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

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

2017 中期報告
Interim Report

Enriching life
一站式滿足生活所需

Spirit of Enterprise

Credible and Committed

Optimistic and Progressive

Dedicated and United

Diligent and Devoted

Contents

Corporate Profile

BUILDING NATIONWIDE CHAIN NETWORK WITH YANGTZE RIVER DELTA AS CORE

Since the opening of our first chain store, Nanjing Xinjiekou Store, over 21 years ago, the Group has successfully opened 30 self-owned stores with a total gross floor area of 1,949,099 square meters and a total operating area of 1,355,246 square meters as at 30 June 2017. These stores span four provinces and one municipality, namely Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai, covering 18 cities including Shanghai, Nanjing, Suzhou, Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Liyang, Danyang, Kunshan, Wuhu, Ma'anshan, Huaibei, Xi'an and Kunming.

Leveraging on our leading position and strong competitive advantages in Jiangsu Province, the Group will continue to reinforce our market leadership and presence in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai by establishing comprehensive lifestyle centers which have potential for the Group's long-term competitive strengths and business growth. Meanwhile, the Group will gradually establish a nationwide retail chain network by actively exploring opportunities in the first- and second-tier cities as well as tapping into the third-tier cities with immense potential for growth.

ADHERING TO THE STRATEGY OF DEVELOPING MAINLY IN SELF-OWNED PROPERTIES WITH ASSET-LIGHT BUSINESS MODEL OF LONG-TERM LEASES AND MANAGED STORES AS ALTERNATIVES

The Group's chain stores are situated at prime shopping districts in their respective cities and the Group adheres to its core development strategies of developing mainly in self-owned properties. As at 30 June 2017, approximately 64.3% of the total gross floor area of our stores are located in self-owned properties. In order to capture opportunities for development and to fully capitalise the Group's business management capabilities and industry chain upstream and downstream core resources, the Group also secured high-quality properties by entering into asset-light arrangements such as long-term leases or management contracts. The tenure for long-term leases is ten years or longer, hence minimising the impact of the possible increase in rental in the operation of our stores.

FOCUSING ON CONTROLLABLE MERCHANDISE RESOURCES, ENHANCING CORE COMPETITIVE STRENGTHS WHILE DEVELOPING COMPREHENSIVE LIFESTYLE CENTERS AND ESTABLISHING A COMMERCIAL RETAIL PLATFORM

Capitalising on the development trends of retail industry consumption upgrade, the Group continued its strategic transformation from fashion department store to "Comprehensive Lifestyle Center". To satisfy customers' demand for high quality lifestyle services and experiences, the Group has, through various types of arrangements including self-operation, co-operation and equity investment, integrated its long-accumulated distinctive controllable merchandise resources into the retail components of G·Life series modules, including supermarket, bookstore, beauty, infants and children, pets and healthcare, and further systematically organised customers by different categories so as to provide personalised experience to these customers. Through flexible and effective use of the

Group's internal and external resources, the Group expects to increase customer traffic and improve performance eventually. On the other hand, together with the Group's continuous development and enhancement of its merchandise and lifestyle service offerings on fashion shopping, distinctive dining, children's early education, leisure and entertainment, aquarium, shared offices, international cinema and comprehensive automobile service, customer traffic in the Group's lifestyle centers had shown improvement, driving rapid growth of the Group's operating results. As at 30 June 2017, the Group operated 12 comprehensive lifestyle centers with a total gross floor area of 1,260,741 square meters. The operating area of the comprehensive lifestyle amenities accounted for 25.4% of the Group's total operating area. With the continuous development and expansion of the Group's controllable resources, the Group strives to continue to enhance its core competitiveness, reinforce development of its comprehensive lifestyle centers and establish an extensive commercial retail platform.

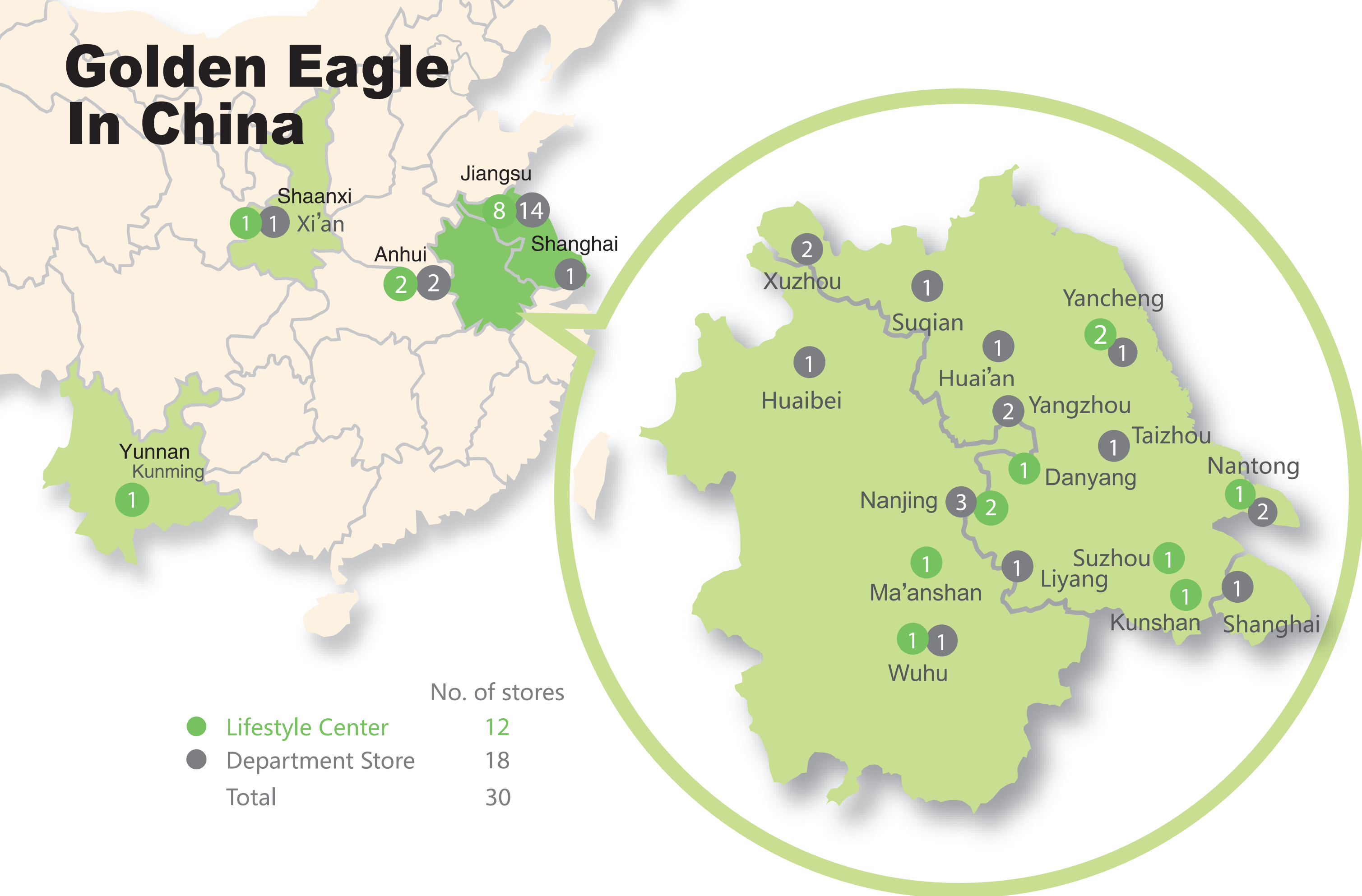
DEDICATED TO PROVIDING TARGET CUSTOMERS WITH HIGH QUALITY AND INNOVATIVE VALUE-ADDED VIP SERVICES AND OMNI-CHANNEL SHOPPING EXPERIENCE

The Group endeavors to enhance the quality and enrich the content of our VIP customer services. The Group's VIP membership card covers online and offline comprehensive lifestyle services in various functions including fashion shopping, dining and leisure, hotel services, comprehensive automobile services and "金鷹購 Jinying.com". The Group also fully utilises omni marketing channel through the mobile phone application "goodee mobile App" (掌上金鷹) (the "App"), the WeChat social network platform and the "Electronic VIP Card" to build and develop marketing channels with high efficiency at low cost, so as to effectively deliver real-time information on sales promotion to customers, enhance customers' shopping experience and allow customers to enjoy various VIP value-added services more easily and thus further stimulate their shopping sentiment. As at 30 June 2017, the App has registered over 6.7 million downloads of which 1.7 million VIP customers connected their VIP membership cards with the App. The App is the most active mobile application in the department store industry in China. At the same time, the Group has successfully secured over 2.5 million loyal VIP customers. During the period under review, spending of the VIP customers accounted for 55.3% of the Group's total gross sales proceeds.

LOCALISED OPERATIONAL STRATEGIES WITH WORLDWIDE MANAGEMENT PERSPECTIVE

The Group appreciates the dedication and contribution of its employees and fosters their capabilities, competence and worldwide perspectives by conducting regular professional training sessions and overseas study trips for both the management and employees. The Group also implements localised management systems for each local market. For each of its stores, the Group recruits local talents to form a management team such that the Group can utilise their local knowledge on the respective markets. As at 30 June 2017, the Group had approximately 5,380 employees.

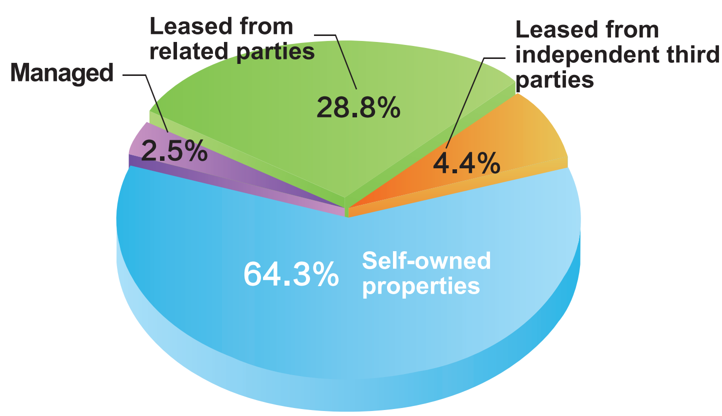
Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 64.3%* of total gross floor area.

		Gross Floor Area (square meters)		
		Owned	Leased	Sub-total
1	Nanjing Xinjiekou Store #	85,303	29,242	114,545
2	Nantong Store	9,297		9,297
3	Yangzhou Store	37,562	3,450	41,012
4	Xuzhou Store	59,934		59,934
5	Xi'an Gaoxin Store	27,287		27,287
6	Taizhou Store	58,374		58,374
7	Kunming Store #	116,817		116,817
8	Nanjing Zhujiang Road Store		33,578	33,578
9	Huai'an Store	55,768		55,768
10	Yancheng Store #	95,904		95,904
11	Yangzhou Jinghua Store		29,598	29,598
12	Shanghai Store		29,651	29,651
13	Nanjing Hanzhong Store		12,462	12,462
14	Nanjing Xianlin Store		42,795	42,795
15	Anhui Huaibei Store		34,714	34,714
16	Suqian Store	65,410		65,410
17	Liyang Store	53,469	18,355	71,824
18	Xuzhou People's Square Store	37,457		37,457
19	Yancheng Outlet Store		18,377	18,377
20	Yancheng Julonghu Store #		110,848	110,848
21	Nantong Lifestyle Store #	94,700		94,700

		Gross Floor Area (square meters)		
		Owned	Leased	Sub-total
22	Danyang Store #		52,976	52,976
23	Kunshan Store #	118,500		118,500
24	Nanjing Jiangning Store #		144,710	144,710
25	Anhui Ma'anshan Store #		87,568	87,568
26	Nantong Renmin Road Store	30,191		30,191
27	Anhui Wuhu Store	30,629		30,629
28	Anhui Wuhu New City Store #	98,906		98,906
29	Xi'an Qujiang Store # @			48,502
30	Suzhou Store #	176,764		176,764
	Total			1,949,099 &



* As a percentage of total gross floor area (square meters) as at 30 June 2017
# In the format of lifestyle center
@ Managed store
& Excludes Jiahong and Lianyungang Supermarkets and Changzhou and Yancheng Aquariums, with total gross floor area of 24,300 sq.m..

Corporate Information

EXECUTIVE DIRECTORS
Mr. Wang Hung, Roger
Ms. Wang Janice S. Y.

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wong Chi Keung
Mr. Lay Danny J
Mr. Wang Sung Yun, Eddie

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC
8th Floor, Golden Eagle International Plaza
89 Hanzhong Road
Nanjing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 1206, 12th Floor, Tower 2, Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY
Ms. Tai Ping, Patricia FCPA, FCPA (Aust)

AUTHORISED REPRESENTATIVES
Mr. Wang Hung, Roger
Ms. Tai Ping, Patricia FCPA, FCPA (Aust)

AUDIT COMMITTEE
Mr. Wong Chi Keung *(Chairman)*
Mr. Lay Danny J
Mr. Wang Sung Yun, Eddie

REMUNERATION COMMITTEE
Mr. Lay Danny J *(Chairman)*
Mr. Wang Hung, Roger
Mr. Wong Chi Keung

NOMINATION COMMITTEE
Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Lay Danny J

PRINCIPAL BANKERS IN THE PRC
Agricultural Bank of China
Bank of China
Bank of Communications
Bank of Jiangsu
Bank of Nanjing
Bank of Ningbo
Bank of Shanghai
China Construction Bank
China Industrial Bank
China Minsheng Bank
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Bank of East Asia (China)

PRINCIPAL BANKERS IN HONG KONG
Bank of China
Bank of Communications
Bank of Shanghai
BNP Paribas
Citi Bank
DBS Bank
East West Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China (Asia)
Natixis
Taipei Fubon Commercial Bank
The Bank of East Asia

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

HONG KONG LEGAL ADVISORS
F. Zimmern & Co.
Rooms 1002-3, 10th Floor, York House
The Landmark, 15 Queen's Road Central, Hong Kong

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

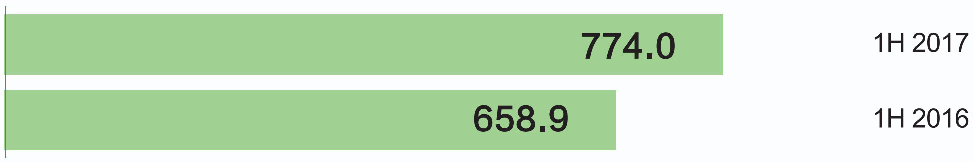
HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)
Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

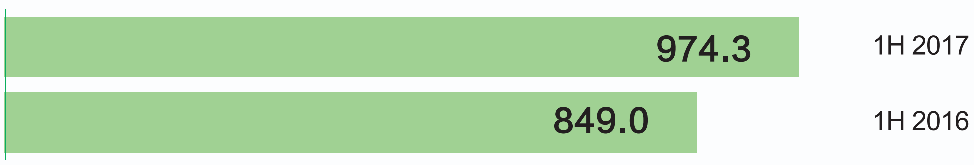
Gross Sales Proceeds (RMB Million)

Revenue (RMB Million)

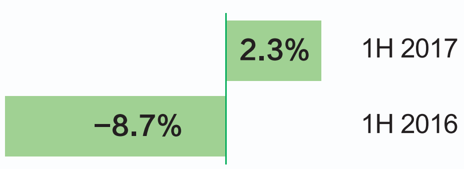
Profit from Operations (RMB Million)



Profit from Operations before Depreciation and Amortisation (RMB Million)



Same Store Sales Growth[1]



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

Enriching life with styles!

Interim Results and Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

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 2017, together with unaudited comparative figures for the corresponding period in 2016. 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").

		Six months ended 30 June	
	NOTES	**2017**	2016
		RMB'000	RMB'000
		(unaudited)	(unaudited & restated)
Revenue	4	**2,315,234**	2,152,240
Other income, gains and losses	6	**314,978**	152,830
Changes in inventories of merchandise		**(762,751)**	(744,782)
Cost of properties sold		**(84,483)**	(43,140)
Employee benefits expense		**(204,461)**	(225,358)
Depreciation and amortisation of property, plant and equipment		**(180,136)**	(174,683)
Release of prepaid lease payments on land use rights		**(20,166)**	(15,453)
Rental expenses		**(121,423)**	(107,179)
Other expenses		**(328,302)**	(330,382)
Share of loss of associates		**(4,258)**	(9,513)
Share of loss of joint ventures		**(934)**	(1,505)
Finance income	7	**104,162**	95,306
Finance costs	8	**(183,545)**	(153,626)
Profit before tax		**843,915**	594,755
Income tax expense	9	**(271,882)**	(238,711)
Profit for the period	10	**572,033**	356,044
Profit (loss) for the period attributable to:			
Owners of the Company		**575,569**	358,470
Non-controlling interests		**(3,536)**	(2,426)
		572,033	356,044
Earnings per share			
– Basic (RMB per share)	12	**0.344**	0.214
– Diluted (RMB per share)	12	**0.342**	0.213

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Profit for the period	**572,033**	356,044
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Profit (loss) on fair value changes of available-for-sale investments	**14,378**	(72,399)
Reclassified to profit or loss on disposal of available-for-sale investments	**(15,814)**	(6,652)
Share of exchange difference of associates	**(365)**	17,659
Income tax expenses relating to items that may be reclassified to profit or loss	**5,811**	11,557
	4,010	(49,835)
Items that may not be reclassified subsequently to profit or loss:		
Gain on revaluation of property, plant and equipment on transfer of investment properties	**35,587**	—
Income tax expenses relating to item that may not be reclassified to profit or loss	**(8,897)**	—
	26,690	—
Other comprehensive income (expense) for the period, net of tax	**30,700**	(49,835)
Total comprehensive income for the period	**602,733**	306,209
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**606,269**	308,635
Non-controlling interests	**(3,536)**	(2,426)
	602,733	306,209

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	13	**8,211,002**	7,755,446
Land use rights - non-current portion		**2,015,478**	2,086,013
Investment properties		**1,657,160**	1,461,760
Deposits and prepayments		**60,219**	60,219
Goodwill		**17,664**	17,664
Interests in associates		**338,216**	327,341
Interests in joint ventures		**18,145**	386,583
Available-for-sale investments		**335,441**	400,668
Deferred tax assets		**123,266**	116,693
		12,776,591	12,612,387
Current assets			
Inventories		**364,864**	443,518
Properties under development for sale		**1,092,756**	910,814
Completed properties for sale		**1,433,088**	1,500,590
Trade and other receivables	14	**694,188**	707,109
Land use rights - current portion		**54,958**	56,382
Amounts due from fellow subsidiaries	15	**37,579**	39,189
Tax assets		**57,469**	11,590
Structured bank deposits	16	**1,664,865**	4,455,740
Investments in interest bearing instruments	16	**1,605,682**	—
Restricted cash	16	**67,343**	96,499
Bank balances and cash	16	**1,984,043**	1,059,572
		9,056,835	9,281,003

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Current liabilities			
Bills, trade and other payables	17	**3,693,017**	3,609,845
Amounts due to related companies	18	**312,135**	671,007
Bank loans	19	**5,138,178**	170,696
Tax liabilities		**321,192**	387,528
Deferred revenue	20	**2,244,523**	2,230,329
		11,709,045	7,069,405
Net current (liabilities) assets		**(2,652,210)**	2,211,598
Total assets less current liabilities		**10,124,381**	14,823,985
Non-current liabilities			
Bank loans	19	—	5,162,068
Senior notes		**2,543,372**	2,602,694
PRC medium-term notes		**1,494,797**	1,492,681
Deferred tax liabilities		**588,141**	519,434
		4,626,310	9,776,877
Net assets		**5,498,071**	5,047,108
Capital and reserves			
Share capital	21	**176,480**	176,456
Reserves		**5,297,159**	4,856,297
Equity attributable to owners of the Company		**5,473,639**	5,032,753
Non-controlling interests		**24,432**	14,355
Total equity		**5,498,071**	5,047,108

Condensed Consolidated Statement of Changes in Equity

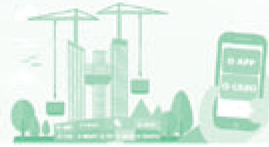
For the six months ended 30 June 2017

	Attributable to owners of the Company													
	Share capital RMB'000 (note 21)	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000	Property revaluation reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (audited)	176,456	–	–	26,994	217,228	152,998	7,175	10,583	49,281	995,895	3,396,143	5,032,753	14,355	5,047,108
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	575,569	575,569	(3,536)	572,033
Other comprehensive income (expense) for the period	–	–	–	–	–	26,690	4,375	(365)	–	–	–	30,700	–	30,700
Total comprehensive income (expense) for the period	–	–	–	–	–	26,690	4,375	(365)	–	–	575,569	606,269	(3,536)	602,733
Exercise of share options	24	–	1,460	–	–	–	–	–	(469)	–	–	1,015	–	1,015
Reversal of equity-settled share-based payments	–	–	–	–	–	–	–	–	(2,400)	–	–	(2,400)	–	(2,400)
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	–	–	–	–	(13,042)	–	13,042	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	13,613	13,613
Dividends recognised as distribution (note 11)	–	–	–	–	–	–	–	–	–	–	(163,998)	(163,998)	–	(163,998)
At 30 June 2017 (unaudited)	176,480	–	1,460	26,994	217,228	179,688	11,550	10,218	33,370	995,895	3,820,756	5,473,639	24,432	5,498,071
At 1 January 2016 (audited & restated)	177,532	–	–	25,905	217,228	–	88,986	(13,549)	49,876	959,710	3,583,825	5,089,513	19,171	5,108,684
Profit (loss) for the period (restated)	–	–	–	–	–	–	–	–	–	–	358,470	358,470	(2,426)	356,044
Other comprehensive (expense) income for the period	–	–	–	–	–	–	(67,494)	17,659	–	–	–	(49,835)	–	(49,835)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(67,494)	17,659	–	–	358,470	308,635	(2,426)	306,209
Shares repurchased and cancelled	(1,018)	–	–	1,018	–	–	–	–	–	–	(88,176)	(88,176)	–	(88,176)
Shares repurchased but not cancelled	–	(71)	(307)	–	–	–	–	–	–	–	(5,549)	(5,927)	–	(5,927)
Exercise of share options	4	–	307	–	–	–	–	–	(102)	–	–	209	–	209
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	–	–	–	–	(327)	–	327	–	–	–
Dividends recognised as distribution (note 11)	–	–	–	–	–	–	–	–	–	–	(101,865)	(101,865)	–	(101,865)
At 30 June 2016 (unaudited & restated)	176,518	(71)	–	26,923	217,228	–	21,492	4,110	49,447	959,710	3,747,032	5,202,389	16,745	5,219,134

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from (used in) operating activities	**458,294**	(245,962)
Investing activities:		
Investments in structured bank deposits	**(25,030,320)**	(16,821,910)
Redemption of structured bank deposits	**27,802,250**	16,942,788
Investments in interest bearing instruments	**(2,538,000)**	(329,000)
Redemption of interest bearing investments	**944,000**	—
Purchase of available-for-sale investments	**(657,551)**	(1,110,610)
Proceeds from disposal of available-for-sale investments	**737,156**	988,158
Placement of restricted cash	**(67,343)**	(71,071)
Withdrawal of restricted cash	**96,499**	90,352
Addition to property, plant and equipment	**(524,423)**	(207,998)
Proceeds from disposal of property, plant and equipment	**601**	1,367
Capital contribution to associates	**(14,218)**	(68,760)
Capital contribution to joint ventures	**(2,521)**	—
Deposit refunded for acquisition of a joint venture	**—**	230,000
Deposit paid for acquisition of a joint venture	**—**	(10,219)
Advances to a joint venture	**—**	(60,290)
Income received from structured bank deposits	**99,164**	60,749
Interest received from interest bearing investments	**8,968**	—
Interest received from bank deposits	**3,580**	2,732
Dividends received from equity investments	**1,878**	518
Net cash generated from (used in) investing activities	**859,720**	(363,194)



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Financing activities:		
Amounts raised from financial liabilities at fair value through profit or loss	**550,333**	675,290
Repayment of financial liabilities at fair value through profit or loss	**(558,626)**	—
New bank loans raised	—	348,546
Repayment of bank loans	**(90,000)**	(353,883)
Interest paid	**(145,880)**	(150,581)
Dividends paid to owners of the Company	**(163,998)**	(101,865)
Repurchase of shares	—	(94,103)
Proceeds on exercise of share options	**1,015**	209
Capital contribution from non-controlling interests	**13,613**	—
Net cash (used in) generated from financing activities	**(393,543)**	323,613
Net increase (decrease) in cash and cash equivalents	**924,471**	(285,543)
Cash and cash equivalents at 1 January	**1,059,572**	2,232,437
Cash and cash equivalents at 30 June, representing bank balances and cash	**1,984,043**	1,946,894

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 ("GEICO"), a company incorporated in the British Virgin Islands, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger.

The Company is an investment holding company. The 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 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.

In preparing the condensed consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2017, its current liabilities exceeded its current assets by approximately RMB2,652,210,000. Taking into account of internally generated funds and unutilised banking facilities, the Directors of the Company considered that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of those 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. THE IMPACT OF CHANGE IN ACCOUNTING POLICY

In accordance with HKAS 40 Investment Property, investment properties can either be accounted for using the cost model or the fair value model and the Group has accounted for its investment properties using the cost model in previous years.

Given the fact that most of the investment properties held by listed companies are accounted for using the fair value model, which is also encouraged under HKAS 40. In 2016, the Group aligned its accounting policy with other listed companies and stated its investment properties at their fair values.

Details and the effects of change in accounting policy on the Group's consolidated statement of financial position as at 31 December 2016 were set out in the published annual report of the Group for the year ended 31 December 2016. The comparative financial information for the six months ended 30 June 2016 was restated in order to ensure that the accounting policy is applied consistently throughout the entire year.

4. REVENUE

An analysis of the Group's revenue for the six months ended 30 June 2017 is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission income from concessionaire sales	**1,019,933**	1,007,430
Direct sales	**904,424**	894,663
Rental income	**223,232**	140,205
Sales of properties	**121,299**	58,632
Management fees	**15,286**	20,070
Hotel operations	**18,422**	18,217
Automobile services fees	**12,638**	13,023
	2,315,234	2,152,240

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

4. REVENUE *(Continued)*

Gross sales proceeds

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Concessionaire sales	**6,902,603**	6,701,034
Direct sales	**1,052,777**	1,042,096
Rental income	**236,208**	149,238
Sales of properties	**128,166**	67,180
Management fees	**16,312**	21,285
Hotel operations	**20,660**	19,435
Automobile services fees	**14,554**	15,021
	8,371,280	8,015,289

5. 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, being the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance.

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

– Retail operations consists of:

  - Southern Jiangsu Province, including stores at Nanjing, Suzhou, Changzhou, Liyang, Danyang and Kunshan

  - Northern Jiangsu Province, including stores at Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng and Suqian

  - Western and the Other Regions of the PRC, including stores at Xi'an, Kunming, Shanghai, Huaibei, Ma'anshan and Wuhu

– Property development and hotel operations

– Other operations represent the total of other operating segments that are individually not reportable

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

5. SEGMENT INFORMATION *(Continued)*

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

	Retail operations				Property development and hotel operations	Other operations	Total
	Southern Jiangsu Province	Northern Jiangsu Province	Western and the Other Regions of the PRC	Subtotal			
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'0000 (unaudited)	RMB'000 (unaudited)
For the six months ended 30 June 2017							
Gross sales proceeds	3,016,332	3,974,312	1,182,516	8,173,160	148,826	49,294	8,371,280
Segment revenue	943,735	935,637	270,289	2,149,661	139,721	25,852	2,315,234
Segment results	287,425	422,796	110,838	821,059	16,201	(21,570)	815,690
Central administration costs and Directors' salaries							(41,650)
Other gains and losses							154,450
Share of loss of associates							(4,258)
Share of loss of joint ventures							(934)
Finance income							104,162
Finance costs							(183,545)
Profit before tax							843,915
Income tax expense							(271,882)
Profit for the period							572,033

5. SEGMENT INFORMATION *(Continued)*

	Retail operations				Property development and hotel operations	Other operations	Total
	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western and the Other Regions of the PRC RMB'000 (unaudited)	Subtotal RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'0000 (unaudited)	RMB'000 (unaudited)
For the six months ended 30 June 2016							
Gross sales proceeds (restated)	2,848,429	3,878,052	1,155,059	7,881,540	86,615	47,134	8,015,289
Segment revenue (restated)	898,944	904,936	237,169	2,041,049	76,849	34,342	2,152,240
Segment results (restated)	256,548	389,749	69,473	715,770	5,669	(22,427)	699,012
Central administration costs and Directors' salaries							(40,120)
Other gains and losses (restated)							5,201
Share of loss of associates							(9,513)
Share of loss of a joint venture							(1,505)
Finance income							95,306
Finance costs							(153,626)
Profit before tax (restated)							594,755
Income tax expense (restated)							(238,711)
Profit for the period (restated)							356,044

Certain comparative figures for the six months ended 30 June 2016 have been re-classified to conform to the current period presentation.

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Other income		
Income from suppliers and customers	**155,280**	140,621
Government grants	**1,857**	4,824
Others	**3,391**	2,184
	160,528	147,629
Other gains and losses		
Net foreign exchange gains (losses)	**183,288**	(157,916)
Dividend income from equity investments	**1,878**	518
Fair value change of investment properties	**32,991**	160,984
Fair value change of held-for-trading investments	**(3,697)**	4,972
Fair value change of financial assets/liabilities at fair value through profit or loss	**(8,294)**	(10,009)
Gain on deemed disposal of an associate	**1,280**	—
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**15,814**	6,652
Impairment loss in relation to store suspension	**(68,810)**	—
	154,450	5,201
	314,978	152,830

7. FINANCE INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from structured bank deposits	**80,219**	66,837
Income from investments in interest bearing instruments	**20,363**	3,989
Interest income on bank deposits	**3,580**	2,732
Interest income on deposit paid for acquisition of a joint venture	—	21,748
	104,162	95,306

8. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on:		
Bank loans	**111,684**	120,385
Senior notes	**61,779**	57,128
PRC medium-term notes	**31,528**	—
	204,991	177,513
Less: amounts capitalised in the cost of qualifying assets		
Property, plant and equipment under constructions	**(19,549)**	(23,887)
Properties under development for sale	**(1,897)**	—
	183,545	153,626

Finance costs capitalised during the six months ended 30 June 2017 are calculated by applying a weighted average capitalisation rate of 4.4% (six months ended 30 June 2016: 4.1%) per annum.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
PRC Enterprise Income Tax ("EIT"):		
Current period	**179,346**	176,110
Land Appreciation Tax ("LAT")	**8,587**	—
(Over) under provision in prior periods	**(99)**	3,542
	187,834	179,652
Withholding tax on distribution of earnings from the PRC subsidiaries	**25,000**	—
Deferred tax charge:		
Current period	**59,048**	59,059
	271,882	238,711

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arose in or derived from Hong Kong for both periods.

Subsidiaries of the Group in the PRC are subject to PRC EIT rate of 25% (six months ended 30 June 2016: 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.

During the interim period, the Group estimated and made provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects, and the LAT determined by the tax authorities might be different from the basis on which the provision for LAT is calculated. The EIT and LAT liabilities are recorded in the "tax payable" of the condensed consolidated financial statements.

10. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	**180,136**	174,683
Release of prepaid lease payments on land use rights	**27,716**	28,194
Less: amounts capitalised	**(7,550)**	(12,741)
	20,166	15,453
Loss on disposal of property, plant and equipment	**1,278**	302

11. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2016 Final dividend of RMB0.0216 (2015 Final dividend: RMB0.060) per share	**35,853**	101,865
2016 Special dividend of RMB0.0772 (2015 Special dividend: nil) per share	**128,145**	—
	163,998	101,865

Subsequent to the end of the interim period, the Directors of the Company have resolved that an interim cash dividend of RMB0.060 per share (six months ended 30 June 2016: an interim cash dividend of RMB0.050 per share and a special cash dividend of RMB0.168 per share, resulting an aggregate dividend of RMB0.218 per share) will be paid to the owners of the Company whose names appear in the Register of Members on 6 September 2017.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**575,569**	358,470

	Six months ended 30 June	
	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,674,999**	1,678,958
Effect of dilutive potential ordinary shares attributable to share options	**7,760**	6,373
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,682,759**	1,685,331

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 2017 and 30 June 2016 because the exercise prices of these options were higher than the average market prices of the Company's shares during both periods.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

During the interim period, additions to property, plant and equipment amounted to RMB298,043,000 (six months ended 30 June 2016: RMB125,578,000) were recorded for construction and renovation of the Group's new stores and amounted to RMB387,825,000 (six months ended 30 June 2016: RMB105,099,000) were recorded for construction, renovation and expansion of the Group's existing stores in order to expand and/or upgrade its operating capabilities.

14. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables	**59,312**	101,306
Advance to suppliers	**64,003**	51,657
Deposits	**91,247**	88,778
Deposits paid for purchases of goods	**8,338**	5,790
Other taxes recoverable	**192,488**	122,344
Deposit refundable and related interest receivable for acquisition of a joint venture	**45,657**	45,657
Other receivables and prepayments	**233,143**	291,577
	694,188	707,109

For the operations other than property development business, 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 for credit card sales will normally be settled within 15 days. There is no trade receivable in property development business at the end of the reporting periods.

Trade receivables amounted to RMB50,604,000 (31 December 2016: RMB92,304,000) for department store operations were aged within 15 days from the respective reporting dates and the remaining trade receivables were aged within 90 days from the respective reporting dates.

15. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.)	**11,556**	8,716
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.)	**7,766**	7,573
昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.)	**4,679**	2,111
宿遷金鷹置業有限公司 (Suqian Golden Eagle Properties Co., Ltd.).)	**3,831**	2,287
南京仙林金鷹天地科技實業有限公司 (Nanjing Xianlin Golden Eagle Tiandi Technology Industry Co., Ltd.)	**2,663**	2,893
Others	**7,084**	15,609
	37,579	39,189

At 30 June 2017, the amounts due from Nanjing Golden Eagle International Industry Co., Ltd. and Nanjing Golden Eagle International Group Co., Ltd. are related to payments made for acquisition and construction of property, plant and equipment, and the remaining amounts represented prepayments made for the Group's operations which are unsecured, interest free and repayable on demand, all aged within 30 days.

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Structured bank deposits (Note 1)	**1,664,865**	4,455,740
Investments in interest bearing instruments (Note 2)	**1,605,682**	—
Restricted cash (Note 3)	**67,343**	96,499
Bank balances and cash (Note 4)	**1,984,043**	1,059,572
	5,321,933	5,611,811

Notes:

1. Structured bank deposits represent foreign currency or interest rate linked structured bank deposits ("SBDs") placed by the Group to a number of banks for a term of one month to one year. Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rates from 3.1% to 5.3% (six months ended 30 June 2016: 2.6% to 4.0%) per annum with reference to the performance of foreign currency or interest rate during the investment period and the principal sums are denominated in RMB. In the opinion of the Directors of the Company, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

2. At 30 June 2017, investments in interest bearing instruments represent the Group's investments in restricted low risk debt instruments arranged by banks in the PRC. The investments are principal guaranteed which carry variable rates of interest and are stated at amortised cost with effective interest ranging from 3.0% to 3.9% per annum for a term of six months to one year.

3. Restricted cash represents balances for the purpose of syndicated loan interest payments and bank deposits restricted for settlement of bills payables and 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. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for various periods ranging from 1 week to 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The effective interest rate for short-term bank deposits during the six months ended 30 June 2017 is approximately 0.3% (six months ended 30 June 2016: 0.3%) per annum.

As at the end of the interim 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.

17. BILLS, TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade payables	**1,267,013**	1,981,208
Bills payables	**43,890**	76,950
Total trade payables	**1,310,903**	2,058,158
Deposits and prepayments received from pre-sale of properties	**1,136,397**	504,960
Payable for property, plant and equipment	**506,242**	289,583
Suppliers' deposits	**197,355**	178,115
Accrued expenses	**137,659**	140,469
Other taxes payable	**43,157**	104,512
Interest payable	**59,502**	30,913
Accrued salaries and welfare expenses	**27,156**	51,465
Other payables	**274,646**	251,670
	3,693,017	3,609,845

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
0 to 30 days	**759,872**	1,596,395
31 to 60 days	**144,356**	167,332
61 to 90 days	**48,308**	78,200
Over 90 days	**358,367**	216,231
	1,310,903	2,058,158

18. AMOUNTS DUE TO RELATED COMPANIES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) (Note 1)	**166,741**	178,678
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 1)	**58,628**	47,814
昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.) (Note 1)	**56,287**	56,287
鹽城金鷹科技實業有限公司 (Yancheng Golden Eagle Technology Industry Co. Ltd.) (Note 1)	**7,573**	7,763
南京江寧金鷹科技實業有限公司 (Nanjing Jiangning Golden Eagle Technology Industry Co., Ltd.) (Note 1)	**7,515**	6,467
揚州金鷹新城市中心實業有限公司 Yangzhou Golden Eagle New City Centre Industrial Co., Ltd. (Note 2)	**—**	369,948
Others (Note 1)	**15,391**	4,050
	312,135	671,007

The amounts due to Nanjing Golden Eagle Construction and Development Co., Ltd. and Kunshan Golden Eagle Properties Co., Ltd. are related to acquisition and construction of property, plant and equipment. The amount due to Yangzhou Golden Eagle New City Centre Industrial Co., Ltd. is non-trade in nature. The remaining amounts represent trade payables to related companies, which aged within 90 days. All the amounts are unsecured, interest free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. A joint venture of the Group.

19. BANK LOANS

The dual currency three-year syndicated secured loan, dominated in HKD and USD amounted to HKD1,052.0 million and USD625.5 million, raised by the Group in April 2015 will be due for full repayment in April 2018 and therefore the loan has been reclassified under current liability as at 30 June 2017.

20. DEFERRED REVENUE

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Prepayments from customers	**2,201,559**	2,209,408
Deferred revenue arising from the Group's customer loyalty programme	**42,964**	20,921
	2,244,523	2,230,329

21. SHARE CAPITAL

	Number of shares	Share capital HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2016 (audited)	1,687,685,000	168,769
Shares repurchased and cancelled	(12,123,000)	(1,213)
Cancellation of treasury shares	(3,000)	—
Exercise of share options	60,000	6
At 30 June 2016 (unaudited)	1,675,619,000	167,562
At 1 January 2017 (audited)	**1,674,886,000**	**167,489**
Exercise of share options	**273,000**	**27**
At 30 June 2017 (unaudited)	**1,675,159,000**	**167,516**

	RMB'000
Shown in the condensed consolidated financial statements:	
At 30 June 2017 (unaudited)	**176,480**
At 30 June 2016 (unaudited)	**176,518**

21. SHARE CAPITAL *(Continued)*

During the six months ended 30 June 2016, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HKD	HKD	HKD'000
For the six months ended 30 June 2016:				
– January 2016	8,356,000	8.80	8.34	71,811
– April 2016	2,706,000	8.96	8.85	24,201
– May 2016	1,119,000	8.95	8.17	9,521
– June 2016	773,000	8.60	7.93	6,470
	12,954,000			112,003

During the six months ended 30 June 2016, 12,123,000 shares were cancelled and 831,000 shares were recognised as treasury shares as at 30 June 2016.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

	Fair value as at			
Financial assets	**30 June 2017 RMB'000 (unaudited)**	31 December 2016 RMB'000 (audited)	**Fair value hierarchy**	**Basis of fair value measurement**
Available-for-sale listed equity securities	**335,441**	400,668	Level 1	Quoted prices in active markets

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

23. OPERATING LEASE ARRANGEMENTS

The Group as leasee

The Group had commitments for future minimum lease payments in respect of certain office, warehouses and departments store properties for business, which are negotiated for terms ranging from 1 to 20 years with fixed and/or contingent rents. At the end of the interim period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	**35,486**	28,119
In the second to fifth year inclusive	**98,754**	97,534
Over five years	**295,463**	299,252
	429,703	424,905

Included in the balances above were future minimum lease payments under non-cancellable operating leases payable to certain fellow subsidiaries of the Group which fall due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	**4,599**	3,979
In the second to fifth year inclusive	**508**	1,457
	5,107	5,436

The above minimum lease commitments represent only the basic rents and do not include contingent rental payable to landlords under certain lease contracts, including fellow subsidiaries of the Group, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after deduction of related sales tax and discounts. It is not possible to estimate in advance the amount of such contingent rental payable. Rental expenses paid under these contingent lease contracts during the six months ended 30 June 2017 amounted to RMB107,920,000 (six months ended 30 June 2016: RMB95,868,000).

23. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

At the end of the interim period, the Group had contracted with tenants which are negotiated for terms ranging from 1 to 15 years for the following future minimum lease payments in respect of department store properties:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	**238,069**	164,342
In the second to fifth year inclusive	**487,702**	473,005
Over five years	**164,889**	159,632
	890,660	796,979

The above minimum lease arrangements represent only the basic rents and do not include contingent rental receivable from tenants under certain lease contracts, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on tenants' monthly gross sales or gross profit.

24. CAPITAL COMMITMENTS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment (Note)	**370,023**	869,006
– acquisition of associates	**23,400**	24,200
– interest in joint ventures	**44,836**	17,343
	438,259	910,549
Other commitment		
– construction of properties under development	**811,725**	768,607

Note: Included in the balance is RMB32,218,000 (31 December 2016: RMB51,446,000) capital expenditure contracted for with fellow subsidiaries of the Group.

25. PLEDGE OF ASSETS

At 30 June 2017, the Group has pledged the equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the syndicated loan granted to the Group. Assets with the following carrying amounts have been pledged to secure the syndicated loan:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Available-for-sale investments	**155,764**	182,739
Restricted cash	**46,943**	42,956
Bank balances and cash	**352,114**	50,348
	554,821	276,043

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Restricted cash	**17,455**	49,466
Land use rights	—	138,078
	17,455	187,544

26. RELATED PARTY TRANSACTIONS

During the interim period, other than those disclosed in elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with related companies:

a) Transactions

Relationship with related companies	Nature of transactions	Six months ended 30 June 2017 RMB'000 (unaudited)	 2016 RMB'000 (unaudited)
Fellow subsidiaries	Decoration service fee paid	**23,032**	—
	Property and ancillary facilities rentals paid	**92,253**	79,478
	Property management fee paid	**42,334**	31,584
	Project management service fee paid	**43,741**	17,841
	Carpark management service fee paid	**899**	1,135
	Management fee received	**11,058**	20,070
	Rental income received	**1,417**	1,017
Associates	Purchase of merchandise	**—**	3,790

b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period were as follows:

	Six months ended 30 June 2017 RMB'000 (unaudited)	 2016 RMB'000 (unaudited)
Salaries and other benefits	**2,457**	2,389
Retirement benefits schemes contributions	**219**	183
Equity-settled share-based payments	**271**	280
	2,947	2,852

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF GOLDEN EAGLE RETAIL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 8 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 August 2017

100 Making another century of impact
德勤百年慶 開創新紀元

BUSINESS REVIEW

Industry Overview

In the first half of 2017, the global economy continued to grow steadily, achieving simultaneous recovery for the first time in seven years and this could become a turning point for international financial crisis. Global economic growth is still facing challenges with concerns over the growth momentum of major economies, including the United States and the Eurozone. The Chinese economy, highlighted with large production volume, rapid growth and high contribution, has shown a stable growth momentum and has become a key growth driver for the global economy. China, however, is expected to have steady growth and risk prevention as the core goals of its macroeconomic development in the long run. The emergence of new business norms and models in China was rapid. The expansion and upgrade of customers' demand coupled with optimisation of consumption structure brought by long-term economic growth already became a new impetus to China's economic growth under its "new social environment". Industrialisation, informatisation, urbanisation and agricultural modernisation continue to deepen and give rise to further expansion of strong and long-term domestic demand.

In the first half of 2017, the GDP in China grew by 6.9% year-on-year to RMB38.1 trillion, ranking amongst the top around the world. The country's total retail sales grew by 10.4% year-on-year to RMB17.2 trillion during the period. Urban disposable income per capita increased by 8.1% in nominal term to RMB18,322. Whereas for Jiangsu Province, where the Group has already established a leading position in the market, achieved a GDP growth of 7.2% year-on-year to RMB4.1 trillion during the first half of 2017. Total retail sales of consumer goods in the province grew by 11.0% year-on-year to RMB1.5 trillion, while the urban disposable income per capita increased by 8.3% to RMB22,870.

Operation Management and Corporate Development

In the first half of 2017, China's economic growth showed signs of steady basal development despite downward pressure. Together with surging e-commerce, new commercial complexes and outbound tourism, the Group's customer traffic experienced certain diversion. Nonetheless, the Group managed to actively leverage on the trends of retail industry transformation and upgrade in the country and pressed on with the development direction of retail chain store expansion, meeting the needs of consumers' daily life, enhancing their shopping experience and emphasising on innovation. The Group gradually achieved the development strategy of building up a nationwide retail chain network of comprehensive lifestyle centers beginning from Jiangsu Province.

During the first half of the year, in the process of continuous strategic transformation, the Group focused on enhancing the organic growth and incremental development growth, namely, on one hand, to continuously improve operation results and quality of the Group's comprehensive lifestyle center and stylish department store chain by strengthening its distinctive controllable merchandise resources and creative promotion and omni-marketing channel activities, coupled with corresponding operation incentive plan; on the other hand, the Group accelerated its transformation and upgrade through various ways of continuous investment and/or resource integration with distinctive commercial brands that meet the demand for upgraded consumption and service contents such as children and education, health and medical, as well as various asset-light business models such as brand management output, together with the effective use of omni-marketing channels, to achieve sustainable development.

Through the endeavours of the Group and its staff, the Group's chain-store traffic, operation results and operation quality has been improved. The Group's customer traffic(1) grew by 9.8% year-on-year to 60 million visits in the first half of 2017, realising a 4.4% year-on-year growth of gross sales proceeds ("GSP") to RMB8,371.3 million. Same-store sales growth ("SSSG")(2) increased by 2.3%. Operating profit increased by 17.5% year-on-year to RMB774.0 million.

— The Group has been seeking breakthroughs and innovation in addition to its regular promotion activities. It organised unified large-scale marketing events across its chain stores, including "Group Anniversary" and "VIP Day" etc. to effectively integrate the resources from distinctive merchandise resources and strategic partners, so as to increase customer traffic, enhance customer experience, and achieve the comprehensive growth of customer traffic, GSP and gross profit margin. The VIP Appreciation Private Sale event at Nanjing Xinjiekou Store attracted more than 160,000 visits. Jiangning Store attracted more than 3,000 families through a distinctive event selling "Cute Kids Collectible Cards" to children. Yancheng Julonghu Store, through utilising its commercial aquarium facilities, organised a large-scale "G.E. Water Splashing Festival", generating record-high customer traffic and GSP. Leveraging on the joint efforts, the Group's VIP Day achieved a 19.5% year-on-year increase in its total foot traffic to 1.3 million customers, while GSP increased by 13.3% year-on-year to RMB170 million. The Group has been actively catering to the ever-changing consumption habits of Chinese consumers - the evolution from traditional shopping into a circling-layering economy — a peer group consumption pattern based on personal interests and lifestyle. In the first half of the year, the Group offered an exquisite commercial event for board game Go lovers to cultivate the next outstanding generation. G TAKAYA jointly organised "Jiangsu Children's Go Challenge" with Nanjing Chess Club and Princess Cruises to promote China's heritage culture and the Group's brand image. In addition, the Group directed its marketing strategy from traditional customer promotion to more effective customer communication. Through the comprehensive and effective use of social media such as WeChat, Weibo, live broadcasting, the Group achieved effective communication and interaction with its VIP members of activities and updates such as VIP Day and Golden Eagle World Business Partnership Conference etc..

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

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

— The Group is keen to capture customers' strong demand for high quality lifestyle merchandise and omni-channel services. To cater for such demand, the Group has launched the "24 Solar Terms Featured Merchandise" on Jinying.com (金鷹購) in May 2017. Featuring carefully selected and well-known seasonal merchandise from its best place of origin according to China's 24 Solar Terms, for instance, honey peaches from Yangshan, Wuxi, white jade loquats from Dongshan, Suzhou, and gold finger grapes from Dazeshan, Pingdu Qingdao, the series leveraged content marketing, the Group's offline stores and Jinying.com (金鷹購) sales to increase customers' consumption stickiness. Another initiative worth looking forward to will be the Group's cooperation with WeBank to launch "Social Gift Card Program" in July 2017. Being a cross-sector cooperation between a large-scale retail chain operator and a private internet bank, the program is the Group's first strategic step towards O2O consumption, internet banking, big data precision marketing, and is also the Group's bold attempt in social interaction marketing to explore potentials of the Group's VIP members on emotional based consumption on WeChat platform. The program is expected to drive long-term consumption growth for the Group. As at 30 June 2017, the "goodee mobile App" has registered over 6.7 million downloads, with over 1.7 million VIP members connected their VIP cards with the App. Average daily GMV (Gross Merchandise Value) achieved a rapid year-on-year growth of more than 350% to RMB1.1 million, with an average of 30,000 active daily users.

— The Group created a proprietary merchandise supply chain with long-term sustainable competitive strengths by continuously developing distinctive controllable merchandise resources. The Group focused on middle-class customers' demand for high quality lifestyle, and opened 3 new stores in the innovative G LIFE series format, including a boutique literature bookstore, a beauty variety store and a children's variety store, demonstrating its strong resources integration capabilities. At the same time, in the first half of 2017, the Group partnered with key fabric providers in China to develop a series of "premium quality single item merchandise" under its own brands of Aquila Doro, IVREA, RESTYLE and Wonderful Life to further provide distinctive controllable merchandise with high-value-for-money to its customers. Due to popular demand, the sale of these merchandises reached 80% of items produced in their respective quarters, of which a single IVREA shirt recorded RMB1.6 million in sales.

— The Group's star business, G MART premium supermarket, offers the world's fresh distinctive health food and exquisite lifestyle gadget. In the first half of 2017, the Group introduced customers to safe and reliable merchandise and high-quality lifestyle experience through various interesting events including "International Food Festival", "Italian Food Festival", "American Food Festival" and "Thai Food Festival", generating sales proceeds of RMB300.7 million, representing a year-on-year growth of 11.3%.

The Group fully understands the importance of professional management team to the overall operation efficiency and long-term core competitive strengths. In June 2017, after careful evaluation, the Group launched an incentive program known as "G MART Partnership Program". This program aims to combine individual supermarket's operation performance with respective management's incentive salaries to motivate employees to perform and to exceed operating targets while delegating more authorities and responsibilities to them, so as to fully mobilise core members' enthusiasm and share the operation results with the company. Suzhou Gaoxin Store recorded a 38.2% month-on-month growth in GSP and a 60.0% month-on-month growth in operating profit, while Kunshan Store achieved a 28.8% year-on-year growth in GSP and a 22.2% year-on-year growth in operating profit during their 2-month trial operation. By the same token, the management team was rewarded for the operation results in excess of their targets. The Group will, after careful review and re-adjustment, promptly implement the program to all supermarket chain stores and even the whole Group, in order to motivate its entire staff team and thus generate better operation performance for the Group.

The Group is committed to developing new business and achieving organic operation growth during its strategic transformation. The Group is also committed to achieving sustainable development through different ways of investment and/or resources integration with distinctive commercial brands, as well as various asset-light business models such as brand management output, together with the effective use of omni-marketing channels.

— To satisfy customers' demand for high quality lifestyle services and experiences, the Group integrated its accumulated distinctive controllable merchandise resources into the retail components of G Life series modules, including supermarket, bookstore, beauty, infants and children, pets and healthcare, and further systematically organised customers by different categories so as to provide personalised experience to these customers. Through flexible and effective use of the Group's internal and external resources, the Group expects to increase customer traffic and performance eventually, so as to solidify the core competitiveness of the Group.

— Through years of development, the Group possesses mature business management capabilities and industry chain upstream and downstream core resources, and has formulated capabilities of self-owned asset-light output and integration. On this basis, the Group has rapidly developed its asset-light business in 3 directions. First, business management capability output: Xi'an Qujiang Lifestyle Center was the Group's first new store to adopt contracted management, an asset-light operation model, symbolising its first step towards this attempt; the Group will speed up the pace of its business management operation output to solidify its asset-light businesses and inject new drivers for the overall business development. Second, the front-end industry chain development: with high-quality consumption data collected from over 2.5 million middle-class families, covering over 10 million target consumers, the Group plans to manage and consolidate this membership database with its peers or industries that are relevant for a more efficient management and utilisation, which will further enhance the Group's forefront industry chain integration capabilities. Through the analysis of a substantial volume of consumers' data, the Group will also be able to further improve its precise marketing and services offering to meet the demand of an upgraded consumption. Third, the back-end industry chain integration: the Group has an in-depth understanding about consumer preferences, through cooperation with manufacturers or strategic partners, the Group developed its own proprietary brands including Aquila Doro, IVREA and RESTYLE. Leveraging on the Group's customer resources and platform, these proprietary brands have extended the Group's value chain and generated a higher return. While developing and expanding these brands, the Group is also accelerating the expansion of these brands outside Golden Eagle chain store network. The rapid expansion of the Group's proprietary brands will further strengthen the Group's long-term competitiveness in the future.

— The Group integrated its operation model with the latest industry development trends, focusing on strategic investment and development in three major service categories, namely children and education, health and medical care and consumption-upgrade. Through investment and cooperation with enterprises of high development potential, the Group has organically integrated the distinctive commercial brands with the Group's extensive commercial platforms to realise the interaction and development of both the content and platform, so as to create its unique competitive strengths and share successful operating results of the distinctive commercial brands. In the first half of 2017, the Group had been enriching its investment portfolio, such as the investment cooperation with Jiangsu Xinhua Newspaper Corporation. Leveraging on the outdoor LED screen resources from both parties, the cooperation aims to establish a new influential media platform for Jiangsu Province's LED Screen News release and commercial marketing. In addition, the Group's investments, Beijing Pop Mart and Korean ToeBox had been listed on the National Equities Exchange and Quotations in Beijing and KASDAQ in Korea in the first half of 2017, respectively.

Through the effective utilisation of various omni-marketing channels, including mobile phone application "goodee mobile App" (掌上金鷹), the WeChat social network platform and the Electronic VIP Card", during the first half of the year, the Group integrated offline sales and Jinying.com (金鷹購) online sales, together with lifestyle services including reward points redemption, e-gift cards, smart parking, distinctive and featured merchandise, hotel and automobile maintenance services, to create a "24-hour operating Golden Eagle" and to achieve online and offline two-way marketing, driving a rapid growth of customers traffic and sales and ultimately achieving the long-term objectives of the Group's strategic transformation.

Outlook

Looking into the macro economy in the second half of the year, steady recovery of those developed economies such as Europe and the United States are expected. Nonetheless, in the context of the Federal Reserve's tightening of its monetary policy, the monetary policies of those world's major central banks will gradually converge and become more tightened as compared with those in the first half of the year. Against this international economic backdrop, the Chinese economy will continue to focus on the "Belt and Road Initiative" and promote economic restructuring, expand effective market demand while actively promoting structural reform from the supply end.

The management remains optimistic about China's retail market development in the future. In the second half of 2017, the Group will proactively explore effective ways to enhance organic growth and incremental development growth, integrate its existing business resources and further reinforce its efforts in exploring unique and new types of functions and amenities for its business. It will also endeavor to enhance the attractiveness of its comprehensive lifestyle centers to boost customer traffic and profitability. These measures include: (i) developing itself into a professional retailer which provides high quality, innovative and comprehensive services, prioritising the development of functions and product categories that enhance customers' shopping experience, with high growth potential and high gross margin, increasing the types of lifestyle functions that cater for mainstream customers' demands for consumption upgrade, including healthcare, maternity products, children's early education, lifestyle and tourism, as well as culture and creativity, etc. in order to enhance its comprehensiveness for shopping, leisure and family gatherings; (ii) further increasing the controllable merchandise resources. Based on the functions and amenities under its G LIFE series, the Group will continue to develop and promote high-value-for-money merchandise under the brands which the Group has close exclusive cooperation relationships with and the Group's proprietary brands; (iii) continuing to optimise the Omni-business model that suits the Group's own way of development, adapt to the consumption patterns of VIP customers and newly recruited young customers and provide more creative marketing services. The Group will focus on promoting sales of tailor-made and high-value-for-money products in lifestyle category to develop Omni-sales channel covering the Group's entire chain store network. As such, the Group will be able to implement interactive conversion of online and offline traffic in a cost-effective way; and (iv) endeavoring to optimise operation incentive plan with gradual extension of implementation, continuing to optimise the management structure and improving the overall operational efficiency.

In the forthcoming three years, the Group will continue to develop its new chain stores at a steady pace. Leveraging on its leading position and strong competitive advantages in Jiangsu Province, the Group will continue to reinforce its market leadership and presence in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai through development of comprehensive lifestyle centers which the Group considers to have great potential for the Group's long-term competitive strengths and business growth. In the second half of 2017, the Group will focus its resources on launching its Golden Eagle World in Nanjing and Phase II of Nanjing Xianlin Store. In particular, it is important to emphasise that Golden Eagle World, as the new urban commercial landmark of East China and even the entire China, is positioned to be the Group's flagship project with annual revenue of over RMB10 billion. Currently the ground work goes smoothly, with more than 400 distinctive brands planned, including a large automobile museum, specialised businesses such as large rooftop spa and handcraft market, and will also mark the first entering into Nanjing of renowned commercial brands, which is expected to be opened in the fourth quarter of this year.

Meanwhile, as part of and a parcel to strategic transformation and incremental development, the Group will also focus on investment and/or resources integration in areas of consumer upgrade, children and education, health and medical care; speed up the development of asset-light business models such as brand management output, along with effective use of Omni-channels, to eventually realise rapid and sustainable development for the Group.

FINANCIAL REVIEW

GSP and revenue

During the period under review, GSP of the Group increased to RMB8,371.3 million, representing a year-on-year growth of 4.4% or RMB356.0 million. The increase was mainly attributable to (i) a year-on-year increase of 2.3% in SSSG; and (ii) the inclusion of Suzhou Gaoxin Lifestyle Center's sales proceeds which commenced trial operation on 18 January 2017.

The seven new lifestyle centers opened since September 2014, namely Yancheng Julonghu Store, Nantong Lifestyle Center, Danyang Store, Kunshan Store, Jiangning Store, Ma'anshan Store and Suzhou Gaoxin Lifestyle Center generated GSP in the aggregate sum of RMB1,302.9 million (1H2016: RMB975.2 million) which contributed 15.6% (1H2016: 12.2%) of the Group's total GSP during the period under review.

During the six months ended 30 June 2017, concessionaire sales contributed 82.5% (1H2016: 83.6%) of the Group's GSP, representing an increase of 3.0% to RMB6,902.6 million from RMB6,701.0 million for the same period of 2016, while direct sales contributed 12.6% (1H2016: 13.0%) of the Group's GSP, representing an increase of 1.0% to RMB1,052.8 million, from RMB1,042.1 million in the same period of 2016. Rental income contributed 2.8% (1H2016: 1.9%) of the Group's GSP, representing an increase of 58.3% to RMB236.2 million in the first six months of 2017 from RMB149.2 million in the same period of 2016. Sales of properties contributed 1.5% (1H2016: 0.8%) of the Group's GSP, representing an increase of 90.8% to RMB128.2 million for the first six months of 2017 from RMB67.2 million. Other income contributed the remaining 0.6% (1H2016: 0.7%) of the Group's GSP, representing a decrease to RMB51.5 million for the first six months of 2017 from RMB55.8 million for the same period of 2016.

Commission rate from concessionaire sales decreased to 17.3% (1H2016: 17.6%) while the gross profit margin of direct sales decreased to 16.2% (1H2016: 17.2%). As a result, the overall gross profit margin of concessionaire sales and direct sales decreased to 17.1% (1H2016: 17.6%). The decrease was mainly due to the net effects of (i) the increase in sales contribution from younger stores which carry lower commission rates as compared to mature stores such as Nanjing Xinjiekou Store; and (ii) the Group's continuous efforts to raise sales productivity with reasonable profit margin.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed 48.3% (1H2016: 50.4%) of the GSP; sales of gold, jewellery and timepieces contributed 18.8% (1H2016: 17.4%); sales of cosmetics contributed 10.9% (1H2016: 9.8%); sales of outdoor, sports clothing and accessories contributed 7.5% (1H2016: 7.0%) and the sales of other products such as electronics and appliances, tobacco and wine, household and handicrafts, supermarket, children's wear and toys contributed the remaining 14.5% (1H2016: 15.4%).

Sales of properties with a total gross floor area of 12,078.2 square meters (1H2016: 6,476.3 square meters) amounted to RMB128.2 million (1H2016: RMB67.2 million). The sales were contributed by the sales of properties of the Riverside Century Plaza Project located at Wuhu City, Anhui Province. It is one of the projects acquired by the Group in the year 2015. The gross profit margin of the sales of properties during the period under review was 30.4% (1H2016: 26.4%).

The Group's total revenue amounted to RMB2,315.2 million, representing an increase of 7.6% from the same period last year. The increase in revenue was generally in line with the increase in GSP and improvement in overall profit margins.

Other income, gains and losses

Other income, gains and losses mainly comprised (i) various miscellaneous income from suppliers and customers; (ii) net foreign exchange gain and loss resulting from the translation of foreign currencies in which the assets and liabilities were denominated into RMB; (iii) the gains and losses and dividend income derived from the Group's investments in securities; and (iv) the changes in the fair value of the Group's investment properties.

The net amount of other income, gains and losses increased by RMB162.2 million to RMB315.0 million for the six months ended 30 June 2017 from a net gain of RMB152.8 million (restated) in the same period of 2016. Such increase was primarily due to (i) the net foreign exchange difference of RMB341.2 million, a change from a net foreign exchange loss of RMB157.9 million in the first six months of 2016 to a net foreign exchange gain of RMB183.3 million in the first six months of 2017 as a result of the fluctuations in RMB exchange rates during the period under review; (ii) the decrease in fair value gains on the Group's investment properties from RMB161.0 million (restated) for the first six months of 2016 to RMB33.0 million for the first six months of 2017; and (iii) the impairment loss recognised in the amount of RMB68.8 million in relation to suspension of operation of part of Changzhou Jiahong Store. The gross floor area of Changzhou Jiahong Store was reduced from 52,545 square meters to 18,362 square meters as at 30 June 2017.

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 increased by RMB59.3 million or 7.5% year-on-year to RMB847.2 million for the six months ended 30 June 2017. The increase was generally in line with the increase in direct sales and sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB20.9 million or 9.3% year-on-year to RMB204.5 million for the six months ended 30 June 2017. The decrease was primarily attributable to the net effects of: (i) the inclusion of Suzhou Gaoxin Lifestyle Center's employee benefits expense which commenced trial operation on 18 January 2017; (ii) the inclusion of full period employee benefits expense of those stores which were re-launched in October 2016 after they completed the formulation of their precise market positioning and overall enhancement. Such stores included the Group's Shanghai Store, Nantong Renmin Road Store and Wuhu New City Store; (iii) the continuous efforts to streamline the roles and functions at all levels; and (iv) 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 0.4 percentage point to 2.9% compared to 3.3% for the same period last year.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and release of prepaid lease payments on land use rights increased by RMB10.2 million or 5.3% year-on-year to RMB200.3 million for the six months ended 30 June 2017. The increase was primarily due to the inclusion of Suzhou Gaoxin Lifestyle Center's depreciation and amortisation.

Depreciation and amortisation expenses as a percentage of GSP remained stable at 2.8% (2016 comparative figure restated).

Rental expenses

Rental expenses increased by RMB14.2 million or 13.3% year-on-year to RMB121.4 million for the six months ended 30 June 2017. This was because the Group's rental arrangements were mainly linked to the sales of the respective stores and the increase in rental expenses during the period under review was mainly attributable to the increase in sales contribution from those stores such as Shanghai Store, Yancheng Julonghu Store, Jiangning Store and Ma'anshan Store which are operating in leased properties and paying rentals.

Rental expenses as a percentage of GSP increased by 0.1 percentage point to 1.7% from 1.6% in the same period last year.

Other expenses

Other expenses decreased by RMB2.1 million or 0.6% year-on-year to RMB328.3 million for the six months ended 30 June 2017. Other expenses mainly included expenses for water and electricity, expenditure on advertising and promotional activities, costs for repair and maintenance and fees for property management. The decrease was primarily attributable to the net effects of: (i) the inclusion of Suzhou Gaoxin Lifestyle Center's other expenses; (ii) the inclusion of other expenses of those stores re-launched in October 2016 for the entire period of six months ended 30 June 2017; and (iii) the management's consistent and disciplined approach to cost control during the period under review.

Other expenses as a percentage of GSP decreased by 0.2 percentage point to 4.6% in the first six months of 2017 from 4.8% in the same period last year.

Share of losses of associates and joint ventures

Share of losses of associates and joint ventures mainly represented the Group's share of the financial results of its 42.6%-owned (31 December 2016: 42.6%-owned) associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司).

Finance income

Finance income was mainly 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 RMB8.9 million or 9.3% year-on-year to RMB104.2 million for the six months ended 30 June 2017 which was primarily due to the net effects of: (i) more capital which had been placed in banks as various short-term bank related deposits during the period under review following the steady increase in the Group's operating cash flows; and (ii) the decrease in interest income derived from the deposit paid for acquisition of a joint venture followed the partial repayment of the deposit and the interest accrued thereon.

Finance costs

Finance costs comprised interest expenses for the Group's bank loans, senior notes and PRC Medium-term Notes. Finance costs increased by RMB29.9 million or 19.5% year-on-year to RMB183.5 million for the six months ended 30 June 2017. The increase was primarily due to the increase in interest rates and the averaged borrowings compared with those in the same period last year.

Income tax expense

Income tax expense of the Group increased by RMB33.2 million or 13.9% year-on-year to RMB271.9 million. Effective tax rate for the period under review was 32.2% (1H2016: 40.1% (restated)). The year-on-year decrease of 7.9 percentage points in effective tax rate was mainly due to the net effects of the increase in both the offshore non-taxable income and non-deductible expenses, including net foreign exchange gain and the offshore finance costs.

Profit for the period

Owing to the increase in profit from operations and increase in non-operating income, profit for the period increased by RMB216.0 million or 60.7% year-on-year to RMB572.0 million. Net profit margin, which measured net profit as a percentage of GSP, was 8.0% (1H2016: 5.2% (restated)) for the six months ended 30 June 2017.

Profit from operations (net profit before interest, tax and other income and losses) increased by RMB115.1 million or 17.5% year-on-year to RMB774.0 million, while profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses) increased by RMB125.3 million or 14.8% year-on-year to RMB974.3 million.

Profit from retail operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses and excluding profit from property sales and hotel operations) increased by RMB113.1 million or 13.6% year-on-year to RMB944.2 million.

As at 30 June 2017, excluding Changzhou Jiahong Store which was partially suspended operation, the aggregate net operating losses generated by 5 (1H2016: 6) loss making stores amounted to RMB18.1 million (1H2016: RMB25.6 million).

Capital expenditure

Capital expenditure of the Group for the six months ended 30 June 2017 amounted to RMB524.4 million (1H2016: RMB208.0 million). The amount mainly comprised contractual payments made for acquisition of property, plant and equipment and land use rights, 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 the shopping environment and the Group's competitiveness in its local markets.

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

As at 30 June 2017, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director/ Chief Executive	Personal Interests	Corporate Interests	Total Interests	Total interests as percentage of the issued share capital
Mr. Wang Hung, Roger	4,000,000	1,246,591,412 (Note)	1,250,591,412	74.66%
Ms. Janice S.Y. ("Ms. Wang")	1,590,000	1,246,591,412 (Note)	1,248,181,412	74.51%
Mr. Su Kai	1,194,000	—	1,194,000	0.07%

Note: These 1,246,591,412 Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Mr. Wang and Ms. Wang are deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,246,591,412 Shares under the SFO.

Long position in underlying Shares

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Ms. Janice S.Y.	100,000	0.01%

Save as disclosed above, as at 30 June 2017, none of the Directors, chief executive nor their associates had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

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

As at 30 June 2017, the register of substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and the chief executive of the Company, the following shareholders had notified the Company of their relevant interests and positions in the shares and underlying shares of the Company:

Long position in Shares

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited (Note)	Interest in controlled corporation	1,246,591,412	74.42%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,246,591,412	74.42%
ICFI HK (U.S.A.) Investments, LLC	Beneficial owner	87,514,888	5.22%

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

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by written resolutions of the sole shareholder of the Company on 26 February 2006 (the "Scheme"), the Board may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Board, have contributed to the Group, to subscribe for Shares for a consideration of HKD1.0 for each lot of share options granted for the primary purpose of providing incentives to directors and eligible employees, consultants and advisors. The Scheme remained effective for a period of ten years commencing from 26 February 2006 and has expired on 25 February 2016. The terms of the Scheme will remain effective on those options which are outstanding but not yet lapsed, forfeited or exercised.

During the six months ended 30 June 2017, 273,000 share options were exercised and 2,420,000 share options were forfeited. As at 30 June 2017, there were a total of 14,079,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 0.8 per cent of the entire issued share capital of the Company as at the date of this report.

Movements of the Company's share options during the period and outstanding as at 30 June 2017 were as follows:

	Number of share options									
	Outstanding at 1 January 2017	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2017	Date of Grant	Exercise period (Note 1)	Exercise price HKD	Price of the Company's Share immediately before the grant date HKD	Price of the Company's Shares on the date immediately before the exercise date (Note 2) HKD
Executive Director	–	100,000	–	–	100,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	N/A
Key management	560,000	30,000	(40,000)	(170,000)	380,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	11.76
	1,600,000	200,000	–	(1,200,000)	600,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	12,212,000	(130,000)	(233,000)	(150,000)	11,699,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	11.78
	2,400,000	(200,000)	–	(900,000)	1,300,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	16,772,000	–	(273,000)	(2,420,000)	14,079,000					
Exercisable at 30 June 2017					10, 022,000					

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The prices of the Company's shares on the dates immediately before the exercise dates are the weighted average of the closing prices as quoted on the Stock Exchange immediately before the dates on which the share options were exercised.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

STATUS OF CONNECTED TRANSACTIONS PENDING COMPLETION

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

Xinjiekou Block B Framework Agreement

On 9 November 2009, Nanjing Golden Eagle International Group Co., Ltd. ("Golden Eagle International Group"), a fellow subsidiary of the Company ultimately wholly-owned by Mr. Wang and a connected person (as defined in the Listing Rules) of the Company, and the Group entered into a framework agreement, pursuant to which Golden Eagle International Group agreed to develop and sell, and the Group agreed to acquire, the whole of 1st to 6th floors and portion of second level of basement of Golden Eagle Phase 3 (the "Xinjiekou Store Block B Property"), a 42-storey building with 5 levels of basement to be located adjacent to Nanjing Xinjiekou Store and to be developed by Golden Eagle International Group.

The consideration of RMB875.0 million (subject to adjustment) for the acquisition of Xinjiekou Store Block B Property was calculated based on RMB17,500 per square meter and the estimated aggregate gross floor area of approximately 50,000 square meters and may be adjusted depending on the actual gross floor area of Xinjiekou Store Block B Property actually to be delivered to the Group upon completion. In the event that the actual gross floor area is less than 50,000 square meters, the remaining balance of the outstanding consideration will be adjusted downward. If the amount to be deducted exceeds the balance of the consideration, Golden Eagle International Group shall pay such shortfall to the Group within 5 business days after the transfer of the title of Xinjiekou Store Block B Property to the Group.

The purpose of the acquisition of Xinjiekou Store Block B Property with an estimated aggregate gross floor area of 50,000 square meters is to increase the operating area of Nanjing Xinjiekou Store and the consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction of Xinjiekou Store Block B Property was completed and commenced soft opening in April 2014. It is expected that the gross floor area to be delivered to the Group will be approximately 51,856 square meters and the outstanding consideration will be adjusted upward by approximately RMB32.5 million, resulting an adjusted total consideration of RMB907.5 million. It is anticipated that the title of Xinjiekou Store Block B Property will be transferred to the Group in 2017.

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

Kunshan Framework Agreement

On 28 March 2011, the Group entered into a cooperation framework agreement with 昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.*) ("Kunshan Golden Eagle Properties"), a fellow subsidiary of the Company ultimately wholly-owned by Mr. Wang and a connected person (as defined in the Listing Rules) of the Company, for the acquisition of a property which is situated at Kunshan City, Jiangsu Province.

* *For identification purpose only*

The property comprises the whole of 1st to 8th floors and basements B1 and B2 of Kunshan Tiandi Project (as defined in the circular dated 21 April 2011) with an aggregate gross floor area of approximately 118,500 square meters (the "Kunshan Property"). Kunshan Tiandi Project is a commercial complex comprising retail, hotel, office and residential area located at the south side of Dongxin Street and the east side of Zhujiang Road, Kunshan Development Zone at Kunshan city with an estimated aggregate gross floor area of approximately 400,000 square meters and to be developed by Kunshan Golden Eagle Properties.

The consideration of RMB1,125.8 million (subject to adjustment) for the acquisition of Kunshan Property was calculated based on RMB9,500 per square meter and the estimated aggregate gross floor area of approximately 118,500 square meters and may be adjusted depending on the gross floor area of Kunshan Property actually to be delivered to the Group upon completion. The consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction of the Kunshan Property was completed and commenced soft opening in January 2015. It is anticipated that the title of Kunshan Property will be transferred to the Group in 2018.

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

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

DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

On 15 April 2015, the Group entered into a dual-currency three-year syndicated loan facility agreement in the principal amounts of up to USD625.5 million and HKD1,052.0 million with a group of financial institutions which will be due for full repayment in April 2018 (the "Syndicated Loan Agreement").

Pursuant to the terms of the Syndicated Loan Agreement, it will constitute, among others, an event of default if at any time when the entire or part of the syndicated loan facility remains outstanding, Mr. Wang ceases to (i) hold directly or indirectly not less than 51% of the beneficial interest in the Company; (ii) be the single largest shareholder of the Company; (iii) be the Chairman and executive Director of the Company; or (iv) maintain the management control of the Company or have the right to determine the composition of majority of the Board. Upon occurrence of an event of default, all outstanding loans together with accrued interest and any other amounts accrued under the Syndicated Loan Agreement may become immediately due and payable. The facility was fully utilised and remained outstanding as at 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, 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 RMB5,321.9 million (31 December 2016: RMB5,611.8 million) whereas the Group's total borrowings (including bank borrowings, senior notes and PRC Medium-Term Notes) amounted to RMB9,176.3 million (31 December 2016: RMB9,428.1 million). For the six months ended 30 June 2017, the Group's net cash generated from operating activities amounted to RMB458.3 million (1H2016: net cash used in operating activities amounted to RMB246.0 million), the Group's net cash generated from investing activities amounted to RMB859.7 million (1H2016: net cash used in investing activities amounted to RMB363.2 million) and the Group's net cash used in financing activities amounted to RMB393.5 million (1H2016: net cash generated from financing activities amounted to RMB323.6 million).

As at 30 June 2017, the Group's bank borrowings amounted to RMB5,138.2 million (31 December 2016: RMB5,332.8 million) which comprised a three-year dual-currency syndicated loan of RMB5,138.2 million (31 December 2016: RMB5,242.8 million). The Group's bank borrowings in 2016 also included a secured bank loan of RMB90.0 million. Senior notes of the Group amounted to RMB2,543.4 million (31 December 2016: RMB2,602.7 million) and its PRC Medium-Term Notes amounted to RMB1,494.8 million (31 December 2016: RMB1,492.7 million) as at 30 June 2017.

Total assets of the Group as at 30 June 2017 amounted to RMB21,833.4 million (31 December 2016: RMB21,893.4 million) whereas total liabilities of the Group amounted to RMB16,335.3 million (31 December 2016: RMB16,846.3 million), resulting in a net asset value position of RMB5,498.1 million (31 December 2016: RMB5,047.1 million). The gearing ratio, which is calculated by having the Group's total borrowings divided by its total assets, decreased to 42.0% as at 30 June 2017 (31 December 2016: 43.1%).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group has no material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Certain bank balances and cash, available-for-sale investments, bank loans and senior notes of the Group are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between HKD/USD and RMB. The Group currently has not entered into any contracts to hedge against its foreign currency exposure and will consider hedging measures should the needs arise. During the period under review, the Group recorded a net foreign exchange gain of RMB183.3 million (1H2016: a net foreign exchange loss of RMB157.9 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 30 June 2017, the Group employed a total of 5,380 employees (31 December 2016: 5,730 employees) with remuneration in an aggregate amount of RMB204.5 million (1H2016: RMB225.4 million). The Group's remuneration policies are formulated with reference to market practices, experience, skills and performances of the individual employees and are reviewed every year.

DIVIDENDS

The Directors have resolved that an interim dividend of RMB0.060 per share (six months ended 30 June 2016: an interim dividend of RMB0.050 per share and a special cash dividend of RMB0.168 per share, resulting an aggregate dividend of RMB0.218 per share), will be paid on or before Tuesday, 19 September 2017 to those shareholders of the Company whose names appear in the Register of Members of the Company at the close of business on Wednesday, 6 September 2017.

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, 6 September 2017, 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 2017, 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 2017.

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 2017.

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 report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Wang Sung Yun, Eddie.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt gratitude to all our staff members for their hard work and dedication and thank our shareholders, business partners and customers for their enduring support. In the second half of the year, the Group will continue to overcome difficulties, grasp opportunities for development and endeavour to innovate as a cohesive force so as to achieve better returns for shareholders.

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

Hong Kong, 21 August 2017