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## **GOLDEN EAGLE RETAIL GROUP LIMITED**

### **金鷹商貿集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3308)**

## **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

### **HIGHLIGHTS OF FINAL RESULTS**

- Total gross sales proceeds (“GSP”) amounted to RMB14,951.1 million, representing a year-on-year decrease of 13.0%.
- Same-store sales<sup>(1)</sup> (“SSS”) decreased by 14.3% year-on-year.
- Revenue amounted to RMB5,331.6 million, representing a year-on-year decrease of 6.7%.
- Profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other gains and losses) (“EBITDA”) amounted to RMB2,542.1 million, representing a year-on-year decrease of 6.1%.
- Profit attributable to owners of the Company was RMB748.5 million, representing a year-on-year decrease of 53.6%.
- Earnings per share was RMB0.451.
- The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022.

### **FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The board (the “Board”) of directors (the “Directors”) of Golden Eagle Retail Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022, together with comparative figures for the previous year of 2021 as follows:

(1) SSS represents change in total GSP of retail chain stores which were in operation throughout the comparable period.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>2022</b>	<b>2021</b>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	5,331,582	5,717,498
Other income, gains and losses	5	258,642	926,056
Changes in inventories of merchandise		(1,990,391)	(2,119,394)
Cost of properties sold		(171,134)	(83,586)
Employee benefits expense		(326,188)	(380,983)
Depreciation and amortisation of property, plant and equipment and intangible asset		(384,144)	(386,586)
Depreciation of right-of-use assets		(79,408)	(76,270)
Rental expenses		(383,921)	(396,283)
Other expenses		(681,040)	(780,418)
Share of results of associates		12,948	14,125
Share of results of joint ventures		435	(955)
Finance income	6	150,001	79,616
Finance costs	7	(370,709)	(262,849)
		<hr/>	<hr/>
Profit before tax		1,366,673	2,249,971
Income tax expense	8	(603,817)	(637,697)
		<hr/>	<hr/>
Profit for the year	9	<u>762,856</u>	<u>1,612,274</u>
Profit (loss) for the year attributable to:			
Owners of the Company		748,456	1,613,957
Non-controlling interests		14,400	(1,683)
		<hr/>	<hr/>
		<u>762,856</u>	<u>1,612,274</u>
Earnings per share			
– Basic (RMB per share)	11	<u>0.451</u>	<u>0.972</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Profit for the year	<u>762,856</u>	<u>1,612,274</u>
Other comprehensive (expense) income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Share of exchange difference of associates	<u>(794)</u>	<u>(4,007)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income	(16,025)	11,314
Income tax expenses relating to items that will not be reclassified to profit or loss	<u>801</u>	<u>(1,672)</u>
	<u>(15,224)</u>	<u>9,642</u>
Other comprehensive (expense) income for the year, net of income tax	<u>(16,018)</u>	<u>5,635</u>
Total comprehensive income for the year	<u><u>746,838</u></u>	<u><u>1,617,909</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	732,438	1,619,592
Non-controlling interests	<u>14,400</u>	<u>(1,683)</u>
	<u><u>746,838</u></u>	<u><u>1,617,909</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2022**

		<b>31 December 2022</b>	<b>31 December 2021</b>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Non-current assets</i>			
Property, plant and equipment		8,016,284	8,308,714
Right-of-use assets		2,411,704	2,541,874
Investment properties		2,472,670	2,506,671
Intangible asset		9,922	10,587
Goodwill		17,664	17,664
Interests in associates		167,145	154,991
Interests in joint ventures		13,651	14,211
Other receivables	<i>12</i>	61,290	58,265
Equity instruments at fair value through other comprehensive income (“FVTOCI”)	<i>13</i>	63,566	55,557
Financial assets at fair value through profit or loss (“FVTPL”)	<i>13</i>	210,473	204,513
Deferred tax assets		35,809	43,143
		<u>13,480,178</u>	<u>13,916,190</u>
<i>Current assets</i>			
Inventories		436,878	369,370
Properties under development for sale		1,582,768	1,551,987
Completed properties for sale		622,588	635,288
Trade and other receivables	<i>12</i>	1,349,455	624,410
Amounts due from fellow subsidiaries		58,761	49,922
Tax assets		42,455	46,580
Financial assets at FVTPL	<i>13</i>	189,017	90,927
Restricted/pledged bank balances		75,177	26,121
Cash and cash equivalents		7,814,741	7,651,382
		<u>12,171,840</u>	<u>11,045,987</u>

		<b>31 December 2022</b>	<b>31 December 2021</b>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current liabilities</i>			
Trade and other payables	<i>14</i>	3,271,187	4,116,750
Amounts due to fellow subsidiaries		135,206	167,726
Lease liabilities		27,477	30,646
Tax liabilities		554,844	577,075
Prepayments from customers		3,608,112	3,383,151
Contract liabilities	<i>15</i>	236,557	307,674
Bank loans		281,203	103,918
Senior notes	<i>16</i>	2,634,667	–
		<u>10,749,253</u>	<u>8,686,940</u>
Net current assets		<u>1,422,587</u>	<u>2,359,047</u>
Total assets less current liabilities		<u>14,902,765</u>	<u>16,275,237</u>
<i>Non-current liabilities</i>			
Bank loans		3,945,813	3,673,788
Senior notes	<i>16</i>	–	2,406,167
Other payables	<i>14</i>	105,062	138,494
Lease liabilities		510,123	519,496
Deferred tax liabilities		958,381	900,744
		<u>5,519,379</u>	<u>7,638,689</u>
Net assets		<u><u>9,383,386</u></u>	<u><u>8,636,548</u></u>
<i>Capital and reserves</i>			
Share capital		175,146	175,146
Reserves		<u>9,105,451</u>	<u>8,373,013</u>
Equity attributable to owners of the Company		9,280,597	8,548,159
Non-controlling interests		<u>102,789</u>	<u>88,389</u>
Total equity		<u><u>9,383,386</u></u>	<u><u>8,636,548</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands under the Companies Act 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 Ltd., 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 Company is an investment holding company and its subsidiaries are principally engaged in the lifestyle centre and stylish department store chain development and operation, property development and hotel operation in the People’s Republic of China (the “PRC”).

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

## 2. APPLICATION OF AMENDMENTS TO HKFRSs AND AGENDA DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (THE “COMMITTEE”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to Hong Kong Accounting Standard (“HKAS”) 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018-2020</i>

In addition, the Group applied the agenda decision of the Committee of the International Accounting Standards Board, including *Lessor Forgiveness of Lease Payments* (HKFRS 9 *Financial Instruments* and HKFRS 16 *Leases*), which is relevant to the Group.

The application of the amendments to HKFRSs and the Committee’s agenda decision in the current year have had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. REVENUE

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

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Commission income from concessionaire sales	1,735,673	2,024,173
Direct sales	2,287,618	2,474,534
Sales of properties	230,377	122,029
Management fees	39,647	46,785
Hotel operations	18,219	20,603
Automobile services fees	–	1,510
	<hr/>	<hr/>
Revenue from contracts with customers	4,311,534	4,689,634
Rental income	1,020,048	1,027,864
	<hr/>	<hr/>
Total revenue	<u>5,331,582</u>	<u>5,717,498</u>
Timing of revenue recognition under HKFRS 15		
<i>Revenue from Contracts with Customers</i>		
A point in time	4,253,668	4,622,246
Over time	57,866	67,388
	<hr/>	<hr/>
Total	<u>4,311,534</u>	<u>4,689,634</u>

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

#### Gross sales proceeds

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Concessionaire sales	10,995,274	13,104,791
Direct sales	2,584,135	2,795,875
Sales of properties	228,761	124,749
Management fees	42,172	49,769
Hotel operations	19,355	21,913
Automobile services fees	–	1,706
	<hr/>	<hr/>
Gross sales proceeds from contracts with customers	13,869,697	16,098,803
Rental income	1,081,449	1,089,194
	<hr/>	<hr/>
Total gross sales proceeds	<u>14,951,146</u>	<u>17,187,997</u>

#### 4. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive Directors and chief executive officer (“CEO”), being the chief operating decision makers (the “CODM”), in order to allocate resources to the segments and to assess their performance.

The Group’s operating and reportable segments are as follows:

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

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

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

	Retail operations			Subtotal	Property development and hotel operations	Other operations	Total
	Southern Jiangsu Province	Northern Jiangsu Province	Western and the other regions of the PRC				
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>For the year ended 31 December 2022</i>							
Gross sales proceeds	5,559,265	7,671,760	1,413,403	14,644,428	284,169	22,549	14,951,146
Segment revenue	2,452,269	2,137,364	436,950	5,026,583	282,876	22,123	5,331,582
Segment results	932,488	1,058,421	150,205	2,141,114	53,004	(41,133)	2,152,985
Central administration costs and Directors’ salaries							(74,452)
Other gains and losses							(504,535)
Share of results of associates							12,948
Share of results of joint ventures							435
Finance income							150,001
Finance costs							(370,709)
Profit before tax							1,366,673
Income tax expense							(603,817)
Profit for the year							762,856



	Retail operations			Subtotal RMB'000	Property development and hotel operations RMB'000	Other operations RMB'000	Total RMB'000
	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western and the other regions of the PRC RMB'000				
<i>For the year ended 31 December 2021</i>							
Gross sales proceeds	<u>6,361,289</u>	<u>8,857,712</u>	<u>1,739,333</u>	<u>16,958,334</u>	<u>183,235</u>	<u>46,428</u>	<u>17,187,997</u>
Segment revenue	<u>2,550,925</u>	<u>2,419,204</u>	<u>534,289</u>	<u>5,504,418</u>	<u>177,461</u>	<u>35,619</u>	<u>5,717,498</u>
Segment results	<u>967,921</u>	<u>1,170,895</u>	<u>206,493</u>	<u>2,345,309</u>	<u>12,430</u>	<u>(26,794)</u>	<u>2,330,945</u>
Central administration costs and Directors' salaries							(85,960)
Other gains and losses							175,049
Share of results of associates							14,125
Share of results of joint ventures							(955)
Finance income							79,616
Finance costs							(262,849)
Profit before tax							2,249,971
Income tax expense							(637,697)
Profit for the year							<u>1,612,274</u>

## 5. OTHER INCOME, GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
<b>Other income</b>		
Income from suppliers, tenants and customers	732,745	730,583
Government grants	16,173	13,807
Others	<u>14,259</u>	<u>6,617</u>
	<u>763,177</u>	<u>751,007</u>
<b>Other gains and losses</b>		
Net foreign exchange (loss) gain	(567,134)	144,701
Dividend income from equity investments	11,028	2,141
Investment income from structured bank deposits	57,863	116,708
Fair value change of investment properties	(20,266)	2,240
Fair value gain upon transfer to investment properties	–	10,098
Fair value change of equity investments at FVTPL	14,822	7,422
Fair value change of unquoted fund investment	5,960	(27,447)
Gain on deemed disposal of an associate	–	507
Gain on disposal of a joint venture	805	–
Gain on termination of lease contracts	386	7,291
Compensation on termination of lease contracts in relation to store suspension and others (Note)	<u>(7,999)</u>	<u>(88,612)</u>
	<u>(504,535)</u>	<u>175,049</u>
	<u>258,642</u>	<u>926,056</u>

Note: The amounts included accruals provided by the Group for unsettled litigations according to the best estimation for a variety of risk events after seeking the independent legal advice.

## 6. FINANCE INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income from bank deposits	120,078	68,958
Interest income from loans to third parties	26,750	7,626
Interest income from refundable rental deposits paid	3,173	3,032
	<u>150,001</u>	<u>79,616</u>

## 7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on:		
Bank loans	232,270	139,690
Senior notes	123,974	116,799
Proceeds from pre-sale of properties	8,260	17,638
Refundable rental deposits received	7,411	8,104
Lease liabilities	8,004	6,756
	<u>379,919</u>	<u>288,987</u>
Less: amounts capitalised in the cost of qualifying assets		
Properties under development for sale	(9,210)	(26,138)
	<u>370,709</u>	<u>262,849</u>

Finance costs capitalised are calculated by applying a weighted average capitalisation rate of approximately 5.2% (2021: 4.1%) per annum.

## 8. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC Enterprise Income Tax ("EIT"):		
Current year	506,294	509,816
Land Appreciation Tax	12,106	6,763
Under (over) provision in prior years	764	(3,655)
	<u>519,164</u>	<u>512,924</u>
Deferred tax charge:		
Current year	84,653	124,773
	<u>603,817</u>	<u>637,697</u>

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

Except as described below, subsidiaries of the Company located in the PRC are subject to PRC EIT rate of 25% (2021: 25%) pursuant to the relevant PRC EIT laws. On 2 December 2020, Nanjing Golden Eagle Information Service Co., Ltd. was qualified as a High and New Technology Enterprise under the relevant PRC tax laws and regulations. Accordingly, the entity is entitled to a preferential income tax rate of 15% from 2020 to 2022. Kunming Golden Eagle Shopping Centre Co., Ltd. and Xi'an Golden Eagle International Shopping Centre Co., Ltd. are entitled to a preferential income tax rate of 15% because of their locations in western part of the PRC.

## 9. PROFIT FOR THE YEAR

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting) the following items:		
Depreciation and amortisation of property, plant and equipment and intangible asset	384,144	386,586
Depreciation of right-of-use assets	79,408	78,404
Less: amounts capitalised	—	(2,134)
	<u>79,408</u>	<u>76,270</u>
Covid-19-related rent concessions	(3,639)	(57)
Loss on disposal/write-off of property, plant and equipment	5,928	2,530
Gross rental income from investment properties	(104,295)	(109,328)
Less: direct operating expenses incurred for investment properties	9,644	13,393
	<u>(94,651)</u>	<u>(95,935)</u>

## 10. DIVIDENDS

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2020 final dividend: RMB0.350 (2021 final dividend: nil) per share	—	577,243
2021 interim dividend: RMB0.118 (2022 interim dividend: nil) per share	—	195,482
	<u>—</u>	<u>772,725</u>

Subsequent to the end of the reporting period, the Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2022.

## 11. EARNINGS PER SHARE

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

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>748,456</u>	<u>1,613,957</u>
	<b>2022</b> <i>'000</i>	<b>2021</b> <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,660,205</u>	<u>1,660,205</u>

**12. TRADE AND OTHER RECEIVABLES**

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Trade receivables	77,266	89,036
Advances to suppliers	88,949	103,488
Rental deposits	61,913	59,265
Other deposits	18,933	15,416
Other taxes recoverable	85,889	113,642
Loans to third parties	847,388	121,575
Other receivables and prepayments	230,407	180,253
	<u>1,410,745</u>	<u>682,675</u>
Presented as:		
Non-current assets	61,290	58,265
Current assets	<u>1,349,455</u>	<u>624,410</u>
	<u>1,410,745</u>	<u>682,675</u>

For operations other than property development, the Group's trade customers mainly settled their debts by cash payments, either in the form of cash or debit cards, or by credit card payments. The Group currently does not have a defined fixed credit policy as its trade receivables mainly arise from credit card sales which are normally settled within 15 days. There is no trade receivable from property development operations at the end of the reporting periods.

Trade receivables for retail operations amounting to RMB70,520,000 (2021: RMB84,846,000) were aged within 15 days and the remaining trade receivables were aged within 90 days based on the invoice dates at the end of the reporting period.

**13. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL**

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
<b>Equity instruments at FVTOCI</b>		
Listed equity investments	<u>63,566</u>	<u>55,557</u>
<b>Financial assets at FVTPL</b>		
Non-current		
Unquoted fund investment	210,473	204,513
Current		
Listed equity investments	<u>189,017</u>	<u>90,927</u>
	<u>399,490</u>	<u>295,440</u>

#### 14. TRADE AND OTHER PAYABLES

	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,565,825	2,280,048
Payables for purchase of property, plant and equipment	401,283	481,787
Rental deposits	272,336	290,121
Suppliers' deposits	181,707	188,029
Accrued expenses	155,973	169,821
Accrued salaries and welfare expenses	37,623	58,524
Advance lease payments	14,980	18,886
Interest payable	14,729	13,484
Other taxes payable	46,229	118,274
Other payables	685,564	636,270
	<u>3,376,249</u>	<u>4,255,244</u>
Presented as:		
Non-current liabilities	105,062	138,494
Current liabilities	<u>3,271,187</u>	<u>4,116,750</u>
	<u>3,376,249</u>	<u>4,255,244</u>

The credit period on purchases of goods is mainly ranging from 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	1,070,634	1,732,255
31 to 60 days	127,286	185,671
61 to 90 days	38,050	64,461
Over 90 days	329,855	297,661
	<u>1,565,825</u>	<u>2,280,048</u>

#### 15. CONTRACT LIABILITIES

	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits and prepayments received from pre-sale of properties	220,535	302,431
Deferred revenue arising from the Group's customer loyalty programmes	16,022	5,243
	<u>236,557</u>	<u>307,674</u>

#### 16. SENIOR NOTES

The senior notes denominated in United States dollar ("USD") in the aggregate outstanding principal amount of USD378.5 million, raised by the Group in May 2013, will be due for full repayment in May 2023, and therefore the notes have been reclassified under current liability as at 31 December 2022.

## **BUSINESS OVERVIEW**

### **Industry Overview**

In 2022, the increasingly complex international political and economic landscape, together with the repeated coronavirus (“COVID-19”) epidemic outbreaks posed challenges to the economic recovery of various countries around the world. The epidemic in China has been effectively alleviated under the stringent control of the dynamic zero-COVID policy. However, the volatile epidemic situation has adversely affected the economy. Due to the changes in domestic consumer sentiment, the retail sector continued to be under pressure. Despite further downward pressure on the economy, China’s gross domestic product (“GDP”) grew 3.0% to RMB121.0 trillion in 2022, demonstrating strong resilience and potential of the national economy. Since China began to relax epidemic control measures at the end of 2022, the efficacy of the optimised epidemic control measures has continued to show. The domestic economy is gradually showing a recovery trend, while consumer sentiment is starting to revive as well. As the main business base of the Group, Jiangsu Province is also the second largest provincial economy in China. With the successive rollout of a number of relief measures to support enterprises, the Jiangsu Province’s economic operation has shown a rebound in both supply and demand and its GDP growth has improved since the second half of the year. The GDP of Jiangsu Province rose 2.8% year-on-year (“YOY”) to RMB12.3 trillion, while the GDP per capita has exceeded RMB143,000, ranking the forefront of all provinces and autonomous regions. The GDP has exceeded RMB10 trillion each year for the past three consecutive years, demonstrating strong economic strength and resilience of the Jiangsu Province.

As one of the three growth drivers of the national economy, although consumption growth has slowed down slightly, its scale and importance in economic development are growing day by day. In recent years, diversification, novelty, personalisation and health and wellness have gained increasing popularity in the consumer market. At present, the characteristics of interest-driven consumption are particularly prominent. Retailers cannot just adopt a conservative approach and passively waiting for customers. They need to be adaptable, strive for innovation, explore new models, and open up new paths to maintain and improve their operational capabilities and market share. First of all, retailers must embrace changes by improving data utilisation from “digitalisation” to “intelligentisation” to drive business development. Secondly, retailers must stay committed to its original operating visions. Facing the current intense competition, retailers must adopt a customer-centric approach, allocate resources to establish more in-depth engagement with consumers and business partners, and focus on the strengths of its products, services and environments so as to foster positive interactions between consumers, suppliers and retailers, and create new business growth potentials. Last but not the least, retailers must capture consumer trends by seizing new national trends, art and culture experience, green and low-carbon and other popular topics to create IPs and expand into new areas, providing high-quality customer groups with green, high-quality, convenient and sustainable contents and services, which will be a key direction for future development of retailers.

### **Operation Management and Corporate Development**

In 2022, despite insufficient domestic demand, recurring epidemic, multiple outbreaks, and temporary shortened operating hours and/or closure of some stores in the region, the Group remained committed to the orientation of sound, high-quality and green development, maintained financial stability, stayed on the trend with breakthroughs, laying a solid foundation for long-term sustainable development. The Group refined the operations of its main business, kept updated on the ever-changing consumer market, continued to improve its merchandise portfolio and optimised the retail environment, actively explored new opportunities, strengthened the innovation and influence of marketing campaigns, and refined the experiences, customer engagement and digitalisation of member services to achieve continuous rebound in sales and customer traffic.

The Group has overcome many challenges during the year and achieved resilient overall performance. In 2022, the Group's customer traffic reached 160 million visits<sup>(2)</sup>, GSP was RMB14.9 billion, and EBITDA reached RMB2.5 billion, representing a slight YOY decrease of 13.5%, 13.0% and 6.1%, respectively. With the relaxation of the epidemic prevention and control measures at the end of the year, the Group's customer traffic and sales have recorded a significant rise, which also greatly encourages the employees and business partners of the Group to closely work together.

In 2022, despite serious challenges brought about by the epidemic and the economic downturn, the Group adhered to high-quality development, promoted merchandising adjustments in an orderly manner, further enhanced the cooperation with various brands for store debuts in the region and with benchmark brands for flagship store openings, and optimised retail environment. During the year, the Group adjusted a total of 174,000 square metres of its counter area, involving 1,505 brands and accounting for 14.7% of the total counter area of the Group. The overall occupancy rate reached 91.0%. The Group continued to optimise the brand portfolio of Nanjing Xinjiekou Store, focusing on brand renewal, benchmark brands' flagship store upgrade and store debuts. It has introduced store debuts in Jiangsu Province or Eastern China such as HOKA, K SWISS, Red Lanterns (壹盞燈) and SO DO FUN (蜀都豐), etc and upgraded stores including KOLON's first 7.0 flagship store in Jiangsu Province to meet the high-quality consumption demands of target customers. Through store revamp and upgrade, the Group strengthened the urban high-end fashion positioning and interactive experiences of Yancheng Store, introduced store debuts in the city and talk-of-the town brands such as Jaeger-LeCoultre, NIKE KL1, EDITION, ANMANI (恩曼琳), S.D.Spontini and CALLISTO, and integrated local culture to attract a new generation of young customers. As regards the Xuzhou Store, on the one hand, the Group continued to upgrade the high-end positioning of Block A with store debuts in the city of VALMONT, Chopard and Vivienne Westwood, etc. On the other hand, the Group strengthened the positioning of Block B catering for modern families by relocating the children's category to build a comprehensive collection of children's brand merchandise. It also added more interactive entertainment contents to enhance customer experiences and actively enriched its leading and developed trending brand categories to further consolidate its leading position in the local market.

Focusing on the needs and interests of consumers, the Group kept abreast of current upsurge of the Winter Olympic Games and the night economy, closely followed the needs of young customers, and launched a number of rejuvenating, fun and innovative marketing campaigns. Moreover, the Group launched a series of activities to promote consumption, boosting customer traffic and sales. Among them, Nanjing Hubin Tiandi Store hosted the first outdoor ice and snow festival in Nanjing to cheer for the Winter Olympics 2022. The event went viral in Nanjing and caught the eye of over 5 million people online. The outdoor ice and snow area was particularly spectacular at night and was named as the night culture and tourism consumption cluster in Nanjing. In June 2022, Nanjing Xinjiekou Store collaborated with the Nanjing International Consumption Festival organised by the Nanjing government, which generated an aggregate GSP of RMB190 million during the period. In September 2022, the Nanjing International Consumption Festival (Autumn) was successfully held in the outdoor plaza of Nanjing Golden Eagle World Store. During the festival, the store recorded an aggregate GSP of over RMB80 million. In 2022, the Group further enhanced and enriched its lifestyle functions and amenities offerings, collaborated with top brands, endeavoured to explore ways to create new growth points. Among them, the Group collaborated with hotels and high-end cosmetic brands to organise beauty and skincare workshops, such as for Helena Rubinstein, The history of Whoo etc., to recruit new members and achieve sales growth for the brands. The Group also collaborated with hotels and wedding services brands to launch IP "Golden Eagle Bride" (金鷹新娘), simultaneously increasing hotel wedding banquet bookings and driving sales by recruiting new members for the relevant brands.

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(2) According to year-on-year comparison of data collected from the Group's retail chain stores with customer traffic statistics system installed

During the year, the Group's 7-Eleven convenience store business grew rapidly and expanded into Huai'an, Changzhou, Zhenjiang and Yancheng. The number of the Group's 7-Eleven convenience stores exceeded 100 in August 2022 and increased from 61 as at the end of 2021 to 121 as at the end of 2022, covering eight cities. Among them, the number of franchised stores increased from 36 to 99. GSP generated during the year was RMB225.0 million, representing a YOY increase of 76.6%. 7-Eleven adheres to the philosophy of "doing better than promised" (比承諾做得更好) and actively responds to the call of the country, vigorously develops the "convenience economy", continuously improving the "15-minute convenience circle", and provides consumers with high-quality lifestyle services around the clock. The sharing of the 7-Eleven supply chain and the establishment of the new central kitchen and fresh food factory enable the Group to provide high-quality fresh food and seasonal products and efficient supply chain services. Coupled with the sharing of IT and membership systems with the Group to integrate and interchange membership points to provide customers with more convenient services in an efficient manner, the Group has laid a solid foundation for the rapid and high-quality development of its convenience store business. In 2023, the Group's 7-Eleven convenience store business will continue its steady expansion strategy and deepen its development in cities with established market presence to achieve a large market share and economies of scale in these regional markets. In addition, the Group plans to open 60 new 7-Eleven convenience stores and debut its market presence in Xuzhou in 2023, bringing the number of 7-Eleven convenience stores to over 180.

The Group continued to upgrade its member services, optimise member consumption experience, provide members and brands with full ecological services through the one-stop lifestyle service platform, "GE Life" (金鷹生活), and further strengthen online and offline interactions through flexible and innovative marketing approaches. As of 31 December 2022, the "GE Life" mobile application (the "App") had registered over 21.2 million downloads. In addition, the Group recruited a total of approximately 3.2 million VIP members, of which more than 98% of them have connected their VIP membership cards with the App. During the year, the aggregate spending by VIP members accounted for 66.4% of the Group's GSP, representing a YOY increase of 2.0%. The Group will continue to deepen omni-channel marketing and digital upgrade, attach importance to member service experience, actively promote member digitalisation, and boost members' consumption through precision marketing, shifting its emphasis from Gross Merchandise Value ("GMV") to member Life Time Value ("LTV") in order to extend the life cycle of members, enhance customer loyalty, boost the sales-per-ticket and revisit rate, and ultimately enhance the value of the platform.

## **Outlook**

In 2023, against the backdrop of geopolitical tensions, high inflation and tight monetary policies restraining investment and consumption, the global economy still faces many downside risks. However, with the optimisation of China's epidemic prevention and control measures, it is expected that consumer demand will be gradually released, securing the steady recovery of China's economy. China firmly implements the strategy of expanding domestic demand, accelerates the upgrading of consumption quality and fosters new types of consumption, accelerating the release of the potential of the consumer market. The fundamentals of China's long-term sound economic growth remain unchanged. The Group is still full of confidence in the long-term development of China's consumer market, and will maintain a prudent monitoring on the market. Centring around customer needs, the Group will devote more resources to improve omni-channel operations and digital supply chain, and focus on consumer experiences and services, constantly improve its own services and operations so as to provide consumers with a better shopping experiences and establish a solid foundation for flexible and effective sustainable development.



In the next few years, the Group's Golden Eagle World projects in Nantong, Changzhou and Changchun, as well as Kunshan Phase II, Xuzhou Metro Commercial and Yangzhou Jiangdu Phase II projects will be launched in stages in the form of leased or self-owned properties, and Liyang Store will be reopened after upgrading. Upon the launch of all these stores, the Group will operate 34 retail chain stores with a total gross floor area ("GFA") of approximately 3.3 million square metres. In an effort to support the national goal of achieving carbon peak by 2030 and carbon neutrality by 2060, all new commercial projects of the Group in the future will fully adopt low-carbon energy-saving technologies such as photovoltaic power generation, high-efficiency chiller plant, rainwater recycling and intelligent lighting, and will be planned and built based on China's two-star green building standard or above, leading the way to green and sustainable development.

Phase II of Kunshan Lifestyle Centre, with a total GFA of approximately 78,000 square metres, is scheduled to open in the second half of 2023. Targeting at young families, the project, together with Block A and street shops, will form the largest commercial complex in Kunshan with an aggregate GFA of approximately 200,000 square metres and with "new, trendy, interesting, and fun" as its core elements. The remaining 25,000 square metres of the Group's asset-light metro commercial project, Xuzhou Golden Eagle "Shang Jie" (徐州金鹰上街) is scheduled to open in the second quarter of 2023. Targeting at trendsetters and young people, the project will be built into a metro commercial district integrating trendy, social and artistic elements, offering the residents of Xuzhou a new way of life. The Group will continue to leverage on its capabilities of designing and planning large-scale commercial complexes, saving energy and reducing carbon emissions in smart buildings, configuring merchandise portfolio and refining operational management to form competition barriers, continuing to scale up its business of commercial property operation and boost operating revenue.

With years of experience in grasping the pulse of China's business world and a keen business sense, the Group is confident in fully seizing the opportunities brought by the recovery of the consumer market in the post-epidemic era. The Group will actively seek breakthroughs in response to the ever-changing consumer preferences and market conditions, and strive to create more diversified business contents and greater value to achieve green, high-quality, and sustainable development.

## **FINANCIAL REVIEW**

### **GSP and Revenue**

Since early 2020, the COVID-19 outbreak has spread across China and other countries. A series of precautionary and control measures have been implemented across China since then. The pandemic has affected retail business in China and the economic activities of the Group to a certain extent. Due to regional outbreaks, most of the Group's stores temporarily shortened their operating hours and/or were closed during the year under review. The Group's stores in Nantong, Xuzhou, Ma'anshan and Wuhu were closed for 1 to 2 weeks while the stores in Xi'an, Suzhou, Kunshan and Shanghai were closed for 5 to 9 weeks.

In response to the situation, the Group has adopted various measures to mitigate the adverse impact of pandemic on its business operations, including maximising operational efficiency, promoting online sales, assisting merchants and business partners in weathering the pandemic, and implementing comprehensive cost-saving measures. With adoption of the abovementioned measures, continuous efforts in merchandise adjustments and creative marketing campaigns, the Group has demonstrated resilience in its recovery since the second quarter of the year 2020. However, the Group's operating results were inevitably impacted by the resurgence of regional outbreaks since then, especially during the period when the Group's stores were temporarily shortened their opening hours and/or were closed.

The Group also implemented a series of measures and policies to assist merchants and business partners in weathering the difficult situation caused by the pandemic since 2020, including granting subsidies and rental concessions to concessionaire and rental tenants totalling approximately RMB80.0 million and RMB80.0 million, respectively, during each of the year 2020 and 2022.

During the year under review, against the backdrop of the resurgence of the pandemic, GSP of the Group decreased to RMB14,951.1 million, representing a YOY decrease of 13.0% or RMB2,236.9 million. The decrease was mainly attributable to the net effects of (i) the YOY decrease of 14.3% in retail SSS amid the resurgence of regional outbreaks in various cities of China which resulted in the decrease in customer traffic and weakened consumer sentiment; and (ii) the increase in sales of properties by RMB104.0 million or 83.4% to RMB228.8 million, which represented the delivery of a portion of the pre-sold units in phase one sub-sections one and two of Changchun Golden Eagle World Project to purchasers during the year.

During the year 2022, concessionaire sales contributed to 73.6% (2021: 76.3%) of the Group's GSP, which decreased by 16.1% YOY to RMB10,995.3 million from RMB13,104.8 million in the year 2021, while direct sales contributed to 17.3% (2021: 16.3%) of the Group's GSP, which decreased by 7.6% YOY to RMB2,584.1 million from RMB2,795.9 million in the year 2021. Rental income contributed to 7.2% (2021: 6.3%) of the Group's GSP, which decreased by 0.7% YOY to RMB1,081.4 million from RMB1,089.2 million in the year 2021. Sales of properties contributed to 1.5% (2021: 0.7%) of the Group's GSP, which increased by 83.4% YOY to RMB228.8 million from RMB124.7 million. Other income accounted for the remaining 0.4% (2021: 0.4%) of the Group's GSP, which decreased by 16.2% YOY to RMB61.5 million from RMB73.4 million in the year 2021.

Commission rate from concessionaire sales increased to 17.8% (2021: 17.4%) while gross profit margin from direct sales decreased to 13.1% (2021: 14.5%), resulting in a stable overall gross profit margin from concessionaire sales and direct sales of 16.9% (2021: 16.9%). This was mainly due to the net effects of (i) the overall improvement in commission rate from concessionaire sales due to the change of merchandise sales mix, such as the increase in sales of cosmetics which carry a higher commission rate, and the decrease in sales of gold, jewellery and timepieces which carry a lower commission rate; and (ii) approximately 0.7% dilution on the direct sales gross profit margin due to the increase in sales of goods to the Group's 7-Eleven franchisees at procurement costs (which was in line with the Group's pricing policy) and such sales increased by 5.0 times YOY to RMB138.8 million for the year 2022 as a result of the continuous expansion of the Group's 7-Eleven franchise chain.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed to 40.0% (2021: 40.0%) of the GSP; sales of gold, jewellery and timepieces contributed to 18.1% (2021: 19.5%); sales of cosmetics contributed to 15.8% (2021: 15.0%); sales of outdoor, sports clothing and accessories contributed to 10.4% (2021: 10.0%); sales at the supermarket operation (including sales of tobacco, wine and liquor) contributed to 8.5% (2021: 8.1%) and the sales of other products such as electronics and appliances, household and handicrafts, childrenswear and toys contributed the remaining 7.2% (2021: 7.4%) of the GSP.

During the year 2022, the Group's 7-Eleven convenience stores generated GSP of RMB225.0 million, which increased by 76.6% YOY from RMB127.4 million in last year. The number of 7-Eleven convenience stores increased from 61 (with a total GFA of 6,562 square metres) in the year 2021 to 121 (with a total GFA of 11,752 square metres) in the year 2022. Out of which, 22 stores (2021: 25 stores) were self-operated stores and 99 stores (2021: 36 stores) were franchised stores, spanning across eight cities including Nanjing, Taizhou, Nantong, Yangzhou, Huai'an, Changzhou, Zhenjiang and Yancheng.

As at 31 December 2022, the Group's completed properties for sale and properties under development for sale amounted to RMB622.6 million (2021: RMB635.3 million) and RMB1,582.8 million (2021: RMB1,552.0 million) respectively. Completed properties for sale comprised of the Group's Riverside Century Plaza Project (in Wuhu Anhui Province, being one of the projects acquired by the Group in the year 2015) with total salable office and residential GFA of approximately 23,732.6 square metres as at 31 December 2022 (2021: 25,898.0 square metres). Properties under development for sale mainly comprised of the Group's (i) remaining portion of the Yangzhou New City Centre Project, mainly phase two sub-section two, with an estimated total salable residential and commercial GFA of approximately 96,501.8 square metres (2021: 96,765.7 square metres) and salable car parking spaces with GFA of approximately 35,658.6 square metres (2021: 37,082.8 square metres); (ii) Changchun Golden Eagle World Project phase one sub-sections one and two with an estimated total salable residential, commercial and car parking spaces GFA of approximately 84,744.1 square metres (2021: 108,758.7 square metres); and (iii) Lianyungang Project with an estimated total salable residential and commercial GFA of approximately 29,323.0 square metres (2021: nil) as at 31 December 2022.

Pre-sale of the units in phase one of Yangzhou New City Centre Project commenced since the year 2016 and these units were completed and delivered to purchasers in the second half of 2018 and the first half of 2019. The Group commenced pre-sale of the units in phase two sub-section one of the project since September 2017. These units were completed and delivered to purchasers at the end of 2019 and in the first half of 2020. Phase two is the last phase of Yangzhou New City Centre Project which comprises two sub-sections, while sub-section two is yet to be developed.

Pre-sale of the units in phase one sub-sections one and two of Changchun Golden Eagle World Project commenced since the year 2020, where phase one comprises three sub-sections. It is expected the project will be built into five phases and will be developed in stages over the coming years. The construction work of phase one sub-sections one and two with total salable residential, commercial and car parking spaces GFA of approximately 116,720.9 square metres is expected to be completed in phases from the end of the year 2021 to the year 2023. The delivery of the respective pre-sold units to purchasers commenced at the end of 2021. A portion of these pre-sold units with GFA of approximately 24,014.6 square metres were completed and delivered to purchasers during the year and the remaining pre-sold units with GFA of approximately 7,651.2 square metres are expected to be delivered to purchasers in 2023. The Group will commence sales of the remaining units of phase one sub-sections one and two after considering the local market environment in 2023.

Pre-sale of the residential units in Lianyungang Project commenced in the year 2022, which is a relatively small project of the Group. The construction work is expected to be completed in the year 2025 and the units are expected to be delivered to pre-sale purchasers in the same year. As at 31 December 2022, properties with GFA of approximately 11,390.8 square metres had been pre-sold and deposits and prepayments in the aggregate sum of RMB145.6 million had been received by the Group.

Sales of properties amounted to RMB228.8 million (2021: RMB124.7 million) with an aggregate GFA of approximately 27,868.1 square metres (2021: 14,181.1 square metres) being sold during the year 2022. The sales were mainly contributed by the sales of properties at the Group's (i) Changchun Golden Eagle World Project which amounted to RMB198.6 million (2021: RMB66.6 million); (ii) Yangzhou New City Centre Project which amounted to RMB7.2 million (2021: RMB14.3 million); and (iii) Riverside Century Plaza Project which amounted to RMB23.0 million (2021: RMB43.8 million). The overall gross profit margin from sales of properties was 25.7% (2021: 31.5%). The gross profit margin was diluted by the lower gross profit margin contributed by the clearance sales of car parking spaces at Yangzhou New City Centre Project and the adjustments in the selling price of office units of Riverside Century Plaza Project.

The Group's total revenue amounted to RMB5,331.6 million, representing a decrease of 6.7% from that of 2021. The decrease in revenue was generally in line with the decrease in GSP.

### Other income, gains and losses

	2022 RMB'000	2021 RMB'000
Other income	763,177	751,007
Other gains and losses	<u>(504,535)</u>	<u>175,049</u>
	<u>258,642</u>	<u>926,056</u>
<b>Total operating income</b>		
Revenue	5,331,582	5,717,498
Other income	<u>763,177</u>	<u>751,007</u>
	<u>6,094,759</u>	<u>6,468,505</u>

Other income mainly comprised of various miscellaneous operating income received from retail tenants and customers, including overall administration and management fees from concessionaire and rental tenants and credit card handling fees from retail customers. Other income increased by 1.6% or RMB12.2 million to RMB763.2 million. Total operating income, being the aggregate of the Group's revenue and other income, decreased to RMB6,094.8 million, representing a decrease of 5.8% or RMB373.7 million. The total retail operating income, being the total operating income excluding the operating income from property sales and hotel operations (for simple reconciliation purpose), decreased to RMB5,846.2 million, representing a decrease of 7.6% or RMB479.7 million.

Other gains and losses mainly comprised of non-operating gains and losses such as (i) net foreign exchange gain and loss resulting from the translation of foreign currencies denominated assets and liabilities into RMB; (ii) the gains and losses and dividend income derived from the Group's investment in securities; (iii) the change in the fair value of the Group's investment properties; and (iv) other one-off or non-recurring gains and losses.

The net amount of other gains and losses decreased by RMB679.5 million to a net loss of RMB504.5 million from a net gain of RMB175.0 million for the year 2021. Such decrease was primarily due to the net effects of: (i) the change from a net foreign exchange gain of RMB144.7 million recognised in the year 2021 to a net foreign exchange loss of RMB567.1 million in the year 2022, representing a net difference of RMB711.8 million; (ii) the decrease in investment income from structured bank deposits by RMB58.8 million from RMB116.7 million recognised in the year 2021 as the Group has deployed more of its surplus capital to bank deposits during the year under review; (iii) the fair value change of the Group's unquoted fund investment from a loss of RMB27.4 million recognised in the year 2021 to a gain of RMB6.0 million in the year 2022, representing a net difference of RMB33.4 million; and (iv) the decrease in loss recognised in relation to store suspension by RMB80.6 million to RMB8.0 million from RMB88.6 million recognised in the year 2021. The amount for the year 2021 was mainly related to the rental compensations/provision for rental compensations made by the Group to two independent third party landlords for early termination of two leases with causes in the year 2015 at Changzhou and Hefei, respectively, after years of discussions and negotiations. An additional rental compensations/provision in the amount of RMB8.0 million was provided for the year 2022 for one of the abovementioned third party landlords.

## **Changes in inventories of merchandise and cost of properties sold**

Changes in inventories of merchandise and cost of properties sold represented the cost of goods sold under the direct sales business model and the cost of properties sold. Changes in inventories of merchandise and cost of properties sold decreased by RMB41.5 million or 1.9% YOY to RMB2,161.5 million for the year 2022. Such decrease was generally in line with the net decrease in direct sales and increase in sales of properties.

## **Employee benefits expense**

Employee benefits expense decreased by RMB54.8 million or 14.4% YOY to RMB326.2 million for the year 2022. Such decrease was primarily attributable to the net effects of (i) the continuous efforts of the Group to streamline the roles and functions of its employees at all levels; and (ii) the continuous investment in human resources for the implementation and development of the Group's "comprehensive lifestyle concept" and "interactive retail platform".

Employee benefits expense as a percentage of GSP decreased by 0.1 percentage point to 2.4% from 2.5% in the year 2021.

For the years ended 31 December 2022 and 2021, there were no forfeited contributions which were available to reduce the Group's existing level of contributions to the state-managed retirement benefits schemes operated by the local PRC governments nor Mandatory Provident Fund Scheme for all employees in Hong Kong.

## **Depreciation and amortisation**

Depreciation and amortisation of property, plant and equipment, intangible asset and right-of-use assets increased by RMB0.7 million or 0.2% YOY to RMB463.6 million for the year 2022.

Depreciation and amortisation expenses as a percentage of GSP increased by 0.5 percentage point to 3.5% from 3.0% in the year 2021.

## **Rental expenses**

Rental expenses decreased by RMB12.4 million or 3.1% YOY to RMB383.9 million for the year 2022. The Group's rental arrangements were mainly pegged to the sales and rental income generated by the respective stores which operated in leased properties. Such decrease was attributable to the decrease in retail sales and rental income of these stores during the year 2022.

Rental expenses as a percentage of GSP increased by 0.3 percentage point to 2.9% from 2.6% in the year 2021.

## **Other expenses**

Other expenses decreased by RMB99.4 million or 12.7% YOY to RMB681.0 million for the year 2022. Other expenses mainly included expenses for utilities, expenditure on advertising and promotional activities, costs for cleaning, repair and maintenance, fees for property management and other tax expenses.

The decrease was primarily attributable to the net effects of (i) the management's consistent and disciplined approach towards cost control; (ii) the increase in utilities costs by RMB5.6 million due to the increase in utility unit costs despite the decrease in utility consumptions as a result of the decrease in customer traffic and shortening of the operating hours or temporary closure of some of the Group's stores during the year 2022. The Group continues to take advantage of the intelligent property management measures in place to utilise utility resources effectively and efficiently; (iii) the decrease in cleaning, repair and maintenance expenses by RMB16.4 million as a result of the decrease in customer traffic and opening hours during the year 2022; and (iv) the decrease in other tax expenses by RMB63.3 million as a result of the government's epidemic relief measures granted during the year.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Utilities expenses	230,757	225,191
Property management fees	140,195	143,951
Cleaning, repair and maintenance expenses	105,624	122,028
Advertising and promotion expenses	36,315	56,041
Other tax expenses	27,948	91,230
Subcontracting service charges	10,048	10,843
Loss on disposal/write-off of property, plant and equipment	5,928	2,530
Others	124,225	128,604
	<u>681,040</u>	<u>780,418</u>

Other expenses as a percentage of GSP remained stable at 5.1% in the year 2022.

### Finance income

Finance income was mainly generated from bank deposits and various short-term bank related deposits placed by the Group in banks when the Group has surplus capital. Finance income increased by RMB70.4 million or 88.4% YOY to RMB150.0 million for the year 2022 which was mainly because of (i) the increase in interest income from bank deposits by RMB51.1 million as more capital had been deployed in bank deposits during the year; and (ii) the increase in interest income from loans to third parties by RMB19.1 million during the year 2022. As at 31 December 2022, the aggregate balance of loans to third parties amounted to RMB847.4 million, representing an increase of RMB725.8 million as compared to the year 2021. Out of the loan balances, RMB662.9 million had been repaid as at the date of this announcement.

### Finance costs

Finance costs mainly comprised of interest expenses for the Group's bank borrowings and senior notes. Finance costs increased by RMB107.9 million or 41.0% YOY to RMB370.7 million for the year 2022, which was primarily due to the increase in London and Hong Kong Interbank Offer Rates, which the Group's floating rate syndicated loan referred to, and the depreciation of RMB against USD and Hong Kong dollar ("HK\$") during the year 2022.

### Income tax expense

Income tax expense of the Group decreased by RMB33.9 million or 5.3% YOY to RMB603.8 million for the year 2022. Effective tax rate for the year under review was 44.2% (2021: 28.3%). The YOY increase of 15.9 percentage points in effective tax rate was mainly due to the increase in offshore non-deductible expenses, namely offshore net foreign exchange loss and interest expenses for the Group's offshore bank borrowings and senior notes.

## **Profit for the year**

Profit for the year decreased by RMB849.4 million or 52.7% YOY to RMB762.9 million. Net profit margin, which represents net profit as a percentage of GSP, was 5.7% (2021: 10.5%) for the year 2022.

Profit from operations (net profit before interest, tax and other gains and losses) decreased by RMB166.5 million or 7.4% YOY to RMB2,078.5 million (2021: RMB2,245.0 million), while EBITDA decreased by RMB165.7 million or 6.1% YOY to RMB2,542.1 million (2021: RMB2,707.8 million).

On the other hand, profit from retail operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax, other gains and losses and excluding profit from property sales and hotel operations) (“Retail EBITDA”) decreased by RMB202.7 million or 7.6% YOY to RMB2,475.0 million in 2022 (2021: RMB2,677.7 million).

During the year 2022, the aggregate net operating losses generated by 3 (2021: 2) loss-making stores amounted to RMB18.1 million (2021: RMB17.0 million).

## **Capital expenditure**

Capital expenditure of the Group for the year 2022 amounted to RMB226.6 million (2021: RMB333.3 million). The amount mainly comprised of contractual payments made for acquisition of plant and equipment, construction of chain store projects on greenfield sites and the upgrade and/or expansion of the Group’s existing retail spaces in order to enhance both the shopping environment and the Group’s competitiveness in the markets.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2022, the Group’s cash and near cash (including cash and cash equivalents and restricted/pledged bank balances) amounted to RMB7,889.9 million (2021: RMB7,677.5 million) whereas the Group’s total borrowings (including bank borrowings and senior notes) amounted to RMB6,861.7 million (2021: RMB6,183.9 million). For the year ended 31 December 2022, the Group’s net cash generated from operating activities amounted to RMB1,299.2 million (2021: RMB1,914.4 million); net cash used in investing activities amounted to RMB864.0 million (2021: net cash generated from investing activities amounted to RMB17.2 million); and net cash used in financing activities amounted to RMB271.9 million (2021: RMB950.4 million).

As at 31 December 2022, bank borrowings of the Group amounted to RMB4,227.0 million (2021: RMB3,777.7 million), which was its three-year dual-currency syndicated loan to be due in full in April 2024. Senior notes of the Group in the amount of RMB2,634.7 million (2021: RMB2,406.2 million) will be due in May 2023 and accordingly, the amount has been reclassified as current liability in the current year. The Group intends to use its internal resources and short-term banking facilities to finance the entire senior notes repayments in May 2023.

The total assets of the Group as at 31 December 2022 amounted to RMB25,652.0 million (2021: RMB24,962.1 million) whereas the total liabilities of the Group amounted to RMB16,268.6 million (2021: RMB16,325.6 million), resulting in a net assets position of RMB9,383.4 million (2021: RMB8,636.5 million). The gearing ratio, which is calculated by the Group’s total borrowings divided by its total assets, increased to 26.7% as at 31 December 2022 (2021: 24.8%).

The capital commitments of the Group as at 31 December 2022 amounted to RMB1,455.3 million (2021: RMB1,501.9 million) in respect of:

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	<u>43,584</u>	<u>24,205</u>
Other commitments in respect of construction of properties under development for sale	<u>1,411,761</u>	<u>1,477,722</u>

## CONTINGENT LIABILITIES

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Financial guarantee in respect of mortgage loan facilities for certain purchasers	<u>106,988</u>	<u>134,048</u>

The Group cooperates with certain financial institutions which arrange mortgage loan facilities for its property purchasers and provides guarantees to secure repayment obligations of such purchasers. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or upon the full repayment of mortgage loans by the property purchasers, whichever is the earlier.

## PLEDGE OF ASSETS

As at 31 December 2022, the Group has pledged its equity interests of certain subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the repayment obligations under the syndicated loan facilities granted to the Group. Assets with the following carrying amounts have been pledged to secure the syndicated loan facilities:

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Equity instruments at FVTOCI	56,497	40,791
Financial assets at FVTPL	100,270	–
Pledged bank balances	67,800	26,121
Cash and cash equivalents	<u>307,168</u>	<u>195,212</u>
	<u>531,735</u>	<u>262,124</u>

## FOREIGN EXCHANGE EXPOSURE

Certain bank balances, equity investments, bank loans and senior notes of the Group are denominated in USD or HK\$, which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between USD against RMB and HK\$ against RMB. Currently, the Group has not entered into any contracts or arrangements to hedge against its foreign currency exposure and will consider hedging measures should the needs arise. For the year ended 31 December 2022, the Group recorded a net foreign exchange loss of RMB567.1 million (2021: a net foreign exchange gain of RMB144.7 million). The Group's operating cash flows are not subject to any foreign exchange fluctuation.



## **EMPLOYEES**

As at 31 December 2022, the Group employed a total of 2,115 employees (2021: 2,590 employees) with remuneration in an aggregate amount of RMB326.2 million for the year 2022 (2021: RMB381.0 million). The Group's remuneration policies are formulated with reference to market practices, experiences, skills and performances of the individual employees and are reviewed every year.

## **PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY**

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting, the Company's Register of Members will be closed from Thursday, 25 May 2023 to Thursday, 1 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting to be held on Thursday, 1 June 2023, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2023.

## **CORPORATE GOVERNANCE**

The Directors are of the opinion that, for the year ended 31 December 2022, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code"), except for provision C.2.1. of the Code.

Provision C.2.1. stipulates that the roles of chairman and CEO should be separate and should not be performed by the same individual. During the period between 1 January 2022 to 17 August 2022, Mr. Wang acted as both the Chairman of the Board and the CEO of the Company, responsible for the overall strategic development of the Group, including the acceleration of the Group's digitalisation and business transformation. The Group's senior management team are responsible for assisting Mr. Wang in the implementation of business strategies and management of the day-to-day operations of the Group's business. On 18 August 2022, Mr. Tan Jianlin (談建林) has been appointed as an executive Director and the CEO of the Company and provision C.2.1 of the Code has been complied with since then.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as stipulated in Appendix 10 to the Listing Rules as its own code of conduct regarding Director’s securities transactions. Specific enquiries have been made to all the Directors, and the Directors have confirmed that they have complied with all relevant requirements as stipulated in the Model Code during the year 2022.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) has been established by the Company to review and supervise the financial reporting processes and internal control procedures of the Group. The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan.

## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.geretail.com>). The annual report of the Company for the year ended 31 December 2022 will also be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to express my heartfelt gratitude to all loyal customers for their continuous support and love. I would also like to thank all business partners, investors and shareholders for their trust, and extend my heartfelt appreciation to all employees for their dedication and hard work in the past year. In 2023, the Group will continue to make a concerted effort to keep abreast of the times and capitalise on its own advantages. While embracing new challenges, it will also actively grasp opportunities brought by the new retail wave, striving for high-efficiency and high-quality results, and delivering greater returns to shareholders.

By order of the Board  
**Golden Eagle Retail Group Limited**  
**Wang Hung, Roger**  
*Chairman*

Hong Kong, 22 March 2023

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wang Hung, Roger and Mr. Tan Jianlin and three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan.*