (Nanjing Golden Eagle Group) (Note 1)	2,311	423,020
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	1,489	4,135
安徽三新鍾表有限公司 (Anhui Sanxin) (Note 2)	1,467	350
南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Assets Management Co., Ltd.) (Note 1)	1,428	1,277
Others	1,618	2,848
	51,214	455,465

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

Notes:

1. Fellow subsidiaries of the Group.
2. An associate of the Group, details of the associate are set out in note 22.

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32. BANK LOANS

	2012 RMB'000	2011 RMB'000
Short-term bank loans	1,078,986	1,484,371
Syndicated secured loans under Term Loan Facility as defined below	2,131,735	—
	3,210,721	1,484,371
Less: Amounts due within one year shown under current liabilities	(1,078,986)	(1,484,371)
Amounts due after one year	2,131,735	—
Secured	2,131,735	101,338
Unsecured	1,078,986	1,383,033
	3,210,721	1,484,371

On 18 April 2012, the Group entered into a dual-currency three-year term loan facility agreement of facility amounts up to USD259.5 million and HKD665.0 million (in aggregate equivalent to approximately RMB2,172.9 million) with a group of financial institutions which will be due for full repayment on 17 April 2015 (the "Term Loan Facility"). The Term Loan Facility was used to refinance the Group's USD105.0 million equivalent outstanding bridging loan facilities (equivalent to approximately RMB661.0 million) and to finance the Group's general corporate funding requirements. At 31 December 2012, the HKD denominated Term Loan Facility carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.3% per annum and the USD denominated Term Loan Facility carries interest at London Interbank Offered Rate ("LIBOR") plus 2.3% per annum.

At 31 December 2012, the unsecured short-term bank loans are denominated in HKD or USD, fully repayable within one year and carry interest at HIBOR plus 2.0% to 2.8% per annum or 0.35% per annum over the bank's cost of funds (2011: HIBOR plus 1.0% to 2.4% per annum or LIBOR plus 2.2% per annum). In 2012, the Group entered into two monthly net settled interest rate swap arrangements expiring in 2013 (2011: three monthly net settled interest rate swap arrangements expiring in 2012) to hedge against the floating interest rate risk of certain short-term bank loans. In the opinion of the Directors of the Company, the fair value of the interest rate swap arrangements at the end of the reporting period is insignificant.

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33. DEFERRED REVENUE

	2012 RMB'000	2011 RMB'000
Prepayments from customers	2,844,643	2,438,617
Deferred revenue arising from the Group's customer loyalty programme	62,293	79,979
	<u>2,906,936</u>	<u>2,518,596</u>

34. SHARE CAPITAL

	Number of shares	Amount HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2011	1,942,823,866	194,283
Shares repurchased and cancelled	(2,015,866)	(202)
Exercise of share options	<u>3,038,000</u>	<u>304</u>
At 31 December 2011	1,943,846,000	194,385
Shares repurchased and cancelled	(15,521,000)	(1,552)
Exercise of share options	<u>6,282,000</u>	<u>628</u>
At 31 December 2012	<u>1,934,607,000</u>	<u>193,461</u>
		RMB'000
Shown in the consolidated statement of financial position:		
At 31 December 2012		<u>196,822</u>
At 31 December 2011		<u>197,577</u>

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34. SHARE CAPITAL

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

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per share		Aggregate consideration paid HKD'000
		Highest	Lowest	
		HKD	HKD	
For the year ended 31 December 2012				
January 2012	5,692,000	16.04	15.24	88,859
May 2012	200,000	16.50	16.42	3,310
June 2012	8,494,000	16.32	14.85	132,285
July 2012	359,000	14.80	14.50	5,301
August 2012	276,000	14.20	14.12	3,929
September 2012	500,000	14.20	14.04	7,093
				<u>240,777</u>
For the year ended 31 December 2011				
September 2011	556,000	16.70	15.88	9,034
October 2011	900,866	15.86	12.48	12,697
December 2011	559,000	16.00	15.62	8,881
				<u>30,612</u>

The repurchased shares were subsequently cancelled and accordingly the issued share capital of the Company was reduced by the relevant nominal value thereof. The nominal value of approximately HKD1,552,000 (2011: HKD202,000) (equivalent to approximately RMB1,265,000 (2011: RMB164,000)) of the shares cancelled during the year was credited to capital redemption reserve account, and the premium paid or payable and the related costs incurred for the repurchase of approximately HKD239,225,000 (2011: HKD30,410,000) (equivalent to approximately RMB194,913,000 (2011: RMB24,743,000)) was charged against share premium account of the Company.

In addition, during the year ended 31 December 2012, a total of 6,282,000 (2011: 3,038,000) ordinary shares of HKD0.10 each of the Company were issued at HKD4.20 to HKD4.80 per share upon exercise of share options. These shares issued rank pari passu in all respects with the then existing shares.

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35. RESERVES

Special reserve

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

Statutory 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.

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36. SHARE-BASED PAYMENTS

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

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

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

On 31 May 2011, 20,000,000 share options were granted. The closing price of the Company's shares immediately before the grant date is HKD20.25 and the estimated fair value of the options granted on that date is HKD168,669,000 (equivalent to approximately RMB139,995,000).

The Binomial model has been used to estimate the fair value of the share options granted during the year ended 31 December 2011. The inputs into the model were as follows:

Share price at grant date	HKD20.25
Exercise price	HKD20.26
Expected volatility	36.5%
Expected option life	10 years
Expected dividend yield	1.0%
Risk-free interest rate	2.4%

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36. SHARE-BASED PAYMENTS (CONTINUED)

The variables and assumptions used in computing the fair value of the share options granted are based on the management's best estimate. The value of an option varies with different variables of certain subjective assumptions.

Details of specific categories of options are as follows:

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

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36. SHARE-BASED PAYMENTS (CONTINUED)

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

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

	Outstanding at beginning of the year	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of the year
For the year ended 31 December 2012						
Executive Directors	150,000	—	—	(150,000)	—	—
Non-executive Director	610,000	—	—	(610,000)	—	—
Key management	7,525,000	1,090,000	—	(895,000)	(3,840,000)	3,880,000
Other employees	28,496,000	(1,090,000)	—	(4,627,000)	(3,432,000)	19,347,000
	<u>36,781,000</u>	<u>—</u>	<u>—</u>	<u>(6,282,000)</u>	<u>(7,272,000)</u>	<u>23,227,000</u>
Exercisable at 31 December 2012						<u>5,909,000</u>
Weighted average exercise price (HKD)	<u>10.55</u>	<u>—</u>	<u>—</u>	<u>4.73</u>	<u>16.89</u>	<u>10.13</u>
For the year ended 31 December 2011						
Executive Directors	433,000	1,900,000	1,000,000	(283,000)	(2,900,000)	150,000
Non-executive Director	610,000	—	—	—	—	610,000
Key management	7,489,000	990,000	—	(954,000)	—	7,525,000
Other employees	38,269,000	(2,890,000)	19,000,000	(1,801,000)	(24,082,000)	28,496,000
	<u>46,801,000</u>	<u>—</u>	<u>20,000,000</u>	<u>(3,038,000)</u>	<u>(26,982,000)</u>	<u>36,781,000</u>
Exercisable at 31 December 2011						<u>10,220,000</u>
Weighted average exercise price (HKD)	<u>11.04</u>	<u>—</u>	<u>20.26</u>	<u>4.65</u>	<u>19.26</u>	<u>10.55</u>

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36. SHARE-BASED PAYMENTS (CONTINUED)

The weighted average share price at the time of exercise was HKD18.07 (2011: HKD20.10) per share.

The Group recognised total expenses of RMB10,440,000 (2011: RMB13,584,000) for the year ended 31 December 2012 in relation to share options granted by the Company.

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

37. ACQUISITION OF SUBSIDIARIES

In January and April 2011, the Group entered into sales and purchase agreements with independent third parties for the acquisition of 100% equity interests in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.) (formerly known as徐州成功置業有限公司) ("Xuzhou Golden Eagle") for an aggregation consideration of RMB300,945,000. On the date of acquisition, Xuzhou Golden Eagle owned a property (including land and building) in Xuzhou City, Jiangsu Province. The property will be used for the Group's department store operation.

In March 2011, the Group entered into a framework agreement with雲南金鷹實業有限公司 (Yunnan Golden Eagle Industry Co., Ltd.) ("Yunnan Golden Eagle Industry"), a fellow subsidiary of the Group, for the acquisition of a property which is situated at Kunming City, Yunnan Province. Details of the transaction have been disclosed in the announcement of the Company dated 28 March 2011. In November 2011, a new company named雲南尚美投資管理有限公司(Yunnan Shangmei Investment Management Co., Ltd.) ("Yunnan Shangmei") was segregated from Yunnan Golden Eagle Industry and inherited the property to be acquired by the Group. In December 2011, the Group acquired 100% equity interests in Yunnan Shangmei at an aggregation consideration of RMB750,336,000 in accordance with the framework agreement.

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

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37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net assets acquired in the transactions are as follows:

	RMB'000
Property, plant and equipment (Note)	526,031
Land use right	428,000
Investment property	92,738
Amounts due from former shareholders of a subsidiary	20,019
Other receivables	2,450
Bank balances and cash	245
Other payables	(18,202)
	<u>1,051,281</u>
Satisfied by:	
Cash consideration paid	599,042
Settlement of amounts due from former shareholders of a subsidiary	20,019
Other payable	9,981
Amount due to a fellow subsidiary	422,239
	<u>1,051,281</u>
Net cash outflow on acquisition	
Cash consideration paid	599,042
Less: cash and cash equivalents acquired	(245)
	<u>598,797</u>

Note: The amount includes Xuzhou Golden Eagle's property under construction of RMB296,419,000, of which the payments cannot be allocated reliably between the land and building elements. The entire lease is treated as a finance lease and accounted for as property, plant and equipment. The remaining amount of RMB229,612,000 represents the building element only. The related land element is included in the land use right.

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38. OPERATING LEASE ARRANGEMENTS

The Group as leasee

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

	2012 RMB'000	2011 RMB'000
Within one year	62,944	75,972
In the second to fifth year inclusive	385,867	347,035
Over five years	1,767,873	1,773,150
	<u>2,216,684</u>	<u>2,196,157</u>

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:

	2012 RMB'000	2011 RMB'000
Within one year	26,589	27,036
In the second to fifth year inclusive	78,000	75,147
Over five years	133,208	142,708
	<u>237,797</u>	<u>244,891</u>

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain landlords, which include fellow subsidiaries of the Group, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the year ended 31 December 2012 amounted to approximately RMB108,664,000 (2011: RMB84,206,000).

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

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38. OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor

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

	2012 RMB'000	2011 RMB'000
Within one year	47,552	29,108
In the second to fifth year inclusive	76,723	69,173
Over five years	33,451	30,603
	157,726	128,884

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on tenants' monthly gross sales or gross profit. Rental income received under these contingent lease contracts during the year ended 31 December 2012 was approximately RMB53,922,000 (2011: RMB33,106,000).

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

39. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
- acquisition of property, plant and equipment and land use rights (note)	1,142,524	1,578,541
- acquisition of an associate and a subsidiary	428,150	—
	1,570,674	1,578,541

Note: Included in the balance is RMB812,838,000 (2011: RMB1,177,155,000) capital expenditure contracted for with fellow subsidiaries of the Group.

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40. PLEDGE OF ASSETS

At 31 December 2012, the Group has pledged equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the Term Loan Facility granted to the Group.

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

	2012 RMB'000	2011 RMB'000
Available-for-sale investments	91,790	—
Trade and other receivables	17,898	—
Restricted cash	18,038	—
Bank balances and cash	286,078	—
	413,804	—

At 31 December 2011, the Group had pledged a bank deposit at the amount of RMB110 million to a bank in the PRC for a short-term bank loan granted to the Group which was fully repaid during the reporting period.

41. RETIREMENT BENEFITS SCHEMES

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

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

The total cost charged to profit or loss of RMB38,648,000 (2011: RMB29,689,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2012, contributions of RMB10,000(2011: RMB775,000) due in respect of the reporting period had not been paid over to the schemes.

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42. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in notes 14, 20, 27, 28, 31, 36, 37, 38 and 39, the Group had the following significant transactions with related companies:

a) Transactions:

Relationship with related companies	Nature of transactions	2012 RMB'000	2011 RMB'000
Fellow subsidiaries of the Group	Decoration service fee paid	100,364	211,910
	Property management fee paid	64,365	39,914
	Property and ancillary facilities rentals paid	85,983	71,642
	Carpark management service fee paid	2,078	2,500
	Project management service fee paid	4,650	19,559
	Sales of merchandise	—	2,356
		<u> </u>	<u> </u>
A company in which a fellow subsidiary of the Group had significant influence until 17 August 2011	Management service fee received	—	11,280
		<u> </u>	<u> </u>
Associates	Purchase of merchandise	47,659	52,409
		<u> </u>	<u> </u>

- b) During the year ended 31 December 2011, the Group entered into a framework agreement with Kunshan Golden Eagle Properties Co., Ltd. (昆山金鷹置業有限公司), a fellow subsidiary of the Group, for the acquisition of a property which is situated at Kunshan City, Jiangsu Province and currently under construction by Kunshan Golden Eagle Properties Co., Ltd. Details of the transaction have been disclosed in the announcement of the Company dated 28 March 2011. The transaction has not been completed at the date when the consolidated financial statements are authorised for issue.

c) Compensation of key management personnel:

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

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	3,911	4,754
Retirement benefits schemes contributions	361	350
Equity-settled share-based payments	3,787	5,708
	<u> </u>	<u> </u>
	8,059	10,812
	<u> </u>	<u> </u>

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

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For the year ended 31 December 2012

43. 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
			2012	2011	
Goldjoint Group Limited (Note 1)	British Virgin Islands	Share – USD1	100%	100%	Investment holding
Golden Eagle International Trading Limited (金鷹國際貿易有限公司)	Hong Kong	Share – HKD10,000	100%	100%	Investment holding
Eagle Ride Ventures Limited (鷹威企業有限公司)	British Virgin Islands	Share – USD300	100%	100%	Investment holding
Golden Eagle (Korea) Company Limited (金鷹(韓國)有限公司)	Hong Kong	Share – HKD7,800,000	51%	51%	Investment holding
Golden Eagle Co., Ltd.	Korea	Registered capital – Korea (South) Won 100,000,000	51%	51%	Trading
金鷹國際商貿集團(中國)有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.) ("Nanjing Golden Eagle") (Note 2)	PRC	Registered capital – RMB1,137,000,000	100%	100%	Investment holding and operation of department store
南通金鷹國際購物中心有限公司 (Nantong Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	100%	100%	Operation of department store
揚州金鷹國際實業有限公司 (Yangzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB40,000,000	100%	100%	Investment holding and operation of department store
蘇州金鷹國際購物中心有限公司 (Suzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	100%	100%	Operation of department store
徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB60,000,000	100%	100%	Operation of department store
西安金鷹雁塔購物中心有限公司 (Xi'an Golden Eagle Yanta Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB1,000,000	100%	100%	Operation of department store

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43. 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
			2012	2011	
西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB100,000,000	100%	100%	Investment holding and operation of department store
泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.)	PRC	Registered capital - RMB40,000,000	100%	100%	Operation of department store
昆明金鷹購物廣場有限公司 (Kunming Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB930,000,000	100%	100%	Operation of department store
南京金鷹天地購物中心有限公司 (Nanjing Golden Eagle G-City PRC Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB20,000,000	100%	100%	Operation of department store
淮安金鷹國際購物中心有限公司 (Huai'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB100,000,000	100%	100%	Operation of department store
鹽城金鷹國際購物中心有限公司 (Yancheng Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB240,000,000	100%	100%	Operation of department store
上海金鷹國際購物廣場有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB40,000,000	100%	100%	Operation of department store
南京金鷹商貿特惠中心有限公司 (Nanjing Golden Eagle Retail Outlet Co., Ltd.)	PRC	Registered capital - RMB10,000,000	100%	100%	Operation of department store
南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB15,000,000	100%	100%	Operation of department store
連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB100,000,000	100%	100%	Operation of department store
昆山金鷹國際購物中心有限公司 (Kunshan Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB100,000,000	100%	100%	Operation of department store

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43. 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
			2012	2011	
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
南京建邺金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB100,000,000	100%	100%	Operation of department store
淮北金鷹國際購物中心有限公司 (Huaibei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB30,000,000	100%	100%	Operation of department store
合肥金鷹國際購物中心有限公司 (Hefei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB30,000,000	100%	100%	Operation of department store
安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.)	PRC	Registered capital - RMB15,000,000	100%	100%	Investment holding and operation of department store
安徽逸倫商業經營管理有限公司 (Anhui Yilun Business Management Co., Ltd.) (Note 4)	PRC	Registered capital - RMB1,000,000	—	100%	Trading
常州金鷹國際購物中心有限公司 (Changzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB300,000,000	100%	100%	Operation of department store
溧陽金鷹國際購物中心有限公司 (Liyang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB272,000,000	100%	100%	Operation of department store
常州金鷹嘉宏購物廣場有限公司 (Changzhou Golden Eagle Jiahong Shopping Centre Co., Ltd.) ("Changzhou Jiahong") (Note 2)	PRC	Registered capital - USD10,000,000	100%	100%	Operation of department store

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43. 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
			2012	2011	
昆明金鷹南亞購物中心有限公司 (Kunming Golden Eagle Nanya Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB60,000,000	100%	100%	Operation of department store
徐州金鷹人民廣場購物中心有限公司 (Xuzhou Golden Eagle People Square Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB40,000,000	100%	100%	Operation of department store
雲南尚美投資管理有限公司 (Yunnan Shangmei Investment Management Co., Ltd.)	PRC	Registered capital - RMB156,000,000	100%	100%	Property holding
常州武進金鷹購物中心有限公司 (Changzhou Wujin Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital - RMB70,000,000	100%	—	Operation of department store
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%	—	Operation of department store

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 and Changzhou Jiahong which are registered as a wholly-foreign owned enterprise under the PRC law.
3. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year and none of the subsidiaries had issued any debt securities at the end of the year.
4. Anhui Yilun Business Management Co., Ltd. was de-registered during the year.

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31.12.2012	31.12.2011
	RMB'000	RMB'000
<i>Assets</i>		
Property, plant and equipment	45	36
Interests in and amounts due from unlisted subsidiaries	982,721	1,416,732
Available-for-sale investments	11,604	5,327
Other receivables	18,423	18,439
Amounts due from a fellow subsidiary	329	229
Bank balances and cash	53,738	60,994
	1,066,860	1,501,757
<i>Liabilities</i>		
Other payables	3,217	3,593
Short-term bank loans	445,940	821,852
	449,157	825,445
Net assets	617,703	676,312
<i>Capital and reserves</i>		
Share capital (see note 34)	196,822	197,577
Reserves	420,881	478,735
Total equity	617,703	676,312

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

Movement in reserves

	Distributable reserve RMB'000	Capital redemption reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2011	48,083	5,115	4,690	41,850	99,738
Profit for the year	675,633	—	—	—	675,633
Loss on fair value changes of available-for-sale investments	—	—	(6,987)	—	(6,987)
Total comprehensive income (expense) for the year	675,633	—	(6,987)	—	668,646
Shares repurchased and cancelled	(24,907)	164	—	—	(24,743)
Exercise of share options	16,081	—	—	(4,600)	11,481
Recognition of equity-settled share-based payments	—	—	—	13,584	13,584
Dividends recognised as distribution	(289,971)	—	—	—	(289,971)
At 31 December 2011	424,919	5,279	(2,297)	50,834	478,735
Profit for the year	468,038	—	—	—	468,038
Gain on fair value changes of available-for-sale investments	—	—	1,633	—	1,633
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	(82)	—	(82)
Total comprehensive income for the year	468,038	—	1,551	—	469,589
Shares repurchased and cancelled	(196,178)	1,265	—	—	(194,913)
Exercise of share options	35,697	—	—	(12,054)	23,643
Recognition of equity-settled share-based payments	—	—	—	10,440	10,440
Dividends recognised as distribution	(366,613)	—	—	—	(366,613)
At 31 December 2012	365,863	6,544	(746)	49,220	420,881