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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)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

#### **HIGHLIGHTS OF INTERIM RESULTS**

- Gross sales proceeds (“GSP”) amounted to RMB7,938.4 million, representing a decrease of 7.9%
- Same store sales growth<sup>(1)</sup> (“SSSG”) declined by 6.7%
- Profit from operations amounted to RMB696.9 million, representing a decrease of 8.7%
- Profit attributable to owners of the Company was RMB483.8 million, representing a decrease of 23.2%
- Earnings per share for the period under review was RMB0.265
- The Board has resolved to declare an interim dividend of RMB0.088 per share

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Golden Eagle Retail Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014, together with unaudited comparative figures for the corresponding period in 2013. The unaudited condensed consolidated interim results have not been audited, but have been reviewed by the auditor, Messrs. Deloitte Touche Tohmatsu, and the audit committee of the Company (the “Audit Committee”).

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

		<b>Six months ended</b>	
		<b>30.6.2014</b>	<b>30.6.2013</b>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3	<b>1,777,145</b>	1,831,008
Other operating income	5	<b>123,843</b>	108,369
Changes in inventories of merchandise		<b>(509,722)</b>	(517,104)
Employee benefits expense		<b>(183,878)</b>	(170,446)
Depreciation and amortisation of property, plant and equipment and investment property		<b>(101,142)</b>	(96,267)
Release of prepaid lease payments on land use rights		<b>(9,987)</b>	(9,987)
Rental expenses		<b>(89,952)</b>	(88,616)
Other operating expenses		<b>(309,455)</b>	(293,669)
Profit from operations		<b>696,852</b>	763,288
Finance income	6	<b>131,422</b>	111,601
Finance costs	7	<b>(88,706)</b>	(65,091)
Other gains and losses	8	<b>(37,627)</b>	34,053
Share of (loss) profit of associates		<b>(4,524)</b>	6,409
Profit before tax		<b>697,417</b>	850,260
Income tax expense	9	<b>(214,322)</b>	(220,189)
Profit for the period	10	<b><u>483,095</u></b>	<u>630,071</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>483,830</b>	630,306
Non-controlling interests		<b>(735)</b>	(235)
		<b><u>483,095</u></b>	<u>630,071</u>
Earnings per share			
— Basic (RMB per share)	12	<b><u>0.265</u></b>	<u>0.330</u>
— Diluted (RMB per share)	12	<b><u>0.264</u></b>	<u>0.328</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period	<u><b>483,095</b></u>	<u>630,071</u>
Other comprehensive (expense) income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Loss on fair value changes of available-for-sale investments	<b>(6,819)</b>	(13,956)
Reclassified to profit or loss on disposal of available-for-sale investments	<b>(754)</b>	(3,257)
Income tax relating to items that may be reclassified to profit or loss	<b>1,349</b>	3,950
Share of exchange difference of an associate	<u><b>507</b></u>	<u>(14,613)</u>
Other comprehensive expense for the period (net of tax)	<u><b>(5,717)</b></u>	<u>(27,876)</u>
Total comprehensive income for the period	<u><u><b>477,378</b></u></u>	<u><u>602,195</u></u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	<b>478,113</b>	602,430
Non-controlling interests	<u><b>(735)</b></u>	<u>(235)</u>
	<u><u><b>477,378</b></u></u>	<u><u>602,195</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2014**

		<b>30.6.2014</b>	31.12.2013
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b><i>(unaudited)</i></b>	<b><i>(audited)</i></b>
<i>Non-current assets</i>			
Property, plant and equipment		<b>5,049,129</b>	4,033,910
Land use rights - non-current portion		<b>1,924,800</b>	1,909,689
Investment property		<b>87,521</b>	88,564
Deposits and prepayments		<b>869,004</b>	1,254,389
Goodwill		<b>263,179</b>	256,908
Interests in associates		<b>298,316</b>	255,255
Available-for-sale investments		<b>348,808</b>	356,575
Investment in convertible bonds		<b>56,789</b>	56,049
Deferred tax assets		<b>112,881</b>	100,390
		<b><u>9,010,427</u></b>	<b><u>8,311,729</u></b>
<i>Current assets</i>			
Inventories		<b>324,702</b>	354,404
Trade and other receivables	13	<b>509,127</b>	403,054
Land use rights — current portion		<b>37,673</b>	36,535
Amounts due from related companies		<b>13,227</b>	15,740
Tax asset		<b>36,795</b>	23,298
Investments in interest bearing instruments	14	<b>1,279,788</b>	3,005,573
Structured bank deposits	14	<b>1,657,783</b>	1,244,221
Restricted cash	14	<b>26,258</b>	25,908
Bank balances and cash	14	<b>2,006,607</b>	1,654,059
		<b><u>5,891,960</u></b>	<b><u>6,762,792</u></b>
<i>Current liabilities</i>			
Trade and other payables	15	<b>1,553,802</b>	2,054,688
Amounts due to related companies		<b>224,562</b>	69,972
Bank loans	16	<b>2,698,982</b>	—
Tax liabilities		<b>124,350</b>	157,967
Deferred revenue	17	<b>2,685,447</b>	2,920,839
		<b><u>7,287,143</u></b>	<b><u>5,203,466</u></b>
Net current (liabilities) assets		<b><u>(1,395,183)</u></b>	<b><u>1,559,326</u></b>

	<i>NOTE</i>	<b>30.6.2014</b> <b><i>RMB'000</i></b> <b><i>(unaudited)</i></b>	31.12.2013 <b><i>RMB'000</i></b> <b><i>(audited)</i></b>
Total assets less current liabilities		<b><u>7,615,244</u></b>	<b><u>9,871,055</u></b>
<i>Non-current liabilities</i>			
Bank loans	16	—	2,086,638
Senior notes		<b>2,431,172</b>	2,407,642
Deferred tax liabilities		<b><u>148,299</u></b>	<b><u>130,265</u></b>
		<b><u>2,579,471</u></b>	<b><u>4,624,545</u></b>
Net assets		<b><u>5,035,773</u></b>	<b><u>5,246,510</u></b>
<i>Capital and reserves</i>			
Share capital		<b>186,163</b>	189,294
Reserves		<b><u>4,845,384</u></b>	<b><u>5,055,027</u></b>
Equity attributable to owners of the Company		<b>5,031,547</b>	5,244,321
Non-controlling interests		<b><u>4,226</u></b>	<b><u>2,189</u></b>
Total equity		<b><u>5,035,773</u></b>	<b><u>5,246,510</u></b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

**1. GENERAL AND BASIS OF PREPARATION OF CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

Golden Eagle Retail Group Limited 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, 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 development and operation of stylish department store chain in the People’s Republic of China (the “PRC”).

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

**2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the new Interpretation and these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 3. 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 six months ended 30 June 2014 is as follows:

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Revenue from department store operations		
— direct sales	<b>618,362</b>	630,888
— income from concessionaire sales	<b>1,097,874</b>	1,152,312
— rental income	<b>60,909</b>	37,551
— management service fees	<b>—</b>	10,257
	<b><u>1,777,145</u></b>	<u>1,831,008</u>

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

Gross sales proceeds

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
From department store operations		
— direct sales	<b>723,381</b>	738,140
— concessionaire sales	<b>7,150,460</b>	7,833,698
— rental income	<b>64,522</b>	39,779
— management service fees	<b>—</b>	10,905
	<b><u>7,938,363</u></b>	<u>8,622,522</u>

#### 4. 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, 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 individually not reportable

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

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

	<b>Southern Jiangsu Province RMB'000 (unaudited)</b>	<b>Northern Jiangsu Province RMB'000 (unaudited)</b>	<b>Western region of the PRC RMB'000 (unaudited)</b>	<b>Total reportable segment RMB'000 (unaudited)</b>	<b>Others RMB'000 (unaudited)</b>	<b>Total RMB'000 (unaudited)</b>
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*For the six months ended 30 June 2014*

Gross sales proceeds	<u>2,520,968</u>	<u>3,812,892</u>	<u>979,068</u>	<u>7,312,928</u>	<u>625,435</u>	<u>7,938,363</u>
Segment revenue	<u>615,395</u>	<u>793,844</u>	<u>188,116</u>	<u>1,597,355</u>	<u>179,790</u>	<u>1,777,145</u>
Segment results	<u>272,765</u>	<u>404,711</u>	<u>71,833</u>	<u>749,309</u>	<u>(12,487)</u>	736,822
Central administration costs and Directors' salaries						(39,970)
Finance income						131,422
Finance costs						(88,706)
Other gains and losses						(37,627)
Share of loss of associates						<u>(4,524)</u>
Profit before tax						697,417
Income tax expense						<u>(214,322)</u>
Profit for the period						<u>483,095</u>



Southern Jiangsu Province <i>RMB'000</i> <i>(unaudited)</i>	Northern Jiangsu Province <i>RMB'000</i> <i>(unaudited)</i>	Western region of the PRC <i>RMB'000</i> <i>(unaudited)</i>	Total reportable segment <i>RMB'000</i> <i>(unaudited)</i>	Others <i>RMB'000</i> <i>(unaudited)</i>	Total <i>RMB'000</i> <i>(unaudited)</i>
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*For the six months ended 30 June 2013*

Gross sales proceeds	<u>2,937,789</u>	<u>3,797,600</u>	<u>1,104,121</u>	<u>7,839,510</u>	<u>783,012</u>	<u>8,622,522</u>
Segment revenue	<u>697,430</u>	<u>737,914</u>	<u>193,978</u>	<u>1,629,322</u>	<u>201,686</u>	<u>1,831,008</u>
Segment results	<u>351,164</u>	<u>364,701</u>	<u>72,707</u>	<u>788,572</u>	<u>15,629</u>	804,201
Central administration costs and Directors' salaries						(40,913)
Finance income						111,601
Finance costs						(65,091)
Other gains and losses						34,053
Share of profit of associates						<u>6,409</u>
Profit before tax						850,260
Income tax expense						<u>(220,189)</u>
Profit for the period						<u>630,071</u>

## 5. OTHER OPERATING INCOME

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b><i>(unaudited)</i></b>	<i>(unaudited)</i>
Income from suppliers and customers	<b>116,025</b>	95,901
Government grants	<b>7,503</b>	12,239
Others	<u><b>315</b></u>	<u>229</u>
	<u><b>123,843</b></u>	<u>108,369</u>

## 6. FINANCE INCOME

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Income from investments in interest bearing instruments	<b>74,795</b>	52,539
Income from structured bank deposits	<b>45,169</b>	50,769
Interest income on bank deposits	<b>8,216</b>	4,976
Effective interest income on:		
Amount due from a former shareholder of a subsidiary	—	536
Investment in convertible bonds	<b>3,242</b>	2,781
	<b><u>131,422</u></b>	<b><u>111,601</u></b>

## 7. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Interest expenses on:		
Bank loans wholly repayable within five years	<b>40,897</b>	52,269
Senior notes wholly repayable after five years	<b>58,017</b>	12,822
	<b>98,914</b>	65,091
Less: amounts capitalised in the cost of qualifying assets	<b><u>(10,208)</u></b>	<u>—</u>
	<b><u>88,706</u></b>	<b><u>65,091</u></b>

Finance costs capitalised during the six months ended 30 June 2014 are calculated by applying a weighted average capitalisation rate of 4.2% per annum.

## 8. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange (loss) gain	(44,175)	35,808
Dividend income from equity investments	7,834	—
Changes in fair value of:		
Held-for-trading investments	462	992
Derivative component of investment in convertible bonds	(2,502)	(6,004)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	<u>754</u>	<u>3,257</u>
	<u>(37,627)</u>	<u>34,053</u>

## 9. INCOME TAX EXPENSE

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Current period	205,473	205,042
Under provision in prior periods	<u>1,958</u>	<u>303</u>
	207,431	205,345
Deferred tax charge:		
Current period	<u>6,891</u>	<u>14,844</u>
	<u>214,322</u>	<u>220,189</u>

Hong Kong Profits Tax has not been provided for the six months ended 30 June 2014 (six months ended 30 June 2013: nil) as the Group incurred tax losses in Hong Kong.

Subsidiaries of the Group located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (six months ended 30 June 2013: 25%) pursuant to the relevant PRC Enterprise Income Tax laws, except for Xi'an Golden Eagle International Shopping Centre Co., Ltd. which was granted on 24 April 2014 a preferential income tax rate of 15% effective from 1 January 2013 for 8 years.

## 10. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2014	30.6.2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	100,099	95,224
Depreciation of investment property	1,043	1,043
Release of prepaid lease payments on land use rights	18,839	11,054
Less: amounts capitalised	<u>(8,852)</u>	<u>(1,067)</u>
	9,987	9,987
Loss on disposal of property, plant and equipment	<u>208</u>	<u>157</u>

## 11. DIVIDENDS

	Six months ended	
	30.6.2014	30.6.2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividends recognised as distribution during the period:		
Final dividend for the year ended 31 December 2013 of RMB0.203 (year ended 31 December 2012: RMB0.188) per share	<u>364,924</u>	<u>352,758</u>

Subsequent to the end of the interim period, the Directors have determined that an interim dividend of RMB0.088 (six months ended 30 June 2013: nil) per share will be paid to the owners of the Company whose names appear in the Register of Members on 17 September 2014.

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the period 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:

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u><b>483,830</b></u>	<u>630,306</u>
	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,823,973</b>	1,912,386
Effect of dilutive potential ordinary shares attributable to share options	<u><b>7,711</b></u>	<u>9,700</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,831,684</b></u>	<u>1,922,086</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 both the six months ended 30 June 2014 and 30 June 2013 because the exercise prices of these options were higher than the average market prices of the Company's shares during both periods.

### 13. TRADE AND OTHER RECEIVABLES

	<b>30.6.2014</b>	31.12.2013
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables	<b>34,815</b>	63,318
Management service fee receivable	—	28,539
Trade prepayments to suppliers	<b>70,116</b>	63,975
Deposits	<b>79,815</b>	75,815
Deposits paid for purchases of goods	<b>830</b>	2,659
Other taxes recoverable	<b>179,908</b>	103,236
Other receivables and prepayments	<b>143,643</b>	65,512
	<b><u>509,127</u></b>	<b><u>403,054</u></b>

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

### 14. INVESTMENTS IN INTEREST BEARING INSTRUMENTS, STRUCTURED BANK DEPOSITS, RESTRICTED CASH AND BANK BALANCES AND CASH

	<b>30.6.2014</b>	31.12.2013
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Investments in interest bearing instruments (Note 1)	<b>1,279,788</b>	3,005,573
Structured bank deposits (Note 2)	<b>1,657,783</b>	1,244,221
Restricted cash (Note 3)	<b>26,258</b>	25,908
Bank balances and cash (Note 4)	<b>2,006,607</b>	1,654,059
	<b><u>4,970,436</u></b>	<b><u>5,929,761</u></b>

Notes:

1. Included in investments in interest bearing instruments of RMB1,145,922,000 (31 December 2013: RMB2,868,920,000) represents the Group's investments in entrusted RMB loans or other restricted low risk debt instruments arranged by banks in the PRC for terms ranging from three months to one year with principal guaranteed by the banks. The remaining balance of RMB133,867,000 (31 December 2013: RMB136,653,000) represents the Group's investment in a trust fund managed by a trust company for a term of one month. This trust fund invests in debt instruments and the investment was fully settled in July 2014.

2. Structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits placed by the Group to a number of banks for a term of no more than one year. 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.
3. Restricted cash represents balances maintained in interest reserve accounts for the purpose of syndicated loans interest payments and bank deposits restricted for settlement of concessionaire sales of precious metal.
4. Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Short-term bank deposits are made for various periods ranging from 1 to 3 months, depending on the immediate cash requirements of the Group.

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.

#### 15. TRADE AND OTHER PAYABLES

	<b>30.6.2014</b>	31.12.2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b><i>(unaudited)</i></b>	<i>(audited)</i>
Trade payables	<b>987,637</b>	1,466,609
Suppliers' deposits	<b>112,184</b>	99,059
Purchase of property, plant and equipment	<b>104,200</b>	80,387
Accrued expense	<b>72,955</b>	68,612
Interest payable	<b>13,024</b>	12,824
Other taxes payable	<b>38,340</b>	85,174
Accrued salaries and welfare expenses	<b>18,975</b>	47,937
Other payables	<b><u>206,487</u></b>	<u>194,086</u>
	<b><u>1,553,802</u></b>	<u>2,054,688</u>

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

	<b>30.6.2014</b>	31.12.2013
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b><i>(unaudited)</i></b>	<b><i>(audited)</i></b>
0 to 30 days	<b>782,038</b>	1,175,465
31 to 60 days	<b>105,659</b>	149,697
61 to 90 days	<b>30,253</b>	45,474
Over 90 days	<b><u>69,687</u></b>	<u>95,973</u>
	<b><u>987,637</u></b>	<u>1,466,609</u>

## 16. BANK LOANS

During the period, the Group raised short-term bank loans amounting to approximately RMB890,352,000 (six months ended 30 June 2013: nil) and repaid short-term bank loans amounting to approximately RMB308,238,000 (six months ended 30 June 2013: RMB 873,957,000).

## 17. DEFERRED REVENUE

	<b>30.6.2014</b>	31.12.2013
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b><i>(unaudited)</i></b>	<b><i>(audited)</i></b>
Prepayments from customers	<b>2,636,321</b>	2,864,544
Deferred revenue arising from the Group's customer loyalty programme	<b><u>49,126</u></b>	<u>56,295</u>
	<b><u>2,685,447</u></b>	<u>2,920,839</u>



## **BUSINESS REVIEW**

### **Industry Overview**

During the first half of 2014, the global economy became more and more complicated and seemed to have bottomed out, but the economic growth remained fragile. Among the major global economies, the United States' economy managed a feeble rebound in the second quarter but the US Federal Reserve did not make any significant progress in the withdrawal of its Quantitative Easing Policy. On the other hand, European economy rebounded during the first half of the year, which was attributable to the modest growth in domestic demand and stability of external demand. In Japan, consumption was only stimulated for a short period by the consumption tax adjustment and then experienced a sharp decline. The Japan's economy has been shrinking recently.

In China, the government continued to implement active fiscal policy and prudent monetary policy during the first half of 2014. Weak investment, tighter governmental regulation and the economic restructuring resulted in the gradual slowdown in the country's economic growth. Nevertheless, the country's import and export growth has been picking up steadily since June 2014, showing signs of improvement in the domestic demand. Overall, the country's economy showed signs of steady growth in the long term.

China's gross domestic product ("GDP") growth rate climbed 7.4% year on year in the first half of 2014 to RMB26.9 trillion. The country's total retail sales of consumer goods grew by 12.1% year on year to RMB12.4 trillion in the first half of the year. Yet, the pace of growth was 0.6 percentage point slower than that recorded in the same period of 2013. Urban disposable income per capita increased by 9.6% to RMB14,959. After adjustment for inflation, the GDP growth in real term was 7.1%. Consumer price index inflation rose by 2.3% over the same period.

During the first half of 2014, Jiangsu Province, where the Group has already established a leading market position, achieved a GDP growth of 8.9% to RMB3.0 trillion on the basis of comparable prices. Total retail sales of consumer goods in the province grew by 12.6% year on year to RMB1.1 trillion, while the urban disposable income per capita increased by 9.3% over the same period. These economic indicators confirmed the Group's strong belief in pursuing further development in Jiangsu Province.

## **Business Operation and Management**

Affected by the decelerating global economic growth, China's mid-to-high-end retailers saw their business slowdown in the first half of 2014. Meanwhile, the emerging e-commerce has been reshaping the consumption habit of the Chinese consumers, affecting the operations of traditional department stores, the impact of which could not be neglected. Gross sales proceeds ("GSP") of the Group decreased by 7.9% year on year to RMB7,938.4 million due to a number of factors, namely the change in global economic environment, competition from new modes of retailing, the one-off effect of the upgrade and expansion of the Group's flagship store, Nanjing Xinjiekou Store, and the high base caused by the speculative demand of gold and jewellery in the corresponding period last year. Profit from operations decreased by 8.7% year on year to RMB696.9 million while net profit for the period declined by 23.3% year on year to RMB483.1 million. Same-store sales growth ("SSSG") decreased by 6.7% year on year. If the one-off effect of the upgrade and expansion of Nanjing Xinjiekou comprehensive lifestyle center and impacts from gold and jewellery were excluded, SSSG would have remained stable.

In order to maintain competitiveness in this ever-changing retail sector, the Group has been proactively developing a comprehensive lifestyle one-stop shopping concept from the existing fashion department store model. The Group has introduced comprehensive functions and amenities, such as food and beverage, leisure and entertainment, gourmet supermarket, cinema and activities for children in addition to its core function of international fashion shopping store. This move aimed at satisfying the rising demand of the VIP customers for quality life and giving impetus to the Group's long term business growth. With the joint efforts of all stores, the proportion of comprehensive lifestyle operating area in total operating area rises to 20.5%.

In April 2014, Xinjiekou Lifestyle Center, the prototype of the Group's second generation comprehensive lifestyle center located at Nanjing Xinjiekou Store Block B, commenced trial operation. Advanced stylish design and innovative elements were bought to the building by an internationally renowned design company. The newly opened commercial area in Block B with 81,100 square meters, and the existing operating area in Block A, are connected by a space corridor, an elevated glass walkway, from the third to sixth floors, bringing the total commercial area to over 114,500 square meters. It has provided fresh comprehensive lifestyle shopping experiences to our customers and fulfills customers' various needs for high quality lifestyle, which effectively increase traffic, lengthen in-store consumption time, enhance customer loyalty and thus improving the overall performance of the store.

- Firstly, in terms of functions and amenities, Xinjiekou Lifestyle Center is based on the model of international fashionable shopping malls where functions and amenities are integrated. Xinjiekou Lifestyle Center brings casual dining restaurants such as Mr. Pizza and Green Tea, Lumière International Cinema, Animal Kingdom Exhibitions, the 3,000 square meter Gmart, a large-scale premium-end boutique supermarket and other characteristic comprehensive lifestyle functions and amenities under one roof. The area for comprehensive lifestyle functions and amenities accounted for 31.8% of the total operating area of the Xinjiekou Lifestyle Centre.
- Secondly, in terms of merchandise mix, Xinjiekou Lifestyle Center houses approximately 800 domestic and foreign fashion brands, over 100 brands were first introduced to the Group and of which, 76 brands were first introduced to Nanjing and even China markets. Around 60% of the brands in comprehensive lifestyle functions were first introduced into the Nanjing market.
- Moreover, in terms of service enhancement, Xinjiekou Lifestyle Center houses a VIP Customer Service Centre of approximately 800 square meters. It not only provides the VIP customers with a more comprehensive and thoughtful after-sales and reward points redeeming services, but also provides them with services for all kinds of artistic exchanges and salon services from time to time. At the same time, leveraging on the “goodee mobile App” mobile phone application, computerized and convenient parking services are also offered to the VIP customers.

The Group appreciates the importance of unique merchandise and distinctive brands in the development of comprehensive lifestyle centers, and actively seeks potential business partners which are engaged in the businesses relating to food and beverage, leisure, entertainment and fashion, with an objective of building exclusive long-term close partnerships in order to establish one of the competitive strengths against the Group’s competitors. The exclusive joint ventures formed by the Group with Mr. Pizza, South Korea’s favorite pizza chain, and iROO, Taiwan’s most popular fast-high-fashion brand, had gradually bring in these two brands into the Group’s chain stores and quickly become featured brands that attract customer traffic and improve the operating results of the Group’s chain stores. During the first half of 2014, the Group invested in POPMART, a Beijing based retailer for creative and fashionable gift items for young and fashionable people. The Group has also formed a long-term exclusive partnership with POPMART in those regions where the Group operates and POPMART will enter into the Group’s chain stores very soon.

The Group is actively expanding its self-sourcing operations of cost-effective fashion goods, to enhance its future profit growth. On top of the existing self-operated brands, the Group has successfully acquired Skinmint, a contemporary brand distributor based in United States, in April 2014, thus introducing affordable luxury fashion brands such as Rovimoss, Pour La Victoire, Kelsi Dagger Brooklyn and Lodis into the floor area which are popular for many customers. This move has strengthened the Group's confidence in its rapidly developing self-sourcing operations.

Focused on service enhancement for VIP customers, the Group is also actively implementing the O2O (Online to Offline) business model that is suitable to the Group's business development plans, which will further enhance its overall performance. On one hand, the Group has developed an economical and effective marketing channel that has optimized the shopping experience of the VIP customers. Through utilizing all marketing channels and the gradually implemented electronicalised business model (商務電子化), such as the mobile phone application "goodee mobile App" (掌上金鷹), the WeChat and Weibo social network platforms, the free full WIFI coverage at all of the chain stores, the use of wireless POS cash register system, the launch of the "Electric VIP Card" as well as organizing innovative media marketing activities, such as the vintage car parade and children's "professional experiences summer camp" to enhance VIP customers' shopping experience. As at 30 June 2014, the usage rate of "Electric VIP Card" has reached over 60%, the number of followers of the Group's WeChat and Weibo accounts have reached over 0.6 million and 2.2 million respectively. The "goodee mobile App" application registered over 1.6 million downloads, representing an increase of 60% as compared to the end of 2013. It has become the most active mobile phone application in China's department store industry, with over 650,000 daily hits. On the other hand, in April 2014, the Group has officially launched the "iPoint reward points redeeming mall" (iPoint 積分兌換商城) for its VIP customers with the service of "Point Plus Cash" redemption. At present, average daily views of over 100,000 times were noted for the mall. By the end of June 2014, the redeemed amount had exceeded RMB11 million. The mall will gradually become the springboard for the Group's e-commerce business model. The launch of these series of packaged customer services have not only significantly enhanced the quality of customer services and increased traffic, but also further uplifted customers' shopping experience and stimulated their desire for consumption. As at 30 June 2014, the Group had approximately 1.47 million VIP members, which accounted for approximately 55.8% of the Group's total GSP. Sales to VIP members at established stores on average exceeded 58.0% of the GSP for such stores.

The Group insists on the use of information technology to refine its management capabilities. In June 2014, the Group's Supplier Relationship Management system (SRM), which was built on the Group's SAP system, was officially launched. It effectively integrates the procurement resources of the Group's multiple segments. It enables the Group to collaborate with over 4,500 suppliers, effectively reduces the processing costs, shortens business process cycles and strengthens the cooperative relations with the suppliers. With the implementation of the SRM system, the Group also aims to gradually transforming from brand and category driven inventory management to "single item" inventory management. This enables real time on-site inventory information and inventory level monitoring, and thus achieve precise procurement. The system will provide strong technical support for the Group's self-sourcing business and facilitate the development of the O2O business.

### **Opening of New Stores and Development of Retail Chain**

In January 2014, the gross floor area ("GFA") of Changzhou Jiahong Store was increased by approximately 13,400 square meters to approximately 46,800 square meters. With the expansion of the store, Changzhou Jiahong Store introduced a premium-end boutique supermarket, casual dining and other business forms. These new features together with the interaction with the Ocean World, an interactive aquarium, and other amenities had created new growth momentum for the store and further improved the synergies created among Changzhou Wujin Store, Changzhou Jiahong Store and Liyang Store, which helped to further solidify the Group's position in the Changzhou market.

In April 2014, the Group's flagship store, Xinjiekou Lifestyle Center, also known as Nanjing Xinjiekou Store Block B, commenced trial operation. The addition of approximately 81,100 square meters of GFA has brought the total GFA of the enlarged center to approximately 114,500 square meters. Nanjing Xinjiekou Lifestyle Center is the Group's first fully integrated lifestyle center. The area for comprehensive lifestyle functions and amenities accounted for 31.8% of the total operating area. The diversified offerings effectively attracted traffic and brought in young and fashionable consumer groups, which further enhanced the store's operating results and reinforced the Group's leading position in Nanjing. With the gradual optimization and adjustment of the functions and merchandise within the store, Xinjiekou Lifestyle Center is expected to be officially opened in November this year.

Even more exciting is, in the coming year, the Group will make Nanjing Xinjiekou Lifestyle Center as a new starting point and open new lifestyle centers in the cities such as Yancheng, Nantong, Jiangning, Kunshan and Danyang with aggregate GFA of over 500,000 square meters. We believe that the launch of these second generation comprehensive lifestyle centers will give impetus to the Group's business growth.

## Outlook

Since the beginning of 2014, the global economy has remained unbalanced and only managed a weak recovery. Major developed economies are gradually bottoming out but there was a lack of strength to sustain growth, while various emerging markets are facing weak export growth and long-term slowdown in economic growth. Meanwhile, maintaining steady economy growth is the long-term goal of the Chinese government. It has adopted policies and measures which aimed at achieving steady growth, restructuring the economy, and pressing ahead with the reform, such as the four kinds of reforms of the state-owned enterprises, expand tax cuts for small and micro enterprises and open up infrastructure constructions for private investment. It is anticipated that China will be able to achieve the objective of steady growth in 2014. In the second half of 2014, the Chinese government will continue its policies of maintaining steady economic growth, pursuing reform and encouraging innovation. Judging from the fundamentals of the consumer retail sector, we believe that the consumption growth drivers had not changed. Consumers will continue to increase their spending on both daily necessities and discretionary items, including clothing, cosmetics, dining and leisure. It is believed that following the implementation of a series of measures, such as increasing citizens' income, improving the social security system and promoting domestic consumption, will stimulate significantly the development of the retail sector. In the long run, the combination of the accelerating urbanization and the fast growing middle class will benefit the long-term development of the Group in the second- and third-tier cities.

The management is cautiously optimistic about China's economic development and the growth of domestic consumption in the future. In the second half of the year, the Group will implement more proactive and effective measures to explore ways, including introducing unique and innovative functions and amenities into the floor area, to enhance the sales performance and profitability of the well established stores, so as to further consolidate and reinforce its leading position in the industry. These measures include: (1) with the objective of continuing optimizing and upgrading floor area into a comprehensive lifestyle center that cater for family's leisure and shopping, continuing to optimize chain store brand and merchandise mix with emphasis on product categories with growth potentials; (2) strengthening the development of the Group's joint-operated and self-operated brands with higher profit margins. This will lay a solid foundation for the Group's future e-commerce development; (3) optimizing the Group's existing O2O business model that fits in the Group's development, implementing omni-channel marketing and electronicalised business model which play important roles in merchandise management, precision marketing and accelerating business growth; (4) nurturing core senior management



personnel to prepare for future business expansion; and (5) enhancing the overall customer satisfaction and loyalty through the provision of quality and unique merchandise mix, comprehensive lifestyle shopping experiences, innovative and interactive sales promotional activities, customized and attentive VIP value-added services and a variety of interesting items for its VIP reward points redemption program.

Meanwhile, the Group will also steadily develop its new chain stores. We will ensure that each new store will be managed by a pragmatic and efficient management team with unique and distinctive collection of brands, which will strive to shorten the ramp-up period of the new stores. In the next few years, the Group will continue to reinforce its leading position in the industry and solidify its presence in the regions of Jiangsu, Shaanxi, Anhui and Yunnan Provinces, where the Group already has presence with, by operating comprehensive lifestyle centers at self-owned properties or premises with long-term leases or through mergers and acquisitions with competitive strength for long-term business growth potential. We will also proactively identify opportunities for co-operation and collaboration with leading enterprises in the related industries.

The management believe that, with its strong brand equity, prominent execution capability, sound financial position and loyal VIP customer base, the Group will be able to achieve better returns for its shareholders.

## **FINANCIAL REVIEW**

### ***GSP and revenue***

During the period, the Group faced complicated and volatile economic situation and the increasing competition from emerging retailing industry. Accompanied by the one-off effect of the upgrade and expansion of the Group's flagship, Nanjing Xinjiekou Store, and the high base caused by the speculative demand of gold and jewellery in the corresponding period last year, the Group's GSP recorded a decrease of 7.9% or RMB684.2 million to RMB7,938.4 million for the six months ended 30 June 2014. SSSG decreased by 6.7% while Nanjing Xinjiekou Store recorded a decrease in SSSG of 19.7%. Had the Nanjing Xinjiekou Store and the impacts from gold and jewellery been excluded from the calculation, GSP would have decreased by 2.0% and SSSG would have remained stable.

On the other hand, younger stores such as Yangzhou Jinghua Store, Nanjing Xianlin Store, Huaibei Store and Suqian Store, the new growth drivers of the Group's sales, have achieved remarkable SSSG of 16.7%, 20.6%, 12.5% and 29.5%, respectively, during the period under review.

With increasing GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP decreased from 21.4% to 18.7% while the aggregate contribution to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from 43.3% to 41.2%.

During the six months ended 30 June 2014, concessionaire sales contributed 90.1% (2013: 90.9%) of the Group's GSP, representing a decrease of 8.7% from RMB7,833.7 million to RMB7,150.5 million, and direct sales contributed 9.1% (2013: 8.6%) of the Group's GSP, representing a decrease of 2.0% from RMB738.1 million to RMB723.4 million.

Commission rate from concessionaire sales increased to 18.0% (2013: 17.2%) while the gross profit margin from direct sales decreased to 17.6% (2013: 18.0%), resulting the overall gross profit margin from concessionaire sales and direct sales increased to 17.9% (2013: 17.3%). The increase was mainly due to (i) the decrease in sales of certain product categories which carried lower commission rates such as gold and jewellery; and (ii) the overall increase in younger stores' commission rates.

In terms of GSP breakdown by merchandise categories, apparel and accessories contributed 51.0% (2013: 51.0%) of the GSP, gold, jewellery and timepieces contributed 21.5% (2013: 23.4%), cosmetics contributed 8.9% (2013: 8.2%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 18.6% (2013: 17.4%).

The Group's total revenue amounted to RMB1,777.1 million, which decreased by 2.9% from the same period last year. The decrease in revenue was generally in line with the decline in GSP. However, thanks to the overall improvement in gross margins from concessionaire sales and direct sales, the rate of decrease in revenue was lower than that of GSP.



### ***Other operating income***

Other operating income increased by RMB15.5 million or 14.3% to RMB123.8 million for the six months ended 30 June 2014. Other operating income mainly included income from suppliers and customers, which amounted to RMB116.0 million (2013: RMB95.9 million), and government grants, which amounted to RMB7.5 million (2013: RMB12.2 million).

### ***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 decreased by RMB7.4 million or 1.4% to RMB509.7 million for the six months ended 30 June 2014. The decrease was generally in line with the decrease in direct sales.

### ***Employee benefits expense***

Employee benefits expense increased by RMB13.4 million or 7.9% to RMB183.9 million for the six months ended 30 June 2014. The increase was mainly contributed by the net effects of (i) the inclusion of employee benefits expense for those additional retail spaces which have commenced operation during the period under review; (ii) the adjustment in the number of staff due to the continuous streamlining of roles and functions at all departments after the implementation of Omni channel; and (iii) the increase in the number of staff in preparation for the Group's future development and expansion, including recruitment of experienced staff and professionals for the preparation of the Group's upcoming mega stores with multi-functions and amenities to enrich the concept of "lifestyle one-stop shopping destination".

Employee benefits expense as a percentage to GSP increased by 0.4 percentage point to 2.7% as compared to 2.3% for the same period last year.

### ***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 RMB4.9 million or 4.6% to RMB111.1 million for the six months ended 30 June 2014. The increase was primarily due to the additional depreciation and amortisation charges recognised for construction, renovation and expansion of the Group's existing stores, including Nanjing Xinjiekou Store Block B, during the period under review.

Depreciation and amortisation expenses as a percentage to GSP increased by 0.2 percentage point to 1.6% as compared to 1.4% for the same period last year.

### ***Rental expenses***

Rental expenses increased by RMB1.3 million or 1.5% to RMB90.0 million for the six months ended 30 June 2014. This was mainly contributed by the inclusion of rental expenses for those additional retail spaces operating in leased properties which have commenced operation during the period under review.

Rental expenses as a percentage to GSP increased by 0.1 percentage point to 1.3% as compared to 1.2% for the same period last year.

### ***Other operating expenses***

Other operating expenses increased by RMB15.8 million or 5.4% to RMB309.5 million for the six months ended 30 June 2014. 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 net effects of (i) the inclusion of other operating expenses for those additional retail spaces which have commenced operation during the period under review; and (ii) the management's continuous efforts of disciplined cost control during the period under review.

Other operating expenses as a percentage to GSP increased by 0.6 percentage point to 4.6% as compared to 4.0% for the same period last year.

### ***Profit from operations***

Profit from operations, which is the earnings before interest and taxes, decreased by RMB66.4 million or 8.7% to RMB696.9 million for the six months ended 30 June 2014. The decrease was mainly due to the net effects of (i) the overall improvements of younger stores' productivity and (ii) a decline in profit from operations of the Nanjing Xinjiekou Store of RMB70.8 million due to its one-off overall improvement work, including the construction works and the initial startup costs.

Profit from operations as a percentage to GSP was 10.3%, representing a 0.1 percentage point decrease as compared to 10.4% for the same period last year while profit from operations as a percentage to revenue decreased to 39.2%, down 2.5 percentage points as compared to 41.7% for the same period last year.

### ***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 RMB19.8 million or 17.8% to RMB131.4 million for the six months ended 30 June 2014 which was primarily due to more capital being placed in various short-term bank related deposits during the period under review.

### ***Finance costs***

Finance costs comprised interest expenses on the Group's bank loans and senior notes. Finance costs increased by RMB23.6 million or 36.3% to RMB88.7 million for the six months ended 30 June 2014. The increase was primarily due to the inclusion of full period interest expenses on the senior notes. The Company issued 4.625% per annum fixed coupon rate 10-year senior notes in the aggregate principal amount of United States dollars ("USD") 400.0 million (equivalent to RMB2,476.2 million) on 21 May 2013 (the "Notes").

### ***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 and dividend income 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 in August 2011 from a trade supplier during the period under review.

Other gains and losses decreased from a net gain of RMB34.1 million to a net loss of RMB37.6 million. Such decrease was primarily due to the net effects of (i) the increase in net foreign exchange loss by RMB80.0 million from a net foreign exchange gain of RMB35.8 million to a net foreign exchange loss of RMB44.2 million as a result of the fluctuations of RMB exchange rates during the period under review; and (ii) the increase in dividend income from equity investments in the amount of RMB7.8 million.

### ***Share of loss of associates***

Share of loss of associates mainly represented the Group's share of results of its (i) 38.4% owned associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司); and (ii) 49.0% owned associate, iROO & Eagle International Co., Limited (依洛金鷹國際股份有限公司).

### ***Income tax expense***

Income tax expense of the Group decreased by RMB5.9 million or 2.7% to RMB214.3 million. Effective tax rate for the period under review was 30.7% (2013: 25.9%). The increase in effective tax rate by 4.8 percentage points was mainly due to the increase in offshore non-deductible expenses, including the increase in net foreign exchange losses and finance costs.

### ***Profit for the period***

Owing to the decrease in profit from operations and decrease in non-core operating profits, profit for the period decreased by RMB147.0 million or 23.3% to RMB483.1 million. The net profit margin to GSP was 7.1% (2013: 8.5%) for the six months ended 30 June 2014.

### ***Capital expenditure***

Capital expenditure of the Group for the six months ended 30 June 2014 amounted to RMB566.8 million (2013: RMB178.5 million). The amount mainly comprised contractual payments made for acquisition of property, plant and equipment and land use rights, construction of greenfield projects for department chain store expansion 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 its local markets.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2014, the Group's cash and near cash (including bank balances and cash, restricted cash, structured bank deposits and investments in interest bearing instruments) amounted to RMB4,970.4 million (31 December 2013: RMB5,929.8 million) whereas the Group's total borrowings (including bank borrowings and senior notes) amounted to RMB5,130.2 million (31 December 2013: RMB4,494.3 million). For the six months ended 30 June 2014, the Group's net cash used in operating activities amounted to RMB308.7 million (2013: RMB41.4 million), the Group's net cash generated from investing activities amounted to RMB839.0 million (2013: net cash used in investing activities amounted to RMB66.4 million) and the Group's net cash used in financing activities amounted to RMB177.8 million (2013: net cash generated from financing activities amounted to RMB516.4 million).

As at 30 June 2014, the Group's bank borrowings amounted to RMB2,699.0 million (31 December 2013: RMB2,086.6 million) which comprised of short-term bank loans of RMB583.5 million (31 December 2013: nil) and a 3-year dual-currency syndicated loan of RMB2,115.5 million (31 December 2013: RMB2,086.6 million) which will be due for full repayment on 17 April 2015 and were classified as current liabilities during the period under review. The Notes amounted to RMB2,431.2 million as at 30 June 2014 (31 December 2013: RMB2,407.7 million).

Total assets of the Group as at 30 June 2014 amounted to RMB14,902.4 million (31 December 2013: RMB15,074.5 million) whereas total liabilities of the Group amounted to RMB9,866.6 million (31 December 2013: RMB9,828.0 million), resulting in a net assets position of RMB5,035.8 million (31 December 2013: RMB5,246.5 million). The gearing ratio, calculated by dividing total borrowings over total assets of the Group, increased to 34.4% as at 30 June 2014 (31 December 2013: 29.8%).

The capital commitments of the Group as at 30 June 2014 amounted to RMB1,037.0 million (31 December 2013: RMB1,175.5 million), which were contracted for but not provided in the condensed consolidated financial statements of the Group for the contractual payments for the acquisition of property, plant and equipment and land use rights and acquisition of associates and a subsidiary.

## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Group has no material contingent liabilities.

## **PLEDGE OF ASSETS**

As at 30 June 2014, 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 syndicated loan facility granted to the Group.

Assets with the following carrying amounts have been pledged to secure the syndicated loan facility:

	<b>30.6.2014</b>	31.12.2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b><i>(unaudited)</i></b>	<i>(audited)</i>
Available-for-sale investments	<b>73,092</b>	75,268
Trade and other receivables	<b>2,884</b>	28,539
Restricted cash	<b>17,060</b>	15,554
Bank balances and cash	<b><u>12,117</u></b>	<u>354,731</u>
	<b><u>105,153</u></b>	<u>474,092</u>

## FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash, available-for-sale investments, bank loans and senior notes are denominated in Hong Kong dollars ("HKD") or USD which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between HKD/USD and RMB. During the period under review, the Group recorded a net foreign exchange loss of RMB44.2 million (30 June 2013: a net foreign exchange gain of RMB35.8 million). The Group's operating cashflows are not subject to any exchange fluctuation.

## EMPLOYEES

As at 30 June 2014, the Group employed a total of 5,300 employees (31 December 2013: 5,300). During the period under review, the aggregate amount of remuneration paid by the Group to its employees was RMB183.9 million (six months ended 30 June 2013: RMB170.4 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.

## DIVIDENDS

Subsequent to the end of the interim period, the Directors have determined that an interim dividend of RMB0.088 (six months ended 30 June 2013: nil) per share will be paid on or before Thursday, 16 October 2014 to those shareholders of the Company whose names appear in the Register of Members of the Company at the close of business on, Wednesday, 17 September 2014.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar 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, 17 September 2014, which is also the record date for the distribution of dividend.

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

During the six months ended 30 June 2014, the Company repurchased an aggregate of 42,947,000 shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HKD414.1 million (equivalent to RMB328.4 million).

Subsequent to the period end date, the Company repurchased an aggregate of 4,730,000 shares of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HKD43.9 million (equivalent to RMB34.8 million).

The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase. Of the balance, 36,947,000 shares were cancelled during the period under review and the remaining shares were cancelled in August 2014. Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Directors are of the opinion that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2014, except for code provision A.2.1.. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period under review, the Chairman of the Board took a leading role in the day-to-day management and is responsible for the effective functioning of the Board. He was also responsible for the overall strategic development of the Group. The Group's senior management team was responsible for the implementation of business strategy and management of the day-to-day operations of the Group's business.



Having considered the current business environment and operations requirements, and the Group's development strategy of evolving towards comprehensive lifestyle one-stop shopping concept, subsequent to the end of the interim period, Mr. Su Kai (蘇凱) has been appointed as the chief executive officer of the Company with effect from 25 August 2014, who will be responsible for assisting the Chairman in the overall strategic development of the Group.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's 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 six months ended 30 June 2014.

## **AUDIT COMMITTEE**

The principal functions of the Audit Committee, established in compliance with the Listing Rules and the Corporate Governance Code, are to review and supervise the financial reporting processes and internal control procedures of the Group. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lay Danny J.

## **ACKNOWLEDGEMENT**

I would like to express my sincere gratitude for the devoted hard work of the Board, our management team and all our staff members, as well as the continuous supports from our shareholders, business partners and loyal customers.

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

Hong Kong, 25 August 2014

*As at the date of this announcement, the Board comprises 1 executive Director, namely Mr. Wang Hung, Roger and 3 independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lay Danny J.*