

[For Immediate Release]



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

Golden Eagle Announces 2012 Interim Results

Profit Attributable to Owners of the Company increased by 1.1% to RMB 618.9 million

Expedite pace of store expansion amid volatile global economic environment
Prominent execution capabilities of multiple store openings

	For the six months ended 30 June 2012		
	2012 RMB mn	2011 RMB mn	Change
Gross Sales Proceeds ("GSP")	8,050.4	6,903.0	+16.6%
Revenue	1,800.7	1,557.0	+15.7%
• Concessionaire sales	1,188.7	1,085.5	+9.5%
• Direct sales	568.0	443.5	+28.1%
• Rental income and management service fees	44.0	28.0	+56.9%
Profit from operations	800.7	777.3	+3.0%
Profit attributable to owners of the Company	618.9	612.2	+1.1%
Earnings per share (RMB)			
• Basic	0.319	0.315	+1.3%
• Diluted	0.317	0.312	+1.6%

(21 August 2012 – Hong Kong) Golden Eagle Retail Group Limited ("Golden Eagle" or the "Company", together with its subsidiaries, the "Group"; Stock code: 3308), a premium department store chain in the PRC, announced today its unaudited interim results for the six months ended 30 June 2012.

During the first half of 2012, despite signs of a global economic recovery, there has still been escalating uncertainties towards the road to recovery, along with the intensifying euro-zone debt crisis, which resulted in stalled economic growth worldwide. However, the Group still managed to take advantage of the rising demands in the PRC. During the period under review, the Group's GSP sustained a rapid and stable year-on-year growth of 16.6%, reaching RMB8.1 billion. Revenue amounted to RMB1.8 billion, representing an increase of 15.7% over the same period last year. Profit attributable to owners of the Company increased 1.1% to RMB618.9 million. Basic earnings per share amounted to RMB0.319, representing an increase of 1.3% over the same period last year. During the period under review, the Group's same store sales growth ("SSSG") remained at a stable level of 8.6% (1H2011: 28.7%). The Board did not recommend an interim dividend for the six months ended 30 June 2012.

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Mr. Roger Wang, Chairman of the Group, said, "In order to meet the consumption demands of target customers, every chain store of the Group's undertook a relatively extensive scale of spring revamp during the period under review so as to enhance its merchandise mix and sales performance. Nanjing Xinjiekou Store further enriched its portfolio of international cosmetic brands by introducing JURLIQUE and SULWHASOO to the store. Being impressed by our outstanding store performance in third-tier cities in Jiangsu Province, a number of international reputable brands made their ways to launch their outlets in our chain stores. For instance, international brands like COACH and high-end cosmetic brands like CHANEL, CLARINS were introduced to Yangzhou Store and Xuzhou Store. This had further boosted our stores' position in the mid-to-high end department store market of the respective cities."

In terms of the performance of existing stores, despite the complicated and volatile economic situation, combined with the construction of Xinjiekou Store Phase II next door, Nanjing Xinjiekou Store, the flagship store of the Group, maintained stable SSSG of 1.7%, whilst Yangzhou Store and Xuzhou Store maintained SSSG of 8.5% and 4.2% respectively for the period under review. Further more, younger stores like Nanjing Xianlin Store and Huaibei Store, the new driving force of the Group's sales growth, have achieved remarkable SSSG of 124.8% and 50.1% respectively.

During the first half of 2012, concessionaire sales contributed to 91.2% (1H2011: 92.0%) of the Group's GSP, while the contribution of direct sales was 8.3% (1H2011: 7.5%).

Commission rate from concessionaire sales decreased to 19.0% (1H2011: 20.0%). The decrease was mainly due to (i) the relatively strong performance of certain product categories which carry lower commission rates, including consumer electronics, gold and jewellery, and (ii) the increase in sale 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 stores in order to attract traffic and build up market position.

Gross profit margin from direct sales decreased to 17.7% (1H2011: 22.1%) as a result of (i) more discount initiatives on the Group's own proprietary brands so as to provide good quality products with bargain price to the Group's loyal VIP customers and to enhance traffic in the stores and (ii) the increase of 17.6% in supermarket sales, which generally carry lower gross profit margin, from RMB76.7 million to RMB90.2 million as most of the Group's new stores operate larger scale boutique supermarkets as one of the value-added services offered to their customers. Combined gross profit margin from concessionaire sales and direct sales decreased to 18.9% (1H2011: 20.2%).

The Group continued to focus on the development of valued-added services for VIP customers. Through the collaboration with various banks allowed the sharing of valuable customer base so as to enhance customer satisfaction and loyalty. As at 30 June 2012, the Group had more than 1,022,000 VIP customers, and sales from VIP customers accounted for approximately 58.7% of the Group's total GSP.

In order to capture the market opportunities arising from the consumer marketing the PRC, the Group continued to maintain an established and steady pace of new store development. In the first half of 2012, five new store commenced operation, namely Kunming Nanya Store, Liyang Store, Xuzhou People's Square Store, Yancheng Outlet and Changzhou Wujin Store. Among which, synergies had 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. All these plus the new retail space at Huaibei Store commenced operation in January 2012 and Yancheng Store commenced operation in July 2012, in aggregate increased the total gross floor area of the Group's chain stores by approximately 230,000 square meters.

Moreover, currently, the Group has secured a number of locations for its new store expansion and it is anticipated that these projects will increase the Group's GFA by over 1 million square meters in the coming three years.

Mr. Wang concluded, "Looking into the second half of 2012, though many challenges still linger on the way towards a full global economic recovery, we remain cautiously optimistic towards China's overall economic development and the continuous growth in retail market and department store industry. Meanwhile, 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 strong brand resources, which will further shorten the ramp-up period of new stores, and further reinforce our leading position in the industry. In the coming three years, 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 proactively identify co-operation and collaboration opportunities with leading enterprises in related industries. The Group will also explore market opportunities in those provincial capitals with strong economic potential, so as to further expand the coverage of our chain store network. In the second half of the year, the Group will implement proactive and effective measures to focus on shortening new stores' ramp-up period and the nurturing period to reach maturity. We will also explore ways to enhance the sales performance and profitability of established old stores. These measures will be reflected in further optimising chain store brand and merchandise mix; fully leveraging on the intelligent e-platform to accelerate business growth, improve operational efficiency, as well as create new business value; and enhancing consumer satisfaction and loyalty through the provision of quality products, creative and effective marketing and promotion campaigns as well as refine customer shopping experience. We are confident of our prospects and will strive to bring fruitful return to our shareholders."

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Company Information

Golden Eagle Retail Group Limited is principally engaged in the development and operation of a stylish premium department store chain in the PRC. The Group's department stores are characterized by "shop-in-shop" and customer-orientated concepts which offer quality merchandise and services, convenient shopping, and a comfortable and pleasurable environment for shoppers. The Group's department stores are located in prime shopping districts in their respective cities. The Group has been focusing on cities with strong economic growth potential, and has less intense competition. The Group currently operates/managed 28 department stores in 16 cities with an aggregate gross floor area of over 1,130,000 sq. m.

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