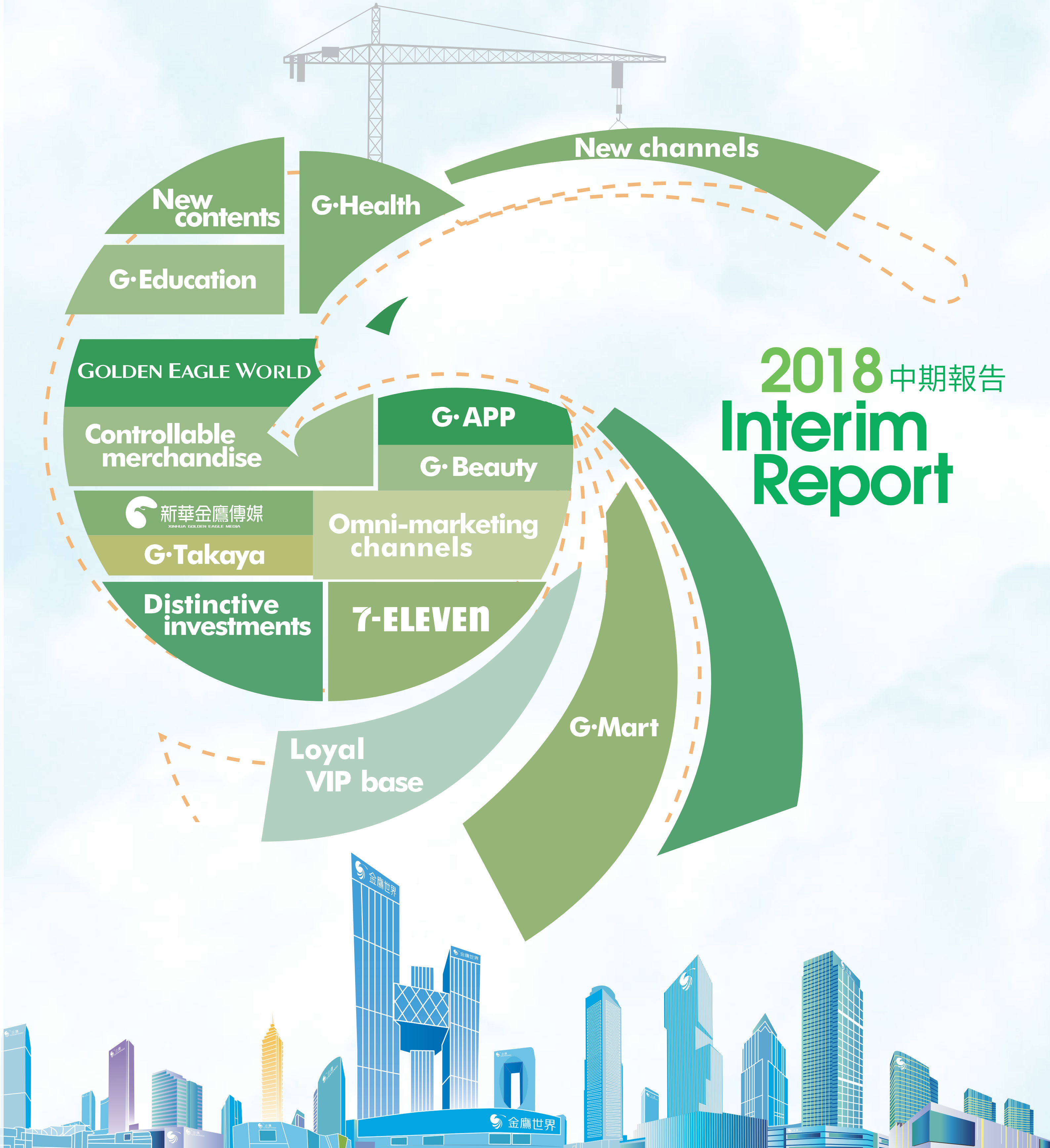
金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

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

一 站 式 滿 足 生 活 所 需
Enriching Life

2018 中期報告
Interim Report



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 22 years ago, the Group has successfully opened 32 self-owned stores with a total gross floor area of 2,489,807 square meters and a total operating area of 1,702,625 square meters as at 30 June 2018. These stores span across 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 first- and second-tier cities as well as tapping into third-tier cities with immense potential for growth.

CONTINUING TO ENHANCE ORGANIC GROWTH AND DEVELOPING COMPREHENSIVE LIFESTYLE CENTERS

Capitalising on the mainstream customers' demands for consumption upgrade, the Group is developing itself into a professional operator 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, including lifestyle functions and amenities such as children's experience, maternity and baby care products, healthcare, lifestyle tourism, household, culture and creativity as well as automobile integrated services etc. in order to enhance its comprehensiveness for shopping, leisure and family gatherings. As at 30 June 2018, the Group operated 15 comprehensive lifestyle centers with a total gross floor area of 1,844,245 square meters. The operating area of the comprehensive lifestyle amenities accounted for 29.9% 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.

EMPHASISING ON INCREMENTAL DEVELOPMENT GROWTH, TAPPING TRENDS OF CONSUMPTION UPGRADE AND RISE OF EMERGING INDUSTRIES INCLUDING CHILDREN AND EDUCATION, HEALTHCARE AND MEDICAL, BUILDING UP ASSET-LIGHT BUSINESS MODEL AND INTEGRATED CONSUMPTION SERVICE PLATFORM

The Group will further secure core resources of new contents, new channels and new VIP members, and formulate capabilities of self-owned asset-light output and integration to meet the needs for long-term development: (i) new contents. To continue to invest and develop new business functions in line with the trend of consumption upgrade, which are profitable, with high conversion, strong stickiness and continuous innovation in content that are also replicable; (ii) new channels. To expand its platform content out of its existing network leveraging on new channels derived and achieve the interaction and development of both content and platform; (iii) new VIP members. To further integrate member resources from the industry or strategic partners, combined with the application of new retail scenes and new technology to explore new VIP members targeting middle-class families and young stylish people, at the same time provide merchandise and comprehensive services more effectively and accurately; (iv) business management capability output. To accelerate the pace of its business management operation output to solidify its asset-light business and inject new drivers for the overall business development.

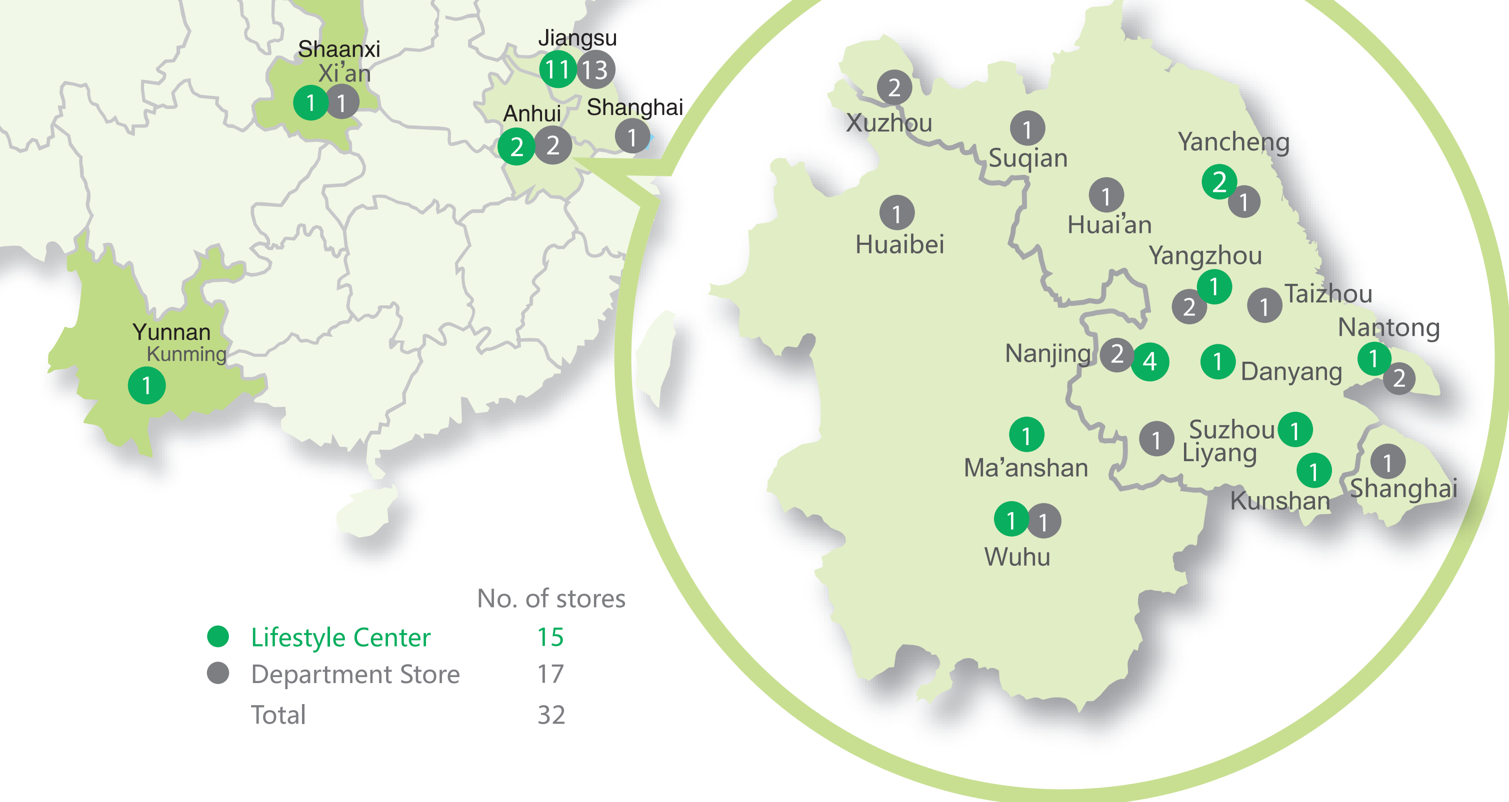
DEDICATED TO PROVIDING HIGH QUALITY AND INNOVATIVE VALUE-ADDED VIP SERVICES AND OMNI-CHANNEL SHOPPING EXPERIENCE

The Group fully utilises its omni marketing channels, through the use of mobile phone application "goodee mobile App" (掌上金鷹) (the "App"), the WeChat and Weibo social network platforms and the "Electronic VIP Card", the Group integrated its Jinying.com (金鷹購) online platform with its comprehensive lifestyle centers, 7-Eleven convenience stores and industry chain upstream and downstream resources. Coupled with quality and convenient comprehensive lifestyle service offerings, the Group has successfully achieved online and offline two-way marketing, thus driving a rapid growth of customer traffic and sales. As at 30 June 2018, the App has registered over 7.3 million downloads of which 2.0 million VIP customers connected their VIP membership cards with the App. At the same time, the Group has successfully secured over 2.8 million loyal VIP customers. During the period under review, spending of the VIP customers accounted for 53.7% of the Group's total gross sales proceeds.

LOCALISED OPERATION STRATEGIES WITH WORLDWIDE MANAGEMENT VISION

The Group appreciates the dedication and contribution of its employees and fosters their capabilities, competence and worldwide vision 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 with local expertise that the Group can utilise on respective markets. As at 30 June 2018, the Group had approximately 3,770 employees.

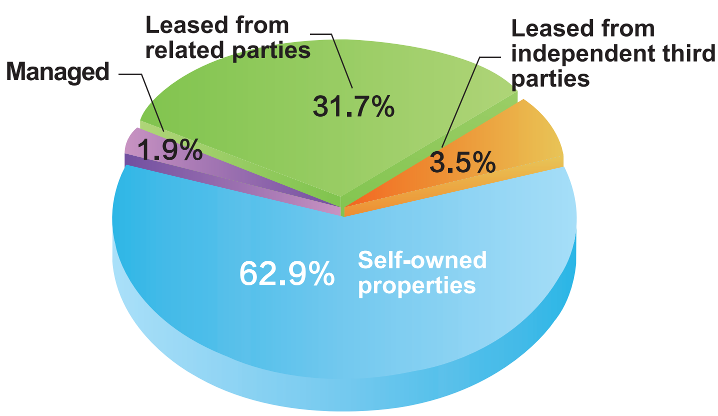
Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 62.9%* of total gross floor area.

	Gross Floor Area (square meters)	Owned	Leased	Sub-total
1	Nanjing Xinjiekou Store #	83,896	29,242	113,138
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 #	88,165		88,165
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 #	168,900	42,795	211,695
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
22	Danyang Store #		52,976	52,976

	Gross Floor Area (square meters)	Owned	Leased	Sub-total
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
31	Golden Eagle World #		227,396	227,396
32	Yangzhou New City Center #	153,560		153,560
	Total			2,489,807 &



★ As a percentage of total gross floor area (square meters) as at 30 June 2018

\# 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 KY1 -1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC
8th Floor, Tower A, Golden Eagle Center
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 Minsheng Bank
Industrial and Commercial Bank of China
Industrial Bank
Shanghai Pudong Development Bank

PRINCIPAL BANKERS IN HONG KONG
Bank of Communications
Bank of Jiangsu
Bank of Shanghai
China Everbright Bank
China Merchants Bank
China Minsheng Bank
East West Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial Bank
Shanghai Pudong Development Bank
Taipei Fubon Commercial Bank
The Bank of East Asia

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

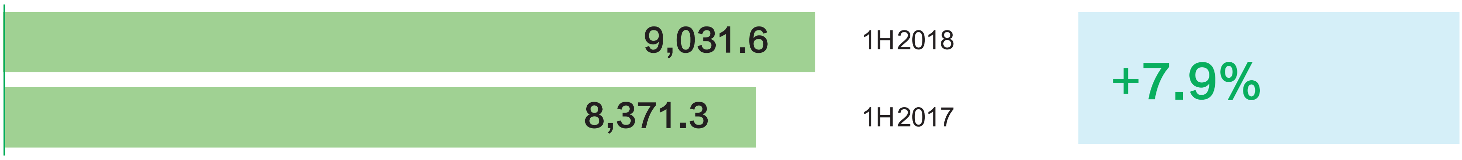
HONG KONG LEGAL ADVISORS
Raymond Siu & Lawyers
Unit 1802, 18th Floor, Ruttonjee House
11 Duddell Street
Central, Hong Kong

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

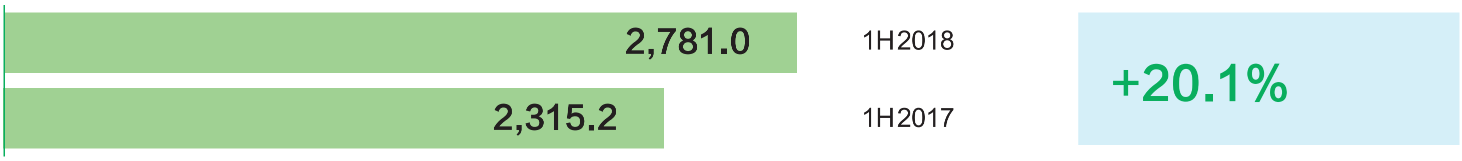
HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

Gross Sales Proceeds (RMB Million)

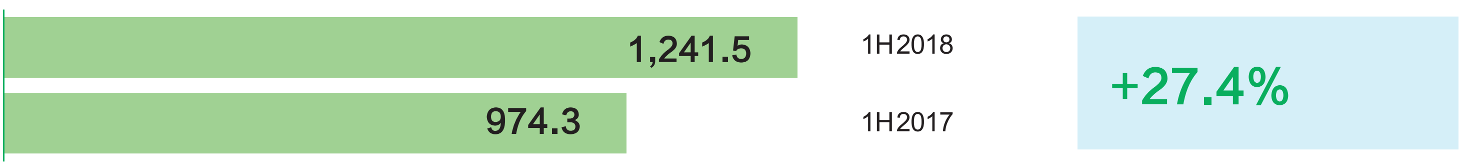


Revenue (RMB Million)

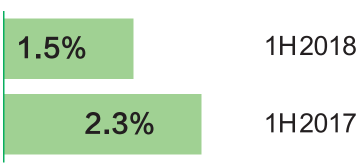


Profit from Operations (RMB Million)

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 2018

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 2018, together with unaudited comparative figures for the corresponding period in 2017. 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	**2018**	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**2,780,993**	2,315,234
Other income, gains and losses	5	**235,491**	314,978
Changes in inventories of merchandise		**(899,939)**	(762,751)
Cost of properties sold		**(141,982)**	(84,483)
Employee benefits expense		**(185,699)**	(204,461)
Depreciation and amortisation of property,plant and equipment and intangible asset		**(185,764)**	(180,136)
Release of prepaid lease payments on lad use rights		**(27,446)**	(20,166)
Rental expenses		**(152,627)**	(121,423)
Other expenses		**(394,546)**	(328,302)
Share of loss of associates		**(9,370)**	(4,258)
Share of loss of joint ventures		**(2,635)**	(934)
Finance income	6	**10,750**	104,162
Finance costs	7	**(205,010)**	(183,545)
Profit before tax		**822,216**	843,915
Income tax expense	8	**(321,367)**	(271,882)
Profit for the period	9	**500,849**	572,033
Profit (loss) for the period attributable to:			
Owners of the Company		**504,055**	575,569
Non-controlling interests		**(3,206)**	(3,536)
		500,849	572,033
Earnings per share			
– Basic (RMB per share)	11	**0.301**	0.344
– Diluted (RMB per share)	11	**0.300**	0.342

Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**500,849**	572,033
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Profit on fair value changes of available-for-sale investments	—	14,378
Reclassified to profit or loss on disposal of available-for-sale investments	—	(15,814)
Share of exchange difference of associates	**4,128**	(365)
Income tax expenses relating to items that may be reclassified to profit or loss	—	5,811
	4,128	4,010
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	**(34,601)**	—
Gain on revaluation of property, plant and equipment on transfer to investment properties	**55,982**	35,587
Income tax expenses relating to item that will not be reclassified to profit or loss	**(9,451)**	(8,897)
	11,930	26,690
Other comprehensive income for the period, net of tax	**16,058**	30,700
Total comprehensive income for the period	**516,907**	602,733
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**520,113**	606,269
Non-controlling interests	**(3,206)**	(3,536)
	516,907	602,733

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**8,355,200**	8,733,659
Land use rights - non-current portion		**2,086,729**	2,150,477
Investment properties	12	**2,111,520**	1,880,520
Intangible asset		**12,915**	13,247
Deposits for property, plant and equipment		**67,982**	—
Goodwill		**17,664**	17,664
Interests in associates		**391,553**	410,270
Interests in joint ventures		**24,841**	27,476
Available-for-sale investments		—	309,920
Equity instruments at fair value through other comprehensive income		**205,333**	—
Financial assets at fair value through profit or loss	13	**140,993**	—
Deferred tax assets		**109,055**	113,273
		13,523,785	13,656,506
Current assets			
Inventories		**400,017**	433,409
Land use rights - current portion		**57,158**	57,746
Properties under development for sale		**1,711,096**	1,444,051
Completed properties for sale		**1,173,090**	1,309,835
Trade and other receivables	14	**1,110,294**	1,100,261
Amounts due from fellow subsidiaries	15	**36,889**	40,647
Tax assets		**65,893**	44,563
Financial assets at fair value through profit or loss	13	**1,123,264**	—
Structured bank deposits		—	717,933
Investments in interest bearing instruments		—	310,315
Restricted cash		**85,147**	116,286
Bank balances and cash		**4,347,642**	5,800,326
		10,110,490	11,375,372

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Current liabilities			
Bills, trade and other payables	16	**3,583,639**	6,445,641
Amounts due to fellow subsidiaries	17	**351,866**	305,690
Bank loans	18	**203,881**	4,799,852
Tax liabilities		**386,893**	395,166
Contract liabilities	19	**4,174,895**	—
Deferred revenue		—	2,327,144
		8,701,174	14,273,493
Net current assets (liabilities)		**1,409,316**	(2,898,121)
Total assets less current liabilities		**14,933,101**	10,758,385
Non-current liabilities			
Bank loans	18	**4,086,481**	—
Senior notes		**2,484,191**	2,451,306
PRC medium-term notes		**1,497,165**	1,493,850
Deferred tax liabilities		**673,162**	632,386
		8,740,999	4,577,542
Net assets		**6,192,102**	6,180,843
Capital and reserves			
Share capital	20	**176,351**	176,368
Reserves		**5,900,658**	5,886,176
Equity attributable to owners of the Company		**6,077,009**	6,062,544
Non-controlling interests		**115,093**	118,299
Total equity		**6,192,102**	6,180,843

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company													
	Share capital RMB'000 (note 20)	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 31 December 2017 (audited)	**176,368**	**(31)**	**–**	**27,106**	**217,228**	**224,511**	**(26,373)**	**4,141**	**31,628**	**1,021,871**	**4,386,095**	**6,062,544**	**118,299**	**6,180,843**
Adjustments (see note 2)	–	–	–	–	–	–	**567**	–	–	–	**(567)**	–	–	–
At 1 January 2018 (restated)	**176,368**	**(31)**	**–**	**27,106**	**217,228**	**224,511**	**(25,806)**	**4,141**	**31,628**	**1,021,871**	**4,385,528**	**6,062,544**	**118,299**	**6,180,843**
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	**504,055**	**504,055**	**(3,206)**	**500,849**
Other comprehensive income (expense) for the period	–	–	–	–	–	**41,986**	**(30,056)**	**4,128**	–	–	–	**16,058**	–	**16,058**
Total comprehensive income (expense) for the period	–	–	–	–	–	**41,986**	**(30,056)**	**4,128**	–	–	**504,055**	**520,113**	**(3,206)**	**516,907**
Shares repurchased and cancelled	**(39)**	–	–	**39**	–	–	–	–	–	–	**(3,697)**	**(3,697)**	–	**(3,697)**
Cancellation of treasury shares	**(31)**	**31**	–	**31**	–	–	–	–	–	–	**(31)**	–	–	–
Exercise of share options	**53**	–	**2,958**	–	–	–	–	–	**(792)**	–	–	**2,219**	–	**2,219**
Reversal of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	–	–	–	–	**(1,304)**	–	**1,304**	–	–	–
Fair value change of equity instruments transfer to retained profits upon disposal	–	–	–	–	–	–	**15,892**	–	–	–	**(15,892)**	–	–	–
Dividends recognised as distribution (note 10)	–	–	–	–	–	–	–	–	–	–	**(504,170)**	**(504,170)**	–	**(504,170)**
At 30 June 2018 (unaudited)	**176,351**	**–**	**2,958**	**27,176**	**217,228**	**266,497**	**(39,970)**	**8,269**	**29,532**	**1,021,871**	**4,367,097**	**6,077,009**	**115,093**	**6,192,102**
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 10)	–	–	–	–	–	–	–	–	–	–	(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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) generated from operating activities	**(87,094)**	458,294
Investing activities:		
Investments in structured bank deposits	**(30,607,600)**	(25,030,320)
Redemption of structured bank deposits	**30,413,900**	27,802,250
Investments in interest bearing instruments	**(1,620,000)**	(2,538,000)
Redemption of interest bearing investments	**1,720,000**	944,000
Placement of restricted cash	**(85,147)**	(67,343)
Withdrawal of restricted cash	**116,286**	96,499
Purchase of available-for-sale investments	**—**	(657,551)
Proceeds from disposal of available-for-sale investments	**—**	737,156
Purchase of financial assets at fair value through profit or loss	**(171,800)**	—
Proceeds from disposal of financial assets at fair value through profit or loss	**91,657**	—
Purchase of equity instruments at fair value through other comprehensive income	**(41,040)**	—
Proceeds from disposal of equity instruments at fair value through other comprehensive income	**49,402**	—
Purchase of property, plant and equipment	**(44,934)**	(524,423)
Proceeds from disposal of property, plant and equipment	**523**	601
Prepayment of acquisition of property, plant and equipment	**(67,982)**	—
Capital contribution to associates	**—**	(14,218)
Proceeds from disposal of an associate	**9,000**	—
Capital contribution to joint ventures	**—**	(2,521)
Income received from structured bank deposits	**76,598**	99,164
Interest received from interest bearing investments	**14,361**	8,968
Interest received from bank deposits	**10,750**	3,580
Dividends received from equity investments	**550**	1,878
Net cash (used in) generated from investing activities	**(135,476)**	859,720

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Financing activities:		
New bank loans raised	**4,025,402**	—
Repayment of bank loans	**(4,608,165)**	(90,000)
Amounts raised from financial liabilities at fair value through profit or loss	—	550,333
Repayment of financial liabilities at fair value through profit or loss	—	(558,626)
Interest paid	**(141,703)**	(145,880)
Dividends paid to owners of the Company	**(504,170)**	(163,998)
Repurchase of shares	**(3,697)**	—
Proceeds on exercise of share options	**2,219**	1,015
Capital contribution from non-controlling interests	—	13,613
Net cash used in financing activities	**(1,230,114)**	(393,543)
Net (decrease) increase in cash and cash equivalents	**(1,452,684)**	924,471
Cash and cash equivalents at 1 January	**5,800,326**	1,059,572
Cash and cash equivalents at 30 June, representing bank balances and cash	**4,347,642**	1,984,043

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 are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger ("Mr. Wang"). Ms. Wang Janice S.Y. ("Ms. Wang") is one of the beneficiaries of The 2004 RVJD Family Trust.

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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Retail operations
- Property development and hotel operations
- Other operations

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	31 December 2017 (Audited)	Reclassification	Remeasurement	**1 January 2018 (After adjustment)**
		RMB'000	RMB'000	RMB'000	**RMB'000**
Current assets					
Properties under development for sale	(a)	1,444,051	—	49,095	**1,493,146**
Current liabilities					
Bills, trade and other payables	(a)	6,445,641	(1,395,995)	—	**5,049,646**
Deferred revenue	(b)	2,327,144	(2,327,144)	—	**—**
Contract liabilities	(a)	—	3,723,139	49,095	**3,772,234**

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

(a) As at 1 January 2018, deposits and prepayments received from pre-sale of properties of RMB1,395,995,000 in respect of property sale contracts previously included in bills, trade and other payables were reclassified to contract liabilities for RMB1,395,995,000. At the date of initial application of HKFRS15, the Group has adjusted the promised amount of consideration received from pre-sale of properties for the effects of a significant financing component, and the capitalised interest expense arising from the effects of a significant financing component amounted to RMB49,095,000.

(b) At the date of initial application, included in the total deferred revenue, RMB2,301,648,000 related to the consideration received from sales of coupons to customers and RMB25,496,000 related to the deferred revenue arising from customer loyalty programme. These balances were reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000
Current assets			
Properties under development for sale	1,711,096	(81,089)	1,630,007
Current liabilities			
Bills, trade and other payables	3,583,639	1,647,848	5,231,487
Deferred revenue	—	2,445,958	2,445,958
Contract liabilities	4,174,895	(4,174,895)	—

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets *(Continued)*

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets including trade and other receivables, amounts due from fellow subsidiaries, restricted cash and bank balances which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and amounts due from fellow subsidiaries where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. Additional loss allowance to charge against the respective asset was insignificant.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments	Financial assets at FVTPL required by HKFRS9	Equity instruments at FVTOCI	Structured bank deposits	Investments in interest bearing instruments	Investment revaluation reserve	Retained profits
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017 – HKAS 39 (audited)		309,920	—	—	717,933	310,315	(26,373)	4,386,095
Effect arising from initial application of HKFRS 9:								
Reclassification								
From available-for-sale investments	(a)	(309,920)	61,624	248,296			567	(567)
From structured bank deposits	(b)	—	717,933	—	(717,933)	—	—	—
From investments in interest bearing instruments	(b)	—	310,315	—	—	(310,315)	—	—
At 1 January 2018 (restated)		—	1,089,872	248,296	—	—	(25,806)	4,385,528

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of certain equity investments previously classified as available-for-sale investments. These investments are not held for trading. At the date of initial application of HKFRS 9, RMB248,296,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value losses net of related deferred tax amounting to RMB22,806,000 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve. In addition, impairment losses previously recognised of RMB3,000,000 were transferred from retained profits to FVTOCI reserve as at 1 January 2018.

From AFS equity investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of RMB61,624,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value losses net of related deferred tax amounting to RMB3,567,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits.

(b) Structured bank deposits and investments in interest bearing instruments

At the date of initial application of HKFRS 9, the Group's structured bank deposits and investments in interest bearing instruments did not meet the HKFRS 9 criteria for classification at amortised cost and FVOCI, as their cash flows did not represent solely payments of principal and interest. As a result, the carrying amounts of structured bank deposits of RMB717,933,000 and investments in interest bearing instruments of RMB310,315,000 were reclassified to financial assets at FVTPL respectively.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line items.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	**1 January 2018 (Restated)**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets				
Available-for-sale investments	309,920	—	(309,920)	—
Equity instruments at FVTOCI	—	—	248,296	**248,296**
Financial assets at FVTPL	—	—	61,624	**61,624**
Current assets				
Properties under development for sale	1,444,051	49,095	—	**1,493,146**
Financial assets at FVTPL	—	—	1,028,248	**1,028,248**
Structured bank deposits	717,933	—	(717,933)	—
Investments in interest bearing instruments	310,315	—	(310,315)	—
Current liabilities				
Bills, trade and other payables	6,445,641	(1,395,995)	—	**5,049,646**
Deferred revenue	2,327,144	(2,327,144)	—	—
Contract liabilities	—	3,772,234	—	**3,772,234**

3. REVENUE

An analysis of the Group's revenue for the six months ended 30 June 2018 is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission income from concessionaire sales	**1,068,569**	1,019,933
Direct sales	**1,068,064**	904,424
Rental income	**371,355**	223,232
Sales of properties	**225,002**	121,299
Hotel operations	**19,008**	18,422
Management fees	**18,433**	15,286
Automobile services fees	**10,562**	12,638
	2,780,993	2,315,234

	Six months ended 30 June 2018 RMB'000
Timing of revenue recognition under HKFRS 15	
A point in time	**2,391,205**
Over time	**18,433**
Total	**2,409,638**

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

Gross sales proceeds	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Concessionaire sales	**7,102,754**	6,902,603
Direct sales	**1,241,453**	1,052,777
Rental income	**397,616**	236,208
Sales of properties	**237,683**	128,166
Hotel operations	**20,270**	20,660
Management fees	**19,620**	16,312
Automobile services fees	**12,163**	14,554
	9,031,559	8,371,280

4. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors and chief executive officer, 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.

4. SEGMENT INFORMATION *(Continued)*

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

	Retail operations						
	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)	Property development and hotel operations RMB'000 (unaudited)	Other operations RMB'0000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2018							
Gross sales proceeds	3,364,773	4,127,475	1,203,308	8,695,556	270,734	65,269	9,031,559
Segment revenue	1,184,289	1,025,570	282,615	2,492,474	256,132	32,387	2,780,993
Segment results	395,744	477,183	125,780	998,707	74,628	(12,933)	1,060,402
Central administration costs and Directors' salaries							(32,157)
Other gains and losses							236
Share of loss of associates							(9,370)
Share of loss of joint ventures							(2,635)
Finance income							10,750
Finance costs							(205,010)
Profit before tax							822,216
Income tax expense							(321,367)
Profit for the period							500,849

4. SEGMENT INFORMATION *(Continued)*

	Retail operations						
	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)	Property development and hotel operations RMB'000 (unaudited)	Other operations RMB'0000 (unaudited)	Total 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

Segment information reported to CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Income from suppliers and customers	**231,921**	155,280
Government grants	**1,895**	1,857
Others	**1,439**	3,391
	235,255	160,528
Other gains and losses		
Net foreign exchange (losses) gains	**(85,800)**	183,288
Dividend income from equity investments	**550**	1,878
Investment income of structured bank deposits	**86,130**	—
Investment income of investments in interest bearing instruments	**6,145**	—
Fair value change of investment properties	**7,000**	32,991
Fair value change of held-for-trading investments	**—**	(3,697)
Fair value change of financial assets/liabilities at fair value through profit or loss	**(3,308)**	(8,294)
Gain on disposal of financial assets at fair value through profit or loss	**2,534**	—
Loss on disposal of an associate	**(654)**	—
Gain on deemed disposal of associates	**2,516**	1,280
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**—**	15,814
Impairment loss in relation to store suspension	**(14,877)**	(68,810)
	236	154,450
	235,491	314,978

6. FINANCE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from structured bank deposits	**—**	80,219
Income from investments in interest bearing instruments	**—**	20,363
Interest income on bank deposits	**10,750**	3,580
	10,750	104,162

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on:		
Bank loans	**126,541**	111,684
Senior notes	**57,141**	61,779
PRC medium-term notes	**32,728**	31,528
Proceeds from pre-sale of properties	**31,994**	—
	248,404	204,991
Less: amounts capitalised in the cost of qualifying assets		
Property, plant and equipment under constructions	**—**	(19,549)
Properties under development for sale	**(43,394)**	(1,897)
	205,010	183,545

Finance costs capitalised during the six months ended 30 June 2018 are calculated by applying a weighted average capitalisation rate of 5.4% (six months ended 30 June 2017: 4.4%) per annum.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current period	**242,940**	179,346
Land Appreciation Tax ("LAT")	**15,846**	8,587
Under (over) provision in prior periods	**555**	(99)
	259,341	187,834
Withholding tax on distribution of earnings from the PRC subsidiaries	**31,837**	25,000
Deferred tax charge:		
Current period	**30,189**	59,048
	321,367	271,882

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arose in nor 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 2017: 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.

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment and intangible asset	**185,764**	180,136
Release of prepaid lease payments on land use rights	**28,513**	27,716
Less: amounts capitalised	**(1,067)**	(7,550)
	27,446	20,166
Loss on disposal of property, plant and equipment	**319**	1,278

10. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2017 Final dividend of RMB0.3000 (2016 Final dividend: RMB0.0216) per share	**504,170**	35,853
2016 Special dividend of RMB0.0772 per share (2017 Special dividend: nil)	**—**	128,145
	504,170	163,998

Subsequent to the end of the interim period, the Directors have resolved that an interim cash dividend of RMB0.1338 per share (six months ended 30 June 2017: RMB0.0600 per share), in an estimated aggregate amount of RMB223,822,000 (six months ended 30 June 2017: RMB100,197,000) will be paid to the owners of the Company whose names appear in the Register of Members on 6 September 2018.

11. 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	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**504,055**	575,569

	Six months ended 30 June	
	2018	2017
	`000	`000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,673,386**	1,674,999
Effect of dilutive potential ordinary shares attributable to share options	**6,608**	7,760
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,679,994**	1,682,759

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 2018 and 30 June 2017 because the exercise prices of these options were higher than the average market prices of the Company's shares during both periods.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the interim period, additions to property, plant and equipment amounted to RMB1,437,000 (six months ended 30 June 2017: RMB298,043,000) were recorded for construction and renovation of the Group's new stores and amounted to RMB49,406,000 (six months ended 30 June 2017: RMB387,825,000) were recorded for construction, renovation and expansion of the Group's existing stores in order to expand and/or upgrade its operating capabilities.

The Group's investment properties as at 30 June 2018 were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers not connected to the Group. The fair value was arrived at on the basis of capitalization of the rental income derived from existing tenancies with due allowance for reversionary income potential of the properties, where appropriate. The resulting increase in fair value of investment properties of RMB7,000,000 has been recognised directly in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB32,991,000).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Non-current		
Unquoted fund investment	**100,000**	—
Equity investments	**40,993**	—
	140,993	—
Current		
Structured bank deposits	**921,165**	—
Investments in interest bearing instruments	**202,099**	—
	1,123,264	—

14. TRADE AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	**103,477**	174,992
Advance to suppliers	**51,982**	64,141
Deposits	**131,990**	132,248
Deposits paid for purchases of goods	**10,161**	10,472
Other taxes recoverable	**295,840**	222,106
Other receivables and prepayments	**516,844**	496,302
	1,110,294	1,100,261

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 RMB93,334,000 (31 December 2017: RMB151,025,000) for retail 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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.)	**11,337**	11,494
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.)	**9,533**	8,835
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.)	**2,676**	2,354
昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.)	**1,055**	6,023
Others	**12,288**	11,941
	36,889	40,647

At 30 June 2018, the amounts due from fellow subsidiaries are trade in nature, unsecured, interest free and repayable on demand.

16. BILLS, TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables	1,626,668	2,833,271
Bills payables	64,700	95,600
Total trade payables	1,691,368	2,928,871
Deposits and prepayments received from pre-sale of properties	—	1,395,995
Payable for purchase of property, plant and equipment	854,814	955,410
Suppliers' deposits	301,740	265,114
Accrued expenses	149,928	169,437
Other taxes payable	67,663	137,515
Interest payable	58,192	30,081
Accrued salaries and welfare expenses	28,528	62,255
Other payables	431,406	500,963
	3,583,639	6,445,641

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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 to 30 days	1,174,087	2,194,097
31 to 60 days	150,292	217,729
61 to 90 days	83,851	97,948
Over 90 days	283,138	419,097
	1,691,368	2,928,871

17. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction Work Co., Ltd.)	**134,529**	131,996
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.)	**71,216**	69,154
昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.)	**56,287**	56,287
南京建鄴金鷹置業有限公司 (Nanjing Jianye Golden Eagle Properties Co., Ltd.)	**25,482**	—
南京江宁金鷹科技實業有限公司 (Nanjing Jiangning Golden Eagle Technology Industry Ltd.)	**10,154**	9,873
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Co., Ltd.)	**9,736**	5,766
鹽城金鷹科技實業有限公司 (Yancheng Golden Eagle Technology Industry Co., Ltd.)	**8,553**	10,259
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.)	**8,248**	8,147
南京珠江壹號實業有限公司 (Nanjing Zhujiang No. 1 Industry Co., Ltd.)	**6,049**	172
Others	**21,612**	14,036
	351,866	305,690

The amounts due to Nanjing Golden Eagle Construction Work Co., Ltd., Nanjing Golden Eagle International Group Co., Ltd. and Kunshan Golden Eagle Properties Co., Ltd. are related to acquisition and construction of property, plant and equipment. 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.

18. BANK LOANS

In April 2018, the Group arranged a syndicated loan in the principal amounts of United States dollar ("USD") 430,000,000 and Hong Kong dollar ("HK$") 1,781,000,000 (equivalent to RMB4,130,771,000) to re-finance the maturing syndicated loan in the outstanding amount of RMB4,799,852,000 as at 31 December 2017. The new syndicated loan carries interest at LIBOR/HIBOR + 2.5% per annual and repayable in full in April 2021. The effective interest rate for the syndicate loan outstanding during the interim period is 5.3% to 5.7% (six months ended 30 June 2017: 4.1% to 4.2%). Details of the assets pledged for the syndicated loan facilities are set out in note 24.

19. CONTRACT LIABILITIES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Prepayments from customers	**2,406,712**	—
Deposits and prepayments received from pre-sale of properties	**1,728,937**	—
Deferred revenue arising from the Group's customer loyalty programme	**39,246**	—
	4,174,895	—

20. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	5,000,000,000	500,000
Issued and fully paid:		
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
At 1 January 2018 (audited)	1,673,820,000	167,382
Shares repurchased and cancelled	(468,000)	(47)
Cancellation of treasury shares	(366,000)	(37)
Exercise of share options	659,000	66
At 30 June 2018 (unaudited)	1,673,645,000	167,364

20. SHARE CAPITAL *(Continued)*

	RMB'000
Shown in the condensed consolidated financial statements:	
At 30 June 2018 (unaudited)	176,351
At 30 June 2017 (unaudited)	176,480

During the six months ended 30 June 2018, pursuant to the general mandate given to the Directors, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid	
		HK$	HK$	HK$'000	RMB equivalent'000
For the six months ended 30 June 2018:					
– January 2018	468,000	9.90	9.38	4,477	3,697

During the six months ended 30 June 2018, a total of 468,000 shares (six months ended 30 June 2017: nil) were repurchased and a total of 834,000 shares were cancelled.

21. 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).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Financial assets	Fair value as at 30 June 2018 RMB'000 (unaudited)	Fair value as at 31 December 2017 RMB'000 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale listed equity securities	—	309,920	Level 1	Quoted prices in active markets
Listed equity securities at fair value through other comprehensive income	**205,333**	—	Level 1	Quoted prices in active markets
Listed equity securities at fair value through profit or loss	**40,993**	—	Level 1	Quoted prices in active markets
Structured bank deposits	**921,165**	717,933	Level 2	Discounted cash flow - future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
Investments in interest bearing instruments	**202,099**	310,315	Level 2	Discounted cash flow - future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
Unquoted fund investment at fair value through profit or loss	**100,000**	—	Level 3	The unquoted fund is at newly-established stage. Its fair value is considered approximate to their cost.

There were no transfers between Level 1, 2 and 3 during both period/year. The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost recognised in the condensed consolidated financial statements approximate their fair values.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Unquoted fund investment at FVTPL RMB'000
At 1 January 2018	—
Addition	100,000
At 30 June 2018	100,000

22. OPERATING LEASE ARRANGEMENTS

The Group as leasee

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	**34,185**	27,431
In the second to fifth year inclusive	**110,971**	98,445
Over five years	**238,704**	291,347
	383,860	417,223

22. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as leasee *(Continued)*

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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	**7,497**	—
In the second to fifth year inclusive	**10,494**	—
	17,991	—

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 2018 amounted to RMB143,843,000 (six months ended 30 June 2017: RMB107,920,000).

The Group as lessor

At the end of the reporting 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 retail store properties:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	**543,527**	573,753
In the second to fifth year inclusive	**1,092,352**	967,771
Over five years	**397,595**	379,294
	2,033,474	1,920,818

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.

23. CAPITAL COMMITMENTS

	30 June 2018 RMB'000 (unaudited)	31 December 2017 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	25,706	2,420
– acquisition of an associate	23,400	23,400
– investment in joint ventures	41,436	41,436
	90,542	67,256
Other commitment		
– construction of properties under development (Note)	234,883	316,493

Note: Included in the balance is RMB39,526,000 (31 December 2017: RMB30,259,000) capital expenditure contracted for with fellow subsidiaries of the Group.

24. PLEDGE OF ASSETS

At the end of the reporting period, 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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Equity instruments at fair value through other comprehensive income	104,003	—
Available-for-sale investments	—	120,425
Restricted cash	51,576	44,613
Bank balances and cash	542,015	887,428
	697,594	1,052,466

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Restricted cash	31,038	69,690

25. 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 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Fellow subsidiaries	Property and ancillary facilities rentals paid	**127,353**	92,253
	Property management fee paid	**72,208**	42,334
	Project management service fee paid	**9,515**	43,741
	Rental income received	**1,544**	1,417
	Carpark management service fee paid	**955**	899
	Decoration service fee paid	**—**	23,032
	Management fee received	**14,686**	11,058
Associate	Purchase of merchandise	**8,158**	—

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 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Salaries and other benefits	**2,257**	2,457
Retirement benefits schemes contributions	**182**	219
Equity-settled share-based payments	**82**	271
	2,521	2,947

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 18 July 2018, the Group entered into an equity transfer agreement with Nanjing Golden Eagle International Group Co., Ltd., an indirect wholly-owned subsidiary of GEICO, to dispose of 100% equity interests in 常州金鷹國際購物中心有限公司 (Changzhou Golden Eagle International Shopping Centre Co., Ltd.), for a cash consideration of approximately RMB64,009,000, which shall be settled by cash. Upon completion, Changzhou Golden Eagle International Shopping Centre Co., Ltd. will cease to be a subsidiary of the Group.

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 47, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 2018

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 2018, the global economy was on an upward trend driven by the US, Eurozone and China's economies. In light of the slightly subdued economy of emerging markets, growth momentum of the global economy was expected to achieve a moderate slowdown with a growth rate of approximately 3.2%. Stimulated by tax cuts and consumption incentives, growth momentum of the US economy accelerated in the second quarter of 2018, whereas an inevitable impact was expected from the US-China trade tension. Meanwhile, China's economy has shown a steady and upward trend with a GDP reaching RMB41.9 trillion, a year-on-year increase of 6.8%, demonstrating resilience, vitality and strength as the world's second largest economy. Striving towards high quality development, China's economy continued to serve as the "stabiliser" and "power hub" for the global economy. In the region of Jiangsu Province where the Group has already established a leading position in the market, major economic indicators such as provincial GDP, total retail sales of consumer goods, urban disposable income per capita, etc. continued to take the lead across the country in the first half of 2018, reflecting a strong spending power and market potentials of the region.

Looking at its development, the retail industry in China was under a critical period of industrial transformation. Under the backdrop of economic restructuring in the country, development of China's overall retail industry was boosted by technological advancement and consumption upgrades, which was experiencing a critical transformational upgrade from a featuring e-commerce 3.0 mode to a featuring smart retail 4.0 mode. Retail market competition has also extended to "ecology competition", characterised by the synchronisation of all online and offline channels, all-round shopping environment, all categories of customers and all relevant sectors of industry. In general, new business landscape has emerged. From the perspective of consumption trends, a fundamental market trend characterised by intergenerational change consumption upgrades will continue to exist.

Operation Management and Corporate Development

In the first half of 2018, the Group managed to actively leverage on the trends of economic transformation and upgrade in China and pressed on with the development direction of the "new retail" concept, through the development of an interactive Omni-channel retail platform meeting the needs of consumers' daily life, enhancing their shopping experience and emphasising on innovation and gradually enhancing the Group's organic growth and incremental development growth.

In terms of organic growth, the Group sustained an improvement in its overall operation performance and quality by strengthening its creative promotional activities and tapping growth potentials of its mature stores and younger stores. Through the endeavours of the Group and its staff, the Group's customer traffic[1] grew by 42.6% year-on-year to 85.8 million visits in the first half of 2018, realising a 7.9% year-on-year growth of gross sales proceeds ("GSP") to RMB9,031.6 million. Same-store sales growth ("SSSG") increased by 1.5% year-on-year. EBITDA increased by 27.4% year-on-year to RMB1,241.5 million while operating profit reached RMB1,028.2 million, representing a significant growth of 32.8%.

— The Group has been seeking breakthroughs and innovation in addition to its regular promotion activities to drive continuous growth of operation results and customer traffic. It organised unified large-scale marketing events across its chain stores, including Group Anniversary, 520 Web Valentine's Day, VIP Day, etc. to effectively integrate with the resources from distinctive merchandise resources and strategic partners, so as to increase customer traffic and enhance customer experience, thereby achieving the comprehensive growth of customer traffic, GSP and gross profit. The "520 Web Valentine's Day" event attracted more than 758,000 customer visits, a year-on-year increase of 36.9%, generated GSP of RMB110.0 million, an increase of 21.0% year-on-year and generated gross profit of RMB17.1 million, an increase of 23.8% year-on-year. Furthermore, the Group shifted the focus of its marketing strategy from traditional promotions to highly efficient large-scale themed promotional events. The combination of quality content resources from suppliers and in-store themed campaigns, emphasis on popular activities with high conversion such as fans gatherings with celebrities, online games competitions and large-scale indoor performances, effective marketing through various social media platforms such as WeChat, Weibo, Webcast, etc., coupled with interaction with customers have helped the Group to expand its customer base to a large pool of high-worth new customers and encourage consumption with improved shopping experience. A fans gathering with Xu Zheng, featuring movie "Dying to Survive", though held at Nanjing Golden Eagle World on a weekday, attracted more than 29,000 visits. The "Idol Producer" recruitment activity attracted more than 51,000 visits, while the "PlayerUnknown's Battlegrounds" online game competition organised at Nanjing, Suzhou, Xuzhou and Yancheng stores had drawn participation from numerous young VIP customers.

— The Group attaches great importance to tapping growth potentials of its mature stores and younger stores. Ranking second in terms of results performance among the Group's mature stores, Xuzhou Store faces intense competition from large-scale shopping malls opened in the past two years. Nonetheless, Xuzhou Store strives for meeting demand from the local market, adopting proactive approach for merchandise optimisation and adjustment, and focusing on ahead-of-market introduction of internationally renowned merchandises, top-tier cosmetics and stylish brands to form a strong branding portfolio. With comprehensive upgrades and optimisation of brands around these benchmarking brands, together with mutual leverage on in-store brand resources from suppliers, Xuzhou Store has effectively reduced marketing expenses for both itself and suppliers, enhanced the effectiveness and efficiency of its marketing activities, and further consolidated its leading position in the local market. In the first half of the year, Xuzhou Store recorded GSP of RMB853.3 million, representing a year-on-year growth of 2.1%. Gross profit increased by 3.8% year-on-year to RMB145.4 million. Operating profit grew by 6.8% year-on-year to RMB124.1 million. Yancheng Store, another key representative among the Group's major stores, has also secured local market share through continuous focus on the optimisation, adjustment and performance improvement of benchmarking brands including internationally renowned cosmetics, coupled with a variety of creative marketing activities such as Peacock Exhibition and In-Store Carnival. Yancheng Store recorded GSP of RMB624.9 million in the first half of the year, representing a year-on-year growth of 4.1%. Gross profit increased by 8.4% year-on-year to RMB108.6 million. Operating profit grew by 17.2% year-on-year to RMB87.7 million. Another achievement worth mentioning is that Nanjing Jiangning Store, a key representative among the Group's younger stores, has recorded significant improvement in its results through large extent of merchandise upgrade and adjustment, efficient and interesting marketing activities, and the transformation of approximately 2,000 square meters of non-operating area, including warehouses and passages, into retail operating area. The store recorded GSP of RMB279.5 million in the first half of the year, representing a year-on-year growth of 22.5%. Gross profit increased by 36.5% year-on-year to RMB59.3 million. Operating profit grew by 167.1% year-on-year to RMB28.5 million.

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

— The Group has created a proprietary merchandise supply chain with long-term sustainable competitive strengths by continuously developing distinctive controllable merchandise resources. To focus on middle-class customers' demand for high quality lifestyle, the Group partnered with key fabric providers in China to develop a series of "premium quality single item merchandise" under 5 own brands, namely Aquila Doro, IVREA, RESTYLE, Wonderful Life and LISALEN. Currently, there are approximately 210 SKUs sold under these 5 brands, in an effort to provide distinctive controllable merchandise with high-value-for-money to its customers.

In the first half of the year, the Group attached great importance to the continuous achievement and rapid development of business increments in the process of implementing strategic development of an integrated omni-channel consumption services platform. The new generation of comprehensive lifestyle centers, represented by Nanjing Golden Eagle World ("Golden Eagle World"), the Group's new comprehensive lifestyle flagship, and 7-Eleven convenience store business, constituted new channels for the Group's platform development. On the other hand, distinctive retail components of G•Life series module including G•Mart, G•Beauty and G•Takaya targeting to meet customers' demand for consumption upgrades, commercial contents including indoor amusement park featuring internationally renowned IP targeting to meet customers' demand for refreshed shopping experience, have coupled with Golden Eagle Education and Golden Eagle Health and Medical Care to constitute new contents for the Group's platform development. The combination of new channels, new contents and new technology attracted new VIP members, in particular middle-class families and young stylish people, to support the Group's long-term development. Through various ways of investment and/or resources integration, adoption of asset-light business models along with the effective use of Omni-channels, the Group has achieved sustainable development.

— The Group's new channels experienced rapid growth in the first half of the year. Golden Eagle World has drawn visitors of middle-class families and young people from Nanjing and surrounding cities for a refreshing in-store experience, making Golden Eagle World a new shopping landmark in eastern China since its opening in November 2017. In the first half of the year, apart from the strong brand portfolio with a great variety of functions and amenities, Golden Eagle World further introduced talk-of-the-town catering spots including Nayuki (奈雪の茶) and Kani Douraku (蟹道樂), attracting substantial customer traffic from the young generation for in-store experience. Innovative marketing events such as the 520 Web, Valentine's Day, "Love Confession Balloon Rain" (告白氣球雨), fans gathering with Lin Chiling, and graduation exhibition of Nanjing University of the Arts garnered high volume of hit rates on social media platforms including WeChat and Weibo in Nanjing and surrounding cities, thereby driving a rapid growth of customer traffic and sales. Leveraging on such features, Golden Eagle World has positioned as a comprehensive retail platform and living space, catering customers' needs for living, socialising, entertainment and services. During the first half of 2018, Golden Eagle World generated GSP of RMB268.7 million and gross profit of RMB78.2 million. Yangzhou Golden Eagle New City Center, the Group's latest store which commenced operation in late 2017, has also recorded rapid growth. Riding on the overwhelming market response to its high-end residential property sales, the project has attracted a large number of high value customers, making the store quickly became the largest commercial flagship and the best retail mall in Yangzhou catering the needs for family living, socialising and entertainment.

— Another initiative worth mentioning is the opening of 7-Eleven Nanjing Zhujiang Road store on 30 May 2018. It was the Group's first 7-Eleven convenience store opened on exclusive franchise in Jiangsu Province. Featuring distinctive merchandises such as 7-Coffee, self-operated fresh food counters, Ippudo ramen and oden, etc., the store swiftly gained high recognition from citizens in Nanjing with a single-day sales of RMB350,000, topping the first-day sales record among all new 7-Eleven convenience stores around the globe. As of the date of this report, the Group has successfully opened 4 7-Eleven convenience stores in Zhujiang Road (珠江路), Danfeng Street (丹鳳街), Cibeishe (慈悲社) and Guanjiaqiao (管家橋) in Nanjing.

— In terms of new contents development, to satisfy customers' demand for high quality lifestyle services and experiences, the Group has integrated its long-accumulated distinctive controllable merchandise resources into the retail components of G•Life series modules, including supermarket, bookstore, beauty, infants and children as well as healthcare, and further systematically organised customers by different categories for the provision of personalised experience to these customers. Through flexible and effective use of its internal and external resources, the Group expects to increase customer traffic and improve performance, with an aim to solidify its core competitiveness. As at 30 June 2018, the Group opened a total of 28 G•Life series stores, including 15 G•Mart premium supermarkets, 4 G•Takaya boutique bookstores and 6 G•Beauty beauty variety stores. G•Mart premium supermarkets which generated an aggregate GSP of RMB399.9 million in the first half of 2018, representing a year-on-year growth of 33.0%. The Group also continued to explore investment and cooperation opportunities with quality commercial contents during the period under review.

— In terms of new VIP members' recruitment, the Group leveraged on new events including large-scale mobile games competitions, KOLs networking and new technologies such as APPs to continuously explore new VIP members targeting middle-class families and young people to support the Group's long-term development. As at 30 June 2018, the Group's "goodee mobile App" has registered over 7.3 million downloads, with over 2.0 million VIP members connected their VIP cards with the App.

Outlook

Looking into the global economy in the second half of the year, further uncertainties are expected to arise. Despite relatively stable growth momentum, the US economy is expected to face constraint from US-China trade under tightening cycle of monetary policy. Recovery of European economy may continue to weaken, while financial risks from emerging markets may intensify. China, in contrast, is expected to continue with enhancement of structural reform from the supply end, control financial idling, adhere to the goals of reform and strengthen international cooperation for win-win situations in the second half of 2018. Meanwhile, China's retail industry has entered into a period of rapid transition, innovation and technology application. The retail industry will present development trends that are reflected in three aspects. Firstly, accelerated online and offline integration which is represented in three categories: integration based on reconstruction of consumer experience, enhanced efficiency in supply chain and expansion of channels, as well as extension of consumption scenes. Secondly, rise of social e-commerce players represented by "Pinduoduo" (拼多多). It will be represented in two major categories: exploration of commercial value on existing customer traffic and operation of platforms. Thirdly, continuous expansion of pan-retail products categories, which will be represented in both horizontal and vertical extension.

The management remains optimistic about China's retail market development in the future. In the second half of 2018, the Group will capture the development trends under the "new retail" concept; explore effective ways to develop an integrated consumption services platform and enhance both organic growth and incremental development growth. It will also integrate its existing business resources to boost profitability. These measures include:

— organic growth. By developing itself into a professional retailer which provides quality and comprehensive services, the Group is committed to catering to mainstream customers' demands for consumption upgrade. The Group also prioritises development of functions and product categories that enhance customers' shopping experience with high growth potential and high gross margin, and increases the types of lifestyle functions including children's experience, maternity products, healthcare, lifestyle and tourism, as well as culture and creativity, etc. in order to enhance its comprehensiveness for shopping, leisure and family gatherings;

— incremental development growth. The Group will further obtain core resources of new contents, new channels and new VIP members, and formulate capabilities of self-owned asset-light output and integration to meet the needs for long-term development: (i) new contents: The Group will continue to invest and develop new business functions in line with the trend of consumption upgrade, which are profitable, high conversion, strong stickiness, continuous innovation in content that are also replicable. (ii) new channels: The Group will expand its platform content out of its existing network leveraging on new channels derived from new comprehensive lifestyle centers, 7-Eleven convenience stores and new contents to result in more efficient and stable profitability, and realise the interaction and development of both content and platform; (iii) new VIP members: The Group will further integrate member resources from the industry or strategic partners, combined with the application of new retail scenes and new technology to explore new VIP members targeting middle-class families and young stylish people to support the Group's long-term development, at the same time provide merchandise and comprehensive services effectively and accurately to a wider range of customers; (iv) business management capability output: The Group will accelerate the pace of its business management operation output to solidify its asset-light business and inject new drivers for the overall business development.

— the utilisation of Omni-marketing channels. Through the effective utilisation of various Omni-marketing channels, including mobile phone application "goodee mobile App" (掌上金鷹), WeChat, Weibo and Electronic VIP Card, the Group integrated its Jinying.com (金鷹購) online platform with its comprehensive lifestyle centers, 7-Eleven convenience stores and industry chain upstream and downstream resources. Coupled with quality and convenient comprehensive lifestyle service offerings, the Group has achieved online and offline two-way marketing, thus driving a rapid growth of customer traffic and sales.

In the forthcoming three years, the Group will continue to capture opportunities presented by the "new retail" concept and continue to develop new chain stores at a steady pace. Leveraging on its leading position and strong competitive advantages in Jiangsu Province, the Group will focus on business development and resource integration in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai. It will focus on investment in areas of consumer upgrade, children and education, health and medical care while actively developing new business models with good prospects and enhancing its long-term competitive advantages, thereby achieving the ultimate long-term objectives of the Group's strategic transformation.

Save as disclosed in this report, there is no other important event affecting the Group which has occurred since 30 June 2018.

FINANCIAL REVIEW

GSP and revenue

During the period under review, GSP of the Group increased to RMB9,031.6 million, representing a year-on-year growth of 7.9% or RMB660.3 million. The increase was mainly attributable to (i) a year-on-year increase of 1.5% in SSSG; (ii) the inclusion of full year GSP of the Group's new stores, Suzhou Gaoxin Lifestyle Center, Golden Eagle World and Yangzhou New City Center which commenced operation during the year 2017; and (iii) the launch of Xianlin Store's additional operating area in the year 2017 to increase its GFA from 42,795 square meters to 211,695 square meters.

The nine new lifestyle centers opened since September 2014, namely Yancheng Julonghu Store, Nantong Lifestyle Center, Danyang Store, Kunshan Store, Jiangning Store, Ma'anshan Store, Suzhou Gaoxin Lifestyle Center, Golden Eagle World and Yangzhou New City Center generated GSP in an aggregate sum of RMB1,804.0 million (1H2017: RMB1,302.9 million) which contributed to 20.0% (1H2017: 15.6%) of the Group's total GSP during the period under review.

During the six months ended 30 June 2018, concessionaire sales contributed to 78.6% (1H2017: 82.5%) of the Group's GSP, representing an increase of 2.9% to RMB7,102.8 million from RMB6,902.6 million in the same period of 2017, while direct sales contributed to 13.8% (1H2017: 12.6%) of the Group's GSP, representing an increase of 17.9% to RMB1,241.5 million, from RMB1,052.8 million in the same period of 2017. Rental income contributed to 4.4% (1H2017: 2.8%) of the Group's GSP, representing an increase of 68.3% to RMB397.6 million in the first six months of 2018 from RMB236.2 million in the same period of 2017. Sales of properties contributed to 2.6% (1H2017: 1.5%) of the Group's GSP, representing an increase of 85.4% to RMB237.7 million from RMB128.2 million in the first half of 2017. Other income contributed to the remaining 0.6% (1H2017: 0.6%) of the Group's GSP, representing an increase to RMB52.0 million for the first six months of 2018 from RMB51.5 million for the same period of 2017.

Commission rate from concessionaire sales increased to 17.6% (1H2017: 17.3%) while gross profit margin from direct sales remained stable at 16.1% (1H2017: 16.1%), resulting in an increase in the overall gross profit margin from concessionaire sales and direct sales to 17.4% (1H2017: 17.1%). The increase was mainly due to the net effects of (i) the Group's continuous efforts to raise sales productivity with reasonable profit margin and (ii) the increase in sales contribution from younger stores which carry lower commission rates as compared to mature stores like Nanjing Xinjiekou Store.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed to 46.3% (1H2017: 48.3%) of the GSP; sales of gold, jewellery and timepieces contributed to 17.7% (1H2017: 18.8%); sales of cosmetics contributed to 11.9% (1H2017: 10.9%); sales of outdoor and sports clothing and accessories contributed to 8.6% (1H2017: 7.5%) and the sales of other products such as electronics and appliances, tobacco and wine, household and handicrafts, supermarket, children's wear and toys contributed to the remaining 15.5% (1H2017:14.5%) of the GSP.

Sales of properties amounted to RMB237.7 million (1H2017: RMB128.2 million) with a total GFA of 19,805.8 square meters (1H2017: 12,078.2 square meters) being sold during the period under review. The sales were mainly contributed by the sales of properties of the Riverside Century Plaza Project located at Wuhu City, Anhui Province, one of the projects acquired by the Group in the year 2015. Construction of the project was completed in the year 2016 while sales and delivery of the pre-sold units was commenced in the same year. Gross profit margin of the sales of properties during the period under review was 36.9% (1H2017: 30.4%). As at 30 June 2018, the Group's completed properties for sale and properties under development for sale amounted to RMB1,173.1 million (31 December 2017: RMB1,309.8 million) and RMB1,711.1 million (31 December 2017: RMB1,444.1 million), respectively. Completed properties for sale is the Group's Riverside Century Plaza Project with salable office and residential GFA of approximately 98,613.0 square meters as at 30 June 2018 (31 December 2017: 118,418.8 square meters), while properties under development for sale mainly is the Group's Yangzhou New City Center Project, which is currently under construction with the estimated total salable residential GFA of approximately 266,973.5 square meters. The Group commenced pre-sale of phase one units of Yangzhou New City Center Project since the year 2016 and these units are expected to be completed and delivered to customers in the second half of 2018. The Group has commenced pre-sale of phase two units, which is also the last phase of Yangzhou New City Center Project since September 2017.

The Group's total revenue amounted to RMB2,781.0 million, representing an increase of 20.1% 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 of (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 decreased by RMB79.5 million to RMB235.5 million for the six months ended 30 June 2018 from RMB315.0 million in the same period of 2017. Such decrease was primarily due to (i) the net foreign exchange difference of RMB269.1 million, a change from a net foreign exchange gain of RMB183.3 million for the first six months of 2017 to a net foreign exchange loss of RMB85.8 million for the first six months of 2018 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 RMB33.0 million for the first six months of 2017 to RMB7.0 million for the first six months of 2018; (iii) the decrease in impairment loss recognised in relation to store suspension in previous years from RMB68.8 million for the first six months of 2017 to RMB14.9 million for the first six months of 2018. In the first six months of 2017, part of Changzhou Jiahong Store's operation was suspended and the GFA of Changzhou Jiahong Store was reduced from 52,545 square meters to 18,362 square meters; and (iv) the increase in investment income generated from investments in interest bearing instruments and structured bank deposits by RMB92.3 million. Such investment income was previously classified under finance income and was classified under other gains and losses in the current period upon the application of HKFRS 9.

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 RMB194.7 million or 23.0% year-on-year to RMB1,041.9 million for the six months ended 30 June 2018. The increase was generally in line with the increase in direct sales and sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB18.8 million or 9.2% year-on-year to RMB185.7 million for the six months ended 30 June 2018. The decrease was primarily attributable to the net effects of: (i) the inclusion of full period employee benefits expense of those stores which commenced operation during the year 2017. Such stores included the Group's Suzhou Gaoxin Lifestyle Center, Xianlin Store's additional operating area, Golden Eagle World and Yangzhou New City Center; (ii) the continuous efforts to streamline the roles and functions at all levels; and (iii) 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 0.5 percentage point to 2.4% as compared to 2.9% for the same period last year.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment, intangible assets and release of prepaid lease payments on land use rights increased by RMB12.9 million or 6.4% year-on-year to RMB213.2 million for the six months ended 30 June 2018. The increase was primarily due to the inclusion of Suzhou Gaoxin Lifestyle Center and the full period depreciation and amortisation of Xianlin Store's additional operating area's full period depreciation and amortisation, which are operated at self-owned properties.

Depreciation and amortisation expenses as a percentage of GSP decreased by 0.1 percentage point to 2.7% as compared to 2.8% for the same period last year.

Rental expenses

Rental expenses increased by RMB31.2 million or 25.7% year-on-year to RMB152.6 million for the six months ended 30 June 2018. This was because the Group's rental arrangements were mainly pegged to sales of the respective stores, and the increase in rental expenses during the period under review was mainly attributable to (i) the increase in sales contribution from stores such as Shanghai Store, Yancheng Julonghu Store, Jiangning Store and Ma'anshan Store; and (ii) the inclusion of Golden Eagle World's full period rental expenses which are all operating in leased properties and paying rentals.

Rental expenses as a percentage of GSP increased by 0.3 percentage point to 2.0% from 1.7% in the same period last year.

Other expenses

Other expenses increased by RMB66.2 million or 20.2% year-on-year to RMB394.5 million for the six months ended 30 June 2018. 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 increase was primarily attributable to the net effects of: (i) the inclusion of other expenses of those stores which commenced operation in the year 2017; and (ii) the consistent and disciplined approach of the Group's management towards to cost control during the period under review.

Other expenses as a percentage of GSP increased by 0.5 percentage point to 5.1% from 4.6% 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 financial results of its 42.6%-owned (31 December 2017: 42.6%-owned) associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司) and 10.0%-owned (31 December 2017: 10.0%-owned) associate, Whittle School & Studios Holdings, Ltd. (formerly known as G30 Project Ltd.).

Finance income

Finance income was mainly generated from bank deposits and various short-term bank related deposits placed by the Group in banks when the Group has surplus capital. Finance income decreased from RMB104.2 million for the first six months of 2017 to RMB10.8 million for the first six months of 2018 because of the application of HKFRS 9 where investment income generated from investments in interest bearing instruments and structured bank deposits amounted to RMB92.3 million was classified under other gains and losses in the current period upon the application of HKFRS 9.

Finance costs

Finance costs comprised interest expenses for the Group's bank loans, senior notes and PRC medium-term notes. Finance costs increased by RMB21.5 million or 11.7% year-on-year to RMB205.0 million for the six months ended 30 June 2018. The increase was primarily due to the net effects of: (i) the increase in interest rates and the depreciation of RMB against HK$ and USD during the period under review; and (ii) the decrease in the averaged borrowings compared with those in the same period last year.

Income tax expense

Income tax expense of the Group increased by RMB49.5 million or 18.2% year-on-year to RMB321.4 million. Effective tax rate for the period under review was 39.1% (1H2017: 32.2%). The year-on-year increase of 6.9 percentage points in effective tax rate was mainly due to the increase in offshore non-deductible expenses, namely net foreign exchange loss and finance costs.

Profit for the period

Owing to the increase in profit from operations and decrease in non-operating income, profit for the period decreased by RMB71.2 million or 12.4% year-on-year to RMB500.8 million. Net profit margin which measured net profit as a percentage of GSP was 6.5% (1H2017: 8.0%) for the six months ended 30 June 2018.

Profit from operations (net profit before interest, tax and other income and losses) increased by RMB254.2 million or 32.8% year-on-year to RMB1,028.2 million, while profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses) increased by RMB267.1 million or 27.4% year-on-year to RMB1,241.5 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 RMB212.8 million or 22.5% year-on-year to RMB1,157.0 million.

As at 30 June 2018, the aggregate net operating losses generated by 5 (1H2017:5) loss making stores amounted to RMB19.9 million (1H2017: RMB18.1 million). Among these stores, one of them was store which commenced operation in the year 2017.

Capital expenditure

Capital expenditure of the Group for the six months ended 30 June 2018 amounted to RMB112.9 million (1H2017: RMB524.4 million). The amount mainly comprised of contractual payments made for acquisition of property, plant and equipment, construction of chain store projects on greenfield sites and the upgrade and/or expansion of the Group's existing retail spaces in order to enhance 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 2018, 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	Personal Interests	Corporate Interests	Total Interests	Total interests as percentage of the issued share capital
Mr. Wang Hung, Roger	4,000,000	1,241,381,785 (Note)	1,245,381,785	74.41%
Ms. Wang Janice S.Y.	1,590,000	1,241,381,785 (Note)	1,242,971,785	74.27%

Note: The corporate interests disclosed under Mr. Wang and Ms. Wang represent their deemed interests in the Shares by virtue of their family trust's interest in GEICO Holdings Limited, which in turn is interested in the entire issued share capital of Golden Eagle International Retail Group Limited, the beneficial owner of the 1,241,381,785 Shares. Mr. Wang is the trustee while Ms. Wang is one of the beneficiaries of the trust.

Long position in underlying Shares

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

Save as disclosed above, as at 30 June 2018, 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 2018, 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	1,241,381,785	74.17%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,241,381,785	74.17%
ICFI HK (U.S.A.) Investments, LLC	Beneficial owner	119,232,588	7.12%

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. Mr. Wang is the trustee while Ms. Wang is one of the beneficiaries of the trust.

Save as disclosed above, as at 30 June 2018, 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 had 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 2018, 659,000 share options were exercised and 260,000 share options were forfeited. As at 30 June 2018, there were a total of 13,160,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 0.79 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 2018 were as follows:

	Number of share options								
	Outstanding at 1 January 2018	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2018	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	380,000	(290,000)	–	90,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	8.98
	600,000	–	–	600,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	11,699,000	(369,000)	(60,000)	11,270,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	9.11
	1,300,000	–	(200,000)	1,100,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	14,079,000	(659,000)	(260,000)	13,160,000					
Exercisable at 30 June 2018				12,650,000					

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 is legally and beneficially owned 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 50,448.55 square meters and the outstanding consideration will be adjusted upward by approximately RMB7.8 million, resulting an adjusted total consideration of RMB882.8 million. As at the date of this report, the Group was still in the progress of liaising with the relevant governmental authorities on the acquisition and considering other alternatives in the event that there are any hurdles in the acquisition.

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.

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 is legally and beneficially owned 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 2019.

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 12 April 2018, the Group entered into a dual-currency three-year syndicated loan facility agreement in the principal amounts of up to USD430.0 million and HKD1,781.0 million with a group of financial institutions which will be due for full repayment in April 2021 (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 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, 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 RMB5,556.1 million (31 December 2017: RMB6,944.9 million) whereas the Group's total borrowings (including bank borrowings, senior notes and PRC medium-term notes) amounted to RMB8,271.7 million (31 December 2017: RMB8,745.0 million). For the six months ended 30 June 2018, the Group's net cash used in operating activities amounted to RMB87.1 million (1H2017: net cash generated from operating activities amounted to RMB458.3 million), net cash used in investing activities amounted to RMB135.5 million (1H2017: net cash generated from investing activities amounted to RMB859.7 million) and net cash used in financing activities amounted to RMB1,230.1 million (1H2017: RMB393.5 million). During the last quarter of the year 2017, the Group further upgraded its SAP system and because of such upgrade, trade payables amounted to RMB1,340.2 million were paid in early January 2018. Had the amounts been paid prior to the year end date, the Group's cash and near cash would be RMB5,604.7 million as at 31 December 2017 and the Group's net cash generated from operating activities for the six months ended 30 June 2018 would be RMB1,253.1 million (1H2017: RMB458.3 million).

In April 2018, the Group arranged another syndicated loan in the principal amounts of USD430 million and HK$1,781 million to re-finance the maturing syndicated loan in the outstanding amount of RMB4,799.8 million as at 31 December 2017. As at 30 June 2018, the Group's bank borrowings, which represented its three-year dual-currency syndicated loan, amounted to RMB4,290.3 million (31 December 2017: RMB4,799.8 million), senior notes amounted to RMB2,484.2 million (31 December 2017: RMB2,451.3 million) and PRC medium-term notes amounted to RMB1,497.2 million (31 December 2017: RMB1,493.9 million).

Total assets of the Group as at 30 June 2018 amounted to RMB23,634.3 million (31 December 2017: RMB25,031.8 million) whereas total liabilities of the Group amounted to RMB17,442.2 million (31 December 2017: RMB18,851.0 million), resulting in a net assets position of RMB6,192.1 million (31 December 2017: RMB6,180.8 million). The gearing ratio, which is calculated by having the Group's total borrowings divided by its total assets, decreased to 35.0% as at 30 June 2018 (31 December 2017: 34.9%).

CONTINGENT LIABILITIES

As at 30 June 2018, 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 HK$ or USD which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between HK$/USD and RMB. The Group has currently not entered into any contracts to hedge against its foreign currency exposure and will consider hedging should the needs arise. During the period under review, the Group recorded a net foreign exchange loss of RMB85.8 million (1H2017: a net foreign exchange gain of RMB183.3 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 30 June 2018, the Group employed a total of 3,770 employees (31 December 2017: 4,620 employees) with remuneration in an aggregate amount of RMB185.7 million (1H2017: RMB204.5 million). The Group's remuneration policies are formulated with reference to market practices, experience, skills and performances of the individual employees and will be reviewed every year.

DIVIDENDS

The Directors have resolved that an interim dividend of RMB0.1338 per share (1H2017: RMB0.060 per share) will be paid on or before 19 September 2018 to those shareholders of the Company whose names appear on the Register of Members of the Company at the close of business on 6 September 2018.

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 6 September 2018, which is also the record date for the distribution of interim dividend.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2018, the Company repurchased an aggregate of 468,000 shares of its own issued ordinary shares through the Stock Exchange at an aggregate consideration of HK$4.5 million (equivalent to RMB3.7 million). Subsequent to 30 June 2018, the Company repurchased an aggregate of 839,000 shares of its own issued ordinary shares through the Stock Exchange at an aggregate consideration of HK$8.1 million (equivalent to RMB6.9 million). The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase. Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Directors are of the opinion that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2018.

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 2018.

CHANGE OF CHIEF EXECUTIVE OFFICER

On 3 May 2018, Mr. Su Kai ceased to be the chief executive officer of the Group due to other career development and Mr. Wang Hung, Roger, who is an executive Director of the Company and the chairman of the Board was re-designated as the chief executive officer of the Company.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this report, there were no other significant investments held, nor were there any material acquisition or disposal of subsidiaries during the period under review. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assts at the date of this report.

PLEDGE OF ASSETS

Details of pledge of assets of the Group are set out in note 24 to the condensed consolidated financial statements.

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. The interim results for the six months ended 30 June 2018 have been reviewed by the Audit Committee and no disagreement was raised by the Audit Committee in respect of the accounting treatment adopted by the Group.

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 make effort 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 2018