金鷹 GOLDEN EAGLE

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

Lifestyle

Interim Report

Enriching everyone's life

2013 · 中期報告

Our Mission
Adding value to our society
Enriching everyone’s life

Our Value
Integrity, Passion, Innovation and Cooperation
We do better than we promise

Our Vision
Globalised with sustainable growth
To be the best in what we do

We do better than we promise!

Contents

Corporate Profile

BUILD NATIONWIDE NETWORK FROM YANGTZE RIVER DELTA

Since the opening of our first department store, Nanjing Xinjiekou Store, the Group has successfully opened 26 self-owned stores through 17 years of operations, with a total gross floor area of 1,092,419 square meters and a total operating area of 785,468 square meters as at 30 June 2013. These stores span across four provinces and one municipality, namely Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai, covering 15 cities including Shanghai, Nanjing, Nantong, Yangzhou, Changzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Liyang, Hefei, Huaibei, Xi'an and Kunming.

Leveraging on our leading position in Jiangsu Province where the Group enjoys strong competitive advantages, the Group also placed strategic focus on its development in Anhui Province and is gradually expanding its market share to achieve a leading position. As for the western region of China, the Group positions itself strategically in Xi'an in Shaanxi Province and Kunming in Yunnan Province for the development in the western region of China. The Group will devote more efforts to solidify and expand its market share in these markets while gradually expanding into their neighboring cities. Meanwhile, the Group will actively explore opportunities in the first and second-tier cities as well as third-tier cities which have immense potential so as to develop a nationwide network of chain stores.

SECURE LONG-TERM LEASES TO SUPPLEMENT SELF-OWNED PROPERTIES

The Group's department stores are situated at prime shopping districts in their respective cities and the Group always adheres to its core development strategies of developing in self-owned properties. In order to capture development opportunities, the Group also secures high quality properties by entering into long-term leases with target lease term of ten years or above, hence minimising the impact of rental increase on our department stores' operation. We also procure landlords to charge rentals with reference to a percentage of the relevant store's sales proceeds. As at 30 June 2013, approximately 59.5% of the total gross floor area of our stores are located in self-owned properties.

PROMOTE COMPREHENSIVE LIFESTYLE-ONE-STOP SHOPPING CONCEPT

In order to capture the latest trends of diversified developments in the retailing industry and satisfy diversified consumption demands of our customers, the Group promotes a comprehensive "lifestyle-one-stop" shopping concept. The Group has introduced a variety of services, such as dining, entertainment, beauty & personal care, hair styling, cinemas and pre-school educations in our retailing complexes in addition to the core functions of department store, so as to enhance the attractiveness of our department stores to target customers and to promote Golden Eagle's "Complete Lifestyle Experience 全心全意全生活" concept.

DEVELOP PROPRIETARY BRANDS TO ENHANCE "GOLDEN EAGLE" BRAND EQUITY

The Group has formed a professional team to develop our own proprietary brands. By offering a variety of consumer goods under a rich portfolio of brands, the Group is dedicated to boosting the competitiveness of our brands so as to meet target customers' needs and enhance the brand equity of "Golden Eagle".

MONITOR CONSUMPTION TREND OF TARGET CUSTOMERS, EXPLORE POTENTIALS OF E-COMMERCE

E-commerce has become the new trend as department stores and retail industry proactively explore new sales channels. In order to develop e-commerce into a new growth driver for our department store operation, the Group has formed a professional team to conduct feasibility studies of adopting e-commerce as one of our sales channels, and to identify a profitable e-commerce business model for department store operation. Through the introduction of e-commerce, the Group can deliver high-quality products and services to more customers regardless of the geographical boundaries.

Corporate Profile

VALUABLE RELATIONSHIPS WITH VIP CUSTOMERS WITH HIGH LOYALTY

Through the provision of exclusive value-added services for VIP customers and continuous improvement in the quality of our services, the loyalty and degree of satisfaction of VIP customers are enhanced. The Group has successfully secured over 1,070,000 loyal VIP customers as at 30 June 2013, which has further strengthened the Group's position for long-term development and expansion. Spendings from VIP customers accounted for 54.7% of the total gross sales proceeds of the Group during the period under review, while the spending of VIP customers from established stores on average represented more than 60.0% of the gross sales proceeds of individual stores.

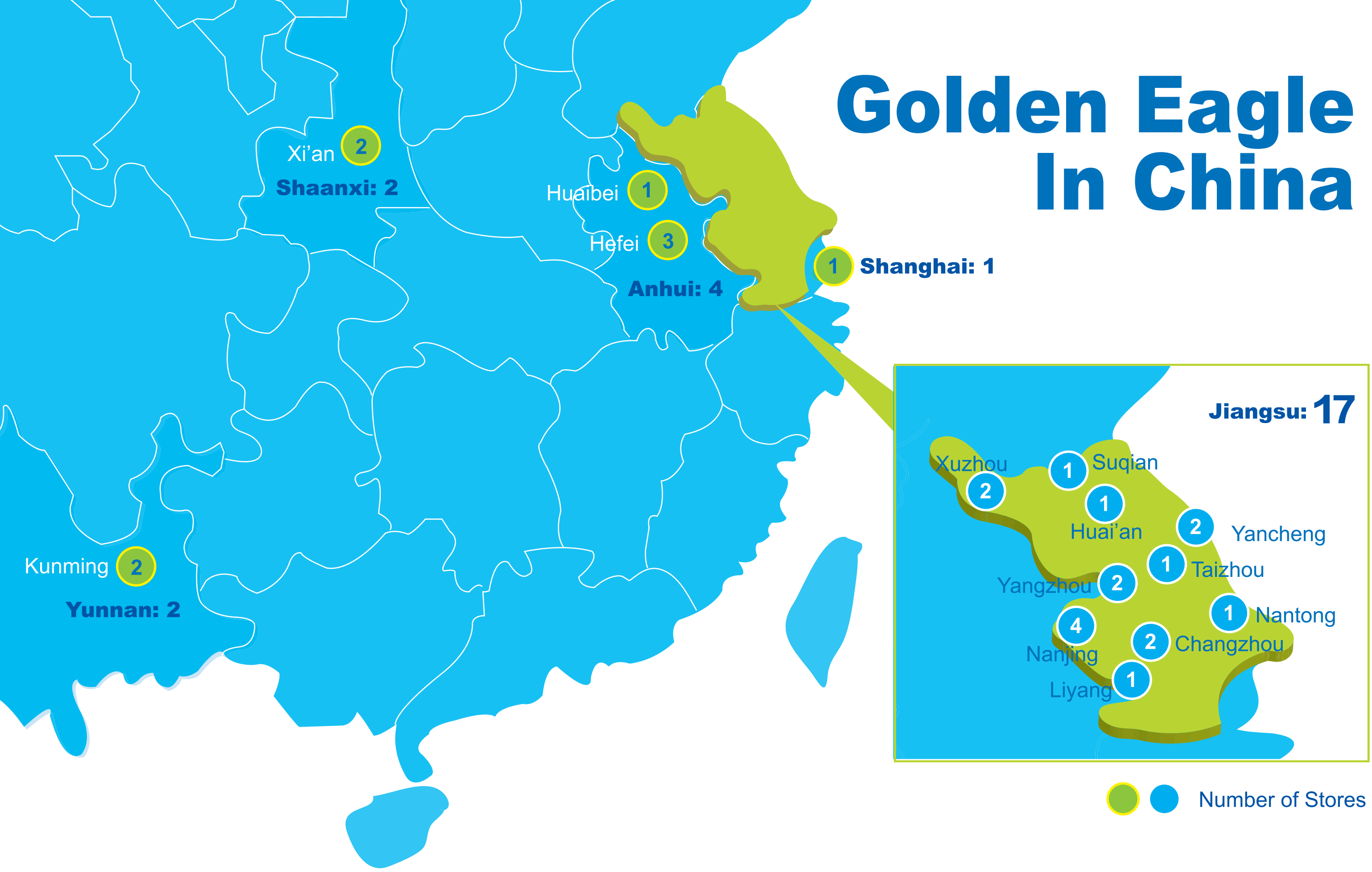
STANDARDISED QUALITY MANAGEMENT SYSTEM AND INDUSTRY-LEADING INTELLIGENT E-PLATFORM

The Group has obtained the ISO9001 quality management award and manages every department store via a standardised management system. All of the Group's chain stores were connected to our industry leading intelligent e-platform which is a customer-oriented platform built on a SAP system. Customer experience was improved and the individual needs of our target customers were adequately satisfied through core elements of business intelligence (BI), precision marketing (PM), supply chain management (SCM) and customer relationship management (CRM). Operational efficiency will also be enhanced alongside with optimisation of process operation flow and creation of new business value. This platform will gradually become the new driving force for the Group to speed up our business growth and escalate our core competence.

WORLDWIDE VISION OF MANAGEMENT AND LOCALISED OPERATING STRATEGIES

The Group appreciates the efforts and contributions of its employees, and fosters their capabilities, competence and worldwide vision of management with regular professional training sessions and overseas study trips for both the management and employees. The Group also implements a localised management system which is suitable for the relevant local markets. For each of the stores, the Group recruits local talents to form a management team so that the Group can utilise their knowledge on the local market. As at the date of this report, the Group had approximately 5,250 employees.

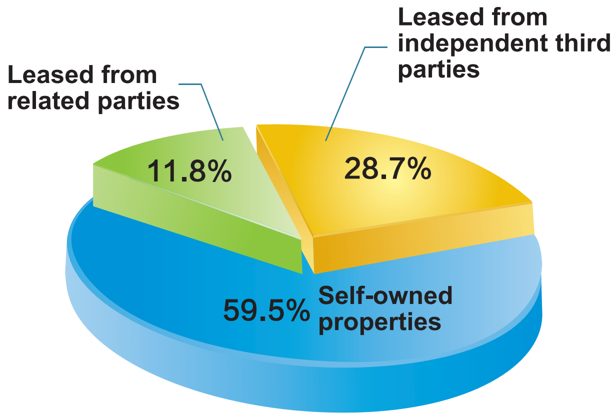
Golden Eagle In China



Self-owned properties situated at prime shopping locations accounted for 59.5%* of total gross floor area.

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	33,447		33,447
Nantong Store	9,297		9,297
Yangzhou Store	37,562	3,450	41,012
Xuzhou Store	59,934		59,934
Xi'an Gaoxin Store	27,287		27,287
Taizhou Store	58,374		58,374
Kunming Store	116,817		116,817
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	55,768		55,768
Yancheng Store	95,026		95,026
Yangzhou Jinghua Store		29,598	29,598
Shanghai Store		21,306	21,306
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		42,795	42,795
Hefei Dadongmen Store		10,356	10,356
Hefei Baihuajing Store		12,294	12,294
Anhui Huaibei Store		34,714	34,714
Hefei Suzhou Road Store		59,906	59,906
Changzhou Jiahong Store		33,460	33,460
Xi'an Xiaozhai Store		19,000	19,000

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Suqian Store	65,410	539	65,949
Liyang Store	53,469	18,355	71,824
Xuzhou People's Square Store	37,768		37,768
Kunming Nanya Store		36,870	36,870
Changzhou Wujin Store		55,200	55,200
Yancheng Outlet Store		18,377	18,377
Total			1,092,419



* As a percentage of total gross floor area (square meters) as at 30 June 2013

Corporate Information

EXECUTIVE DIRECTOR

Mr. Wang Hung, Roger

NON-EXECUTIVE DIRECTOR

Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Liu Chi Husan, Jack

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor, Golden Eagle International Plaza
89 Hanzhong Road
Nanjing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1206, 12th Floor, Tower 2, Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY

Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUDIT COMMITTEE

Mr. Wong Chi Keung *(Chairman)*
Mr. Wang Yao
Mr. Liu Chi Husan, Jack

REMUNERATION COMMITTEE

Mr. Liu Chi Husan, Jack *(Chairman)*
Mr. Wang Hung, Roger
Mr. Wong Chi Keung

NOMINATION COMMITTEE

Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Liu Chi Husan, Jack

PRINCIPAL BANKERS IN THE PRC

Agricultural Bank of China
Bank of China
China CITIC Bank
China Construction Bank
China Minsheng Banking
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Bank of East Asia (China)

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
Citi Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Standard Chartered 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

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman, Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Financial Highlights

Gross Sales Proceeds (RMB Million)

8,622.5	1H 2013
8,050.4	1H 2012

+7.1%

Revenue (RMB Million)

1,831.0	1H 2013
1,800.7	1H 2012

+1.7%

Profit from Operations (RMB Million)

763.3	1H 2013
800.7	1H 2012

−4.7%

Profit Attributable to Owners of the Company (RMB Million)

630.3	1H 2013
618.9	1H 2012

+1.8%

Same Store Sales Growth[1]

5.6%	1H 2013
8.6%	1H 2012

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

Enrich life with styles!

Interim Results and Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

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 2013, together with unaudited comparative figures for the corresponding period in 2012. 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	
	NOTES	**30.6.2013**	30.6.2012
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**1,831,008**	1,800,704
Other operating income	5	**108,369**	109,377
Changes in inventories of merchandise		**(517,104)**	(467,272)
Employee benefits expense		**(170,446)**	(168,938)
Depreciation and amortisation of property, plant and equipment and investment property		**(96,267)**	(87,629)
Release of prepaid lease payments on land use rights		**(9,987)**	(9,987)
Rental expenses		**(88,616)**	(78,727)
Other operating expenses		**(293,669)**	(296,874)
Profit from operations		**763,288**	800,654
Finance income	6	**111,601**	63,072
Finance costs	7	**(65,091)**	(26,394)
Other gains and losses	8	**34,053**	(1,676)
Share of profit of associates		**6,409**	1,851
Profit before tax		**850,260**	837,507
Income tax expense	9	**(220,189)**	(218,935)
Profit for the period	10	**630,071**	618,572
Profit (loss) for the period attributable to:			
Owners of the Company		**630,306**	618,861
Non-controlling interest		**(235)**	(289)
		630,071	618,572
Earnings per share			
– Basic (RMB per share)	12	**0.330**	0.319
– Diluted (RMB per share)	12	**0.328**	0.317

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**630,071**	618,572
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
(Loss) gain on fair value changes of available-for-sale investments	**(13,956)**	32,139
Reclassified to profit or loss on disposal of available-for-sale investments	**(3,257)**	(4,487)
Income tax relating to items that may be reclassified to profit or loss	**3,950**	(1,308)
Share of exchange difference of an associate	**(14,613)**	—
Other comprehensive (expense) income for the period (net of tax)	**(27,876)**	26,344
Total comprehensive income for the period	**602,195**	644,916
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**602,430**	645,205
Non-controlling interest	**(235)**	(289)
	602,195	644,916

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	13	**3,993,164**	4,024,938
Land use rights - non-current portion	13	**1,488,985**	1,296,779
Investment property		**89,608**	90,651
Deposits and prepayments	14	**1,199,651**	1,320,263
Goodwill		**256,908**	256,908
Interests in associates		**408,206**	416,410
Available-for-sale investments	15	**301,983**	226,429
Investment in convertible bonds		**57,635**	60,858
Deferred tax assets		**87,206**	79,965
		7,883,346	7,773,201
Current assets			
Inventories		**309,046**	398,536
Trade and other receivables	16	**542,416**	387,046
Land use rights – current portion	13	**22,103**	22,103
Amounts due from fellow subsidiaries	17	**12,637**	12,998
Available-for-sale investments	15	—	228,194
Investments in interest bearing instruments	18	**1,301,968**	607,140
Structured bank deposits	18	**923,508**	1,489,919
Restricted cash	18	**32,158**	27,118
Bank balances and cash	18	**3,248,897**	2,840,321
		6,392,733	6,013,375
Current liabilities			
Trade and other payables	19	**1,508,883**	2,084,983
Amounts due to related companies	20	**53,518**	51,214
Short-term bank loans	21	**185,361**	1,078,986
Tax liabilities		**53,209**	85,207
Deferred revenue	22	**2,868,754**	2,906,936
		4,669,725	6,207,326
Net current assets (liabilities)		**1,723,008**	(193,951)
Total assets less current liabilities		**9,606,354**	7,579,250

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Non-current liabilities			
Bank loans	21	**2,104,935**	2,131,735
Senior notes	23	**2,439,919**	—
Deferred tax liabilities		**168,011**	149,876
		4,712,865	2,281,611
Net assets		**4,893,489**	5,297,639
Capital and reserves			
Share capital	24	**193,868**	196,822
Reserves		**4,697,186**	5,098,147
Equity attributable to owners of the Company		**4,891,054**	5,294,969
Non-controlling interest		**2,435**	2,670
Total equity		**4,893,489**	5,297,639

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company												
	Share capital RMB'000 (note 24)	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special 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 interest RMB'000	Total RMB'000
At 1 January 2012 (audited)	197,577	–	1,632,174	5,279	217,228	(32,293)	–	50,834	662,733	1,833,246	4,566,778	2,984	4,569,762
Profit for the period	–	–	–	–	–	–	–	–	–	618,861	618,861	(289)	618,572
Other comprehensive income for the period	–	–	–	–	–	26,344	–	–	–	–	26,344	–	26,344
Total comprehensive income for the period	–	–	–	–	–	26,344	–	–	–	618,861	645,205	(289)	644,916
Shares repurchased and cancelled	(1,172)	–	(181,663)	1,172	–	–	–	–	–	(1,172)	(182,835)	–	(182,835)
Exercise of share options	267	–	18,478	–	–	–	–	(6,261)	–	–	12,484	–	12,484
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	4,440	–	–	4,440	–	4,440
Dividends recognised as distribution (note 11)	–	–	–	–	–	–	–	–	–	(366,613)	(366,613)	–	(366,613)
At 30 June 2012 (unaudited)	196,672	–	1,468,989	6,451	217,228	(5,949)	–	49,013	662,733	2,084,322	4,679,459	2,695	4,682,154
At 1 January 2013 (audited)	196,822	–	1,472,958	6,544	217,228	12,316	(5,862)	49,220	773,616	2,572,127	5,294,969	2,670	5,297,639
Profit for the period	–	–	–	–	–	–	–	–	–	630,306	630,306	(235)	630,071
Other comprehensive expense for the period	–	–	–	–	–	(13,263)	(14,613)	–	–	–	(27,876)	–	(27,876)
Total comprehensive (expense) income for the period	–	–	–	–	–	(13,263)	(14,613)	–	–	630,306	602,430	(235)	602,195
Shares repurchased and cancelled	(2,983)	–	(408,243)	2,983	–	–	–	–	–	(2,983)	(411,226)	–	(411,226)
Shares repurchased but not cancelled	–	(2,070)	(247,493)	–	–	–	–	–	–	–	(249,563)	–	(249,563)
Exercise of share options	29	–	1,743	–	–	–	–	(570)	–	–	1,202	–	1,202
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	6,000	–	–	6,000	–	6,000
Dividends recognised as distribution (note 11)	–	–	–	–	–	–	–	–	–	(352,758)	(352,758)	–	(352,758)
At 30 June 2013 (unaudited)	193,868	(2,070)	818,965	9,527	217,228	(947)	(20,475)	54,650	773,616	2,846,692	4,891,054	2,435	4,893,489

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) generated from operating activities	**(41,394)**	121,941
Investing activities:		
Investments in interest bearing instruments	**(3,502,220)**	(200,000)
Investments in structured bank deposits	**(1,198,302)**	(1,208,802)
Purchase of available-for-sale investments	**(129,925)**	(33,355)
Additions to property, plant and equipment	**(98,371)**	(620,543)
Placement of restricted cash	**(73,312)**	(14,406)
Prepayments for acquisition of property, plant and equipment and land use rights	**(66,888)**	—
Payments on lease payments of land use rights	**(13,260)**	—
Deposits paid for acquisition of an associate	**(2,500)**	—
Withdrawal of pledged bank deposit	**—**	110,000
Redemption of investments in interest bearing instruments	**2,802,220**	870,000
Redemption of structured bank deposits	**1,757,104**	562,750
Proceeds from disposal of available-for-sale investments	**268,609**	98,531
Withdrawal of restricted cash	**68,272**	—
Income received from structured bank deposits	**58,378**	39,645
Income received from investments in interest bearing instruments	**57,711**	16,170
Interest received from bank deposits	**4,976**	9,254
Other investing cash flows	**1,047**	20
Net cash used in investing activities	**(66,461)**	(370,736)
Financing activities:		
Issuance of senior notes	**2,466,064**	—
Proceeds on exercise of share options	**1,202**	12,484
New bank loans raised	**—**	1,951,454
Repayment of bank loans	**(873,957)**	(955,944)
Repurchase of own shares	**(660,789)**	(182,835)
Dividends paid to owners of the Company	**(352,758)**	(366,613)
Interest paid	**(52,524)**	(18,064)
Expenses on issuance of senior notes	**(10,807)**	—
Net cash generated from financing activities	**516,431**	440,482
Net increase in cash and cash equivalents	**408,576**	191,687
Cash and cash equivalents at 1 January	**2,840,321**	1,953,426
Cash and cash equivalents at 30 June, representing bank balances and cash	**3,248,897**	2,145,113

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

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

Golden Eagle Retail Group Limited is a public limited company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited, a company incorporated in the British Virgin Islands, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger ("Mr. Wang").

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in the People's Republic of China (the "PRC").

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

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

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 13 ***Fair Value Measurement*** *(Continued)*

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 25.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. REVENUE

The Group's revenue generated from the department store operations in the PRC represents the net amount received and receivable for goods sold, less returns and allowances, income from concessionaire sales, rental income and management service fees. An analysis of the Group's revenue for the six months ended 30 June 2013 is as follows:

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from department store operations		
– direct sales	**630,888**	568,003
– income from concessionaire sales	**1,152,312**	1,188,713
– rental income	**37,551**	36,440
– management service fees	**10,257**	7,548
	1,831,008	1,800,704

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

Gross sales proceeds	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
From department store operations		
– direct sales	**738,140**	664,832
– concessionaire sales	**7,833,698**	7,338,037
– rental income	**39,779**	38,602
– management service fees	**10,905**	8,880
	8,622,522	8,050,351

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to chief operating decision makers, the Group's executive directors, for the purposes of resource allocation and performance assessment are as follows:

- Southern Jiangsu Province, including stores at Nanjing, Suzhou, Changzhou and Liyang
- Northern Jiangsu Province, including stores at Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng and Suqian
- Western region of the PRC, including stores at Xi'an and Kunming
- Others represent the total of other operating segments that are individually not reportable

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

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of PRC RMB'000 (unaudited)	Total reportable segment RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2013						
Gross sales proceeds	2,937,789	3,797,600	1,104,121	7,839,510	783,012	8,622,522
Segment revenue	697,430	737,914	193,978	1,629,322	201,686	1,831,008
Segment results	351,164	364,701	72,707	788,572	15,629	804,201
Central administration costs and Directors' salaries						(40,913)
Finance income						111,601
Finance costs						(65,091)
Other gains and losses						34,053
Share of profit of associates						6,409
Profit before tax						850,260
Income tax expense						(220,189)
Profit for the period						630,071

4. SEGMENT INFORMATION *(Continued)*

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of PRC RMB'000 (unaudited)	Total reportable segment RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2012						
Gross sales proceeds	2,826,175	3,405,145	962,768	7,194,088	856,263	8,050,351
Segment revenue	704,501	718,632	174,646	1,597,779	202,925	1,800,704
Segment results	377,508	361,779	65,289	804,576	25,719	830,295
Central administration costs and Directors' salaries						(29,641)
Finance income						63,072
Finance costs						(26,394)
Other gains and losses						(1,676)
Share of profit of associates						1,851
Profit before tax						837,507
Income tax expense						(218,935)
Profit for the period						618,572

5. OTHER OPERATING INCOME

	Six months ended	
	30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Income from suppliers and customers	**95,901**	90,783
Government grants	**12,239**	14,897
Others	**229**	3,697
	108,369	109,377

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

6. FINANCE INCOME

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from investments in interest bearing instruments	**52,539**	14,184
Income from structured bank deposits	**50,769**	36,200
Interest income on bank deposits	**4,976**	7,576
Interest income on pledged bank deposit	—	1,678
Effective interest income on:		
Amount due from a former shareholder of a subsidiary	**536**	1,049
Investment in convertible bonds	**2,781**	2,385
	111,601	63,072

7. FINANCE COSTS

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on:		
Bank loans wholly repayable within five years	**52,269**	26,394
Senior notes wholly repayable after five years	**12,822**	—
	65,091	26,394

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

8. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange gains (losses)	**35,808**	(8,461)
Changes in fair value of:		
Held-for-trading investments	**992**	298
Derivative component of investment in convertible bonds	**(6,004)**	2,000
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**3,257**	4,487
	34,053	(1,676)

9. INCOME TAX EXPENSE

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Current period	**205,042**	212,376
Under (over) provision in prior periods	**303**	(763)
	205,345	211,613
Deferred tax charge:		
Current period	**14,844**	7,322
	220,189	218,935

Hong Kong Profits Tax has not been provided for the six months ended 30 June 2013 (six months ended 30 June 2012: nil) as the Group incurred tax losses in Hong Kong.

Subsidiaries of the Group located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (six months ended 30 June 2012: 25%) pursuant to the relevant PRC Enterprise Income Tax laws.

10. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	**95,224**	86,586
Depreciation of investment property	**1,043**	1,043
Release of prepaid lease payments on land use rights	**11,054**	11,054
Less: amounts capitalised	**(1,067)**	(1,067)
	9,987	9,987
Loss on disposal of property, plant and equipment	**157**	173

11. DIVIDENDS

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend for the year ended 31 December 2012 of RMB0.188 (year ended 31 December 2011: RMB0.188) per share	**352,758**	366,613

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the period after taking into account the effect of dilutive share options of the Company.

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

	Six months ended	
	30.6.2013	30.6.2012
	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)	**630,306**	618,861

	Six months ended	
	30.6.2013	30.6.2012
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,912,386**	1,939,585
Effect of dilutive potential ordinary shares attributable to share options	**9,700**	14,034
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,922,086**	1,953,619

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 2013 and 30 June 2012 because the exercise prices of these options were higher than the average market prices of the Company's shares during both periods.

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

During the period, the Group spent approximately RMB10,858,000 (six months ended 30 June 2012: RMB188,388,000) on construction and renovation of its new department stores and approximately RMB53,796,000 (six months ended 30 June 2012: RMB57,139,000) on construction, renovation and expansion of its existing stores in order to expand and/or upgrade its operating capabilities.

In addition, approximately RMB190,000,000 (six months ended 30 June 2012: nil) of the deposits for acquisition of land use rights had been reclassified as land use rights upon the full payment of the considerations.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS *(Continued)*

As at 30 June 2013, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB233,852,000 (31 December 2012: RMB531,630,000) and land use right certificates in respect of medium-term land use rights with a carrying value of RMB747,010,000 (31 December 2012: RMB543,750,000).

14. DEPOSITS AND PREPAYMENTS

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Prepayments for acquisition of property, plant and equipment and land use rights (Note)	**1,169,801**	1,292,913
Deposit for acquisition of an associate and a subsidiary	**15,650**	13,150
Rental deposits	**14,200**	14,200
	1,199,651	1,320,263

Note: Included in the balance prepayments of RMB1,002,913,000 (31 December 2012: RMB1,002,913,000) paid to fellow subsidiaries of the Group for construction of properties to be delivered to the Group in the future.

15. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Equity securities stated at fair value		
– listed in the PRC	**216,351**	134,639
– listed in Hong Kong	**85,632**	91,790
	301,983	226,429
Unlisted equity securities	—	228,194
Total	**301,983**	454,623
Analysed for reporting purpose as:		
– Current assets	—	228,194
– Non-current assets	**301,983**	226,429
	301,983	454,623

Fair values of equity securities listed in the PRC and Hong Kong are derived from quoted prices in active market.

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

During the year ended 31 December 2012, the Group entered into a sale and purchase agreement with Loyal Atlantic Limited ("Loyal Atlantic"), an independent third party, whereby Loyal Atlantic agreed to sell and the Group agreed to purchase 41% equity interest in Loyal Pacific International Limited ("Loyal Pacific"), a company incorporated in British Virgin Islands (the "Transaction") at a consideration of Taiwan dollars ("TWD") 1,054,725,000. As at 31 December 2012, the above unlisted equity investment represented the Group's investment in Loyal Pacific with a carrying amount equivalent to approximately RMB228,194,000.

Subsequent to the Transaction, the Group and Loyal Atlantic entered into a sale and purchase agreement (as vendors) with Allied Industrial Corp., Ltd ("Allied") (an associate of the Group, as purchaser), whereby the Group and Loyal Atlantic agreed to sell their respective 41% and 59% shareholding in Loyal Pacific to Allied, at an aggregate consideration of TWD2,572,500,000 (equivalent to approximately RMB552,059,000) (the "Sale Transaction"). The Sale Transaction was completed in January 2013.

16. TRADE AND OTHER RECEIVABLES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade receivables	**115,007**	63,680
Management service fee receivable	**28,236**	17,898
Trade prepayments to suppliers	**61,801**	53,088
Deposits (Note)	**75,815**	76,827
Deposits paid for purchases of goods	**3,416**	4,315
Amount due from a former shareholder of a subsidiary	**21,575**	21,270
Other taxes recoverable	**164,814**	82,776
Other receivables and prepayments	**71,752**	67,192
	542,416	387,046

Note: Included in the balance RMB18,000,000 (31 December 2012: RMB18,000,000) rental deposits paid in respect of leasing of properties for department store operations from fellow subsidiaries of the Group.

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

17. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group")	**10,234**	10,233
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development")	**802**	2,070
南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Assets Management Co., Ltd.)	**630**	—
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.)	**386**	71
Others	**585**	624
	12,637	12,998

The amounts due from Nanjing Golden Eagle Group and Nanjing Construction and Development relate to deposits paid to them for the acquisition of property, plant and equipment, and the remaining amounts represent trade receivables from fellow subsidiaries which are unsecured, interest-free and repayable on demand.

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

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Investments in interest bearing instruments (Note 1)	**1,301,968**	607,140
Structured bank deposits (Note 2)	**923,508**	1,489,919
Restricted cash (Note 3)	**32,158**	27,118
Bank balances and cash (Note 4)	**3,248,897**	2,840,321
	5,506,531	4,964,498

Notes:

1. Included in investments in interest bearing instruments RMB800,883,000 (31 December 2012: RMB607,140,000) investments in entrusted RMB loans or other restricted low risk debt instruments arranged by banks in the PRC for terms ranging from three months to one year with principal guaranteed by the banks. The remaining RMB501,085,000 (31 December 2012: nil) represents the Group's investment in a trust fund managed by a trust company for a term of one month. This trust fund invests mainly in debt instruments and was matured and fully redeemed in July 2013.

2. Structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits placed by the Group with a number of banks for a term of no more than one year. The principal sums are denominated in RMB fixed and guaranteed by those banks. In the opinion of the Directors, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

3. Restricted cash represents balances maintained in interest reserve accounts for the syndicated loans interest payments and bank deposits restricted for settlement of concessionaire sales of precious metal.

4. Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods ranging from 1 to 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As at the end of the reporting period, a portion of the above balance was denominated in RMB, which is not freely convertible into other currencies. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

19. TRADE AND OTHER PAYABLES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade payables	**1,061,743**	1,541,510
Suppliers' deposits	**95,723**	96,236
Purchase of property, plant and equipment	**63,373**	97,890
Other taxes payable	**38,106**	97,069
Accrued salaries and welfare expenses	**22,229**	42,760
Interest payable	**12,757**	190
Other payables	**214,952**	209,328
	1,508,883	2,084,983

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
0 to 30 days	**882,641**	1,301,696
31 to 60 days	**93,572**	122,692
61 to 90 days	**39,144**	64,202
Over 90 days	**46,386**	52,920
	1,061,743	1,541,510

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

20. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
南京金鷹工程建設有限公司 (Nanjing Construction and Development) (Note 1)	**41,157**	42,901
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	**3,683**	1,489
南京金鷹國際集團有限公司 (Nanjing Golden Eagle Group) (Note 1)	**2,521**	2,311
安徽三新鐘表有限公司 (Anhui Sanxin Watch Co., Ltd.) (Note 2)	**2,057**	1,467
昆明金鷹物業管理有限公司 (Kunming Golden Eagle Properties Management Co., Ltd.) (Note 1)	**1,929**	517
南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Assets Management Co., Ltd.) (Note 1)	**246**	1,428
Others	**1,925**	1,101
	53,518	51,214

The amounts due to Nanjing Construction and Development and Nanjing Golden Eagle Group are related to acquisition of property, plant and equipment, and the remaining amounts represent trade payables to related companies which are unsecured, interest-free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. An associate of the Group.

21. BANK LOANS

During the period, the Group repaid short-term bank loans amounting to approximately RMB873,957,000 (six months ended 30 June 2012: approximately RMB955,944,000).

22. DEFERRED REVENUE

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Prepayments from customers	**2,821,752**	2,844,643
Deferred revenue arising from the Group's customer loyalty programme	**47,002**	62,293
	2,868,754	2,906,936

23. SENIOR NOTES

On 21 May 2013, the Company issued senior notes in the aggregate principal amount of United States dollars ("USD") 400,000,000 (equivalent to approximately RMB2,476,160,000) (the "Notes") at USD398,400,000 (equivalent to approximately RMB2,466,064,000). The Notes carry fixed coupon rate of 4.625% per annum, payable semi-annually in arrears, and will mature on 21 May 2023, unless redeemed earlier. The proceeds of the Notes will be used to refinance the Group's short-term bank loans and for other general corporate purposes, including capital expenditures.

At any time, the Company may at its option redeem the Notes, (1) in whole but not in part, at the principal amount, together with accrued and unpaid interest, if any, to the redemption date upon certain changes in the tax laws of certain tax jurisdictions, or (2) in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

The Notes also contain a provision for redemption at the option of the noteholders at 101% of the principal amount of each Note, together with accrued and unpaid interest, if any, to the redemption date, upon a change of control triggering event.

The Notes contain a liability component and an early redemption option:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The interest charged for the year is calculated by applying an effective interest rate of approximately 4.789% per annum to the liability component since the Notes were issued at a discount.

(ii) Early redemption option is regarded as an embedded derivative closely related to the host contract and not separately accounted.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

24. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2013 and 30 June 2013	**5,000,000,000**	500,000
Issued and fully paid:		
At 1 January 2013 (audited)	**1,934,607,000**	193,461
Shares repurchased and cancelled	**(37,188,000)**	(3,719)
Exercise of share options	**356,000**	36
At 30 June 2013 (unaudited)	**1,897,775,000**	189,778

	RMB'000
Shown in the condensed consolidated financial statements:	
At 30 June 2013 (unaudited)	193,868
At 31 December 2012 (audited)	196,822

During the period, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HKD	HKD	HKD'000
March 2013	5,232,000	14.30	13.66	72,950
April 2013	31,956,000	14.20	13.22	439,730
	37,188,000			512,680
May 2013	16,500,000	13.78	11.68	210,639
June 2013	9,501,000	11.50	10.06	102,804
	63,189,000			826,123

Included in the 63,189,000 shares repurchased during the six months ended 30 June 2013, 37,188,000 shares were cancelled during the period, and the remaining 26,001,000 shares were cancelled in July 2013 and recognised as treasury shares as at 30 June 2013.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Certain of the Group's financial assets 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 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 those derived from 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).

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

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

Financial assets	Fair value as at 30.6.13 RMB'000	Fair value hierarchy	Basis of fair value measurement/valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Available-for-sale listed equity securities	301,983	Level 1	Quoted prices in active markets	N/A	N/A
2) Derivative component of the convertible bonds	20,111	Level 3	Binomial model. The key inputs are: expected volatility and the market value of the issuer, which is determined using discounted cash flow model. The key inputs of discounted cash flow model are: weighted average cost of capital, long-term revenue growth rate and a discount for lack of marketability.	Expected volatility of 49.6%, determined by reference to the average of the historical weekly share price volatility of comparable companies.	The higher the expected volatility, the higher the fair value.
				Weighted average cost of capital of 23.1%, determined using a Capital Asset Pricing Model.	The higher the weighted average cost of capital, the lower the fair value.
				Long-term revenue growth rate of 3.0%, taking into account management's experience and knowledge of market conditions of the specific industry.	The higher the long-term revenue growth rate, the higher the fair value.
				Discount for lack of marketability of 25%, by reference to the share price of listed entities in similar industry.	The higher the discount for lack of marketability, the lower the fair value.

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

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

Reconciliation of Level 3 fair value measurements of financial asset

	Derivative component of the convertible bonds
	RMB'000
At 1 January 2013	26,115
Loss included in other gains and losses (note 8)	(6,004)
At 30 June 2013	20,111

Fair value measurements and valuation processes

The Group has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages a third party qualified valuer to perform the valuation. The valuation team works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation team's findings to the Directors of the Company every half a year to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

26. OPERATING LEASE ARRANGEMENTS

The Group as leasee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of certain office, warehouses and department store properties rented under non-cancellable operating leases which fall due as follows:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within one year	**64,243**	62,944
In the second to fifth year inclusive	**433,266**	385,867
Over five years	**1,669,000**	1,767,873
	2,166,509	2,216,684

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within one year	**25,275**	26,589
In the second to fifth year inclusive	**78,400**	78,000
Over five years	**129,567**	133,208
	233,242	237,797

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain landlords, including fellow subsidiaries of the Company, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds net of related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the six months ended 30 June 2013 amounted to approximately RMB61,031,000 (six months ended 30 June 2012: RMB52,685,000).

Operating lease payments represent rentals payable by the Group for certain office, warehouses and department store properties. Leases are negotiated for terms ranging from 1 to 20 years with fixed and/or contingent rents.

26. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of department store properties:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within one year	**49,931**	47,552
In the second to fifth year inclusive	**128,600**	76,723
Over five years	**66,441**	33,451
	244,972	157,726

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on tenants' monthly gross sales or gross profit. Rental income received from these contingent lease contracts during the six months ended 30 June 2013 was RMB28,757,000 (six months ended 30 June 2012: RMB25,077,000).

Leases are generally negotiated for terms ranging from 1 to 15 years.

27. CAPITAL COMMITMENTS

	30.6.2013 RMB'000 (unaudited)	31.12.2012 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 and land use rights (Note)	**1,131,642**	1,142,524
– acquisition of an associate and a subsidiary	**425,650**	428,150
	1,557,292	1,570,674

Note: Included in the balance RMB812,838,000 (31 December 2012: RMB812,838,000) capital expenditure contracted for with fellow subsidiaries of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

28. PLEDGE OF ASSETS

At 30 June 2013, the Group has pledged equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the syndicated loan facility granted to the Group.

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

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Available-for-sale investments	**85,631**	91,790
Trade and other receivables	**29,418**	17,898
Restricted cash	**17,398**	18,038
Bank balances and cash	**840,633**	286,078
	973,080	413,804

29. RELATED PARTY TRANSACTIONS

During the period, other than those disclosed in notes 14, 15, 16, 17, 20, 26 and 27, the Group had the following significant transactions with related parties:

a) Transactions

		Six months ended	
Relationship with related parties	**Nature of transactions**	**30.6.2013** **RMB'000** **(unaudited)**	30.6.2012 RMB'000 (unaudited)
Fellow subsidiaries of the Group	Decoration service fee paid	—	127,368
	Property management fee paid	**37,691**	29,284
	Property and ancillary facilities rentals paid	**44,111**	40,883
	Carpark management service fee paid	**1,256**	1,034
	Project management service fee paid	—	4,800
An associate	Purchase of merchandise	**13,365**	25,958

29. RELATED PARTY TRANSACTIONS *(Continued)*

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	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	**2,558**	2,045
Retirement benefits schemes contributions	**205**	198
Equity-settled share-based payments	**4,562**	2,235
	7,325	4,478

Independent Review Report on Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF GOLDEN EAGLE RETAIL GROUP LIMITED

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 37, which comprises the condensed consolidated statement of financial position as of 30 June 2013 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 Main Board Listing 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
19 August 2013

Management Discussion and Analysis

BUSINESS REVIEW

Industry Overview

During the first half of 2013, among the major global economies, the US economy showed signs of rebounding recovery and the US Federal Reserve was contemplating a gradual withdrawal from its Quantitative Easing Policy, while the Yen depreciation and the strong monetary stimulus measures imposed by the Bank of Japan also drove the recovery of Japan's economy. However, it will take time for a worldwide economic upturn given the sluggish European economy and the escalated chaotic political situation in North Africa. Domestically, affected by the slowing growth of macro-economy and curbs on excessive spending by the government on three major areas, domestic consumption had softened, leading to a decline in the overall consumption level.

Facing the severe and complicated economic conditions, the Chinese government continued to implement active fiscal policy and prudent monetary policy during the first half of 2013, put emphasis on "stable growth, inflation prevention, risk control", and achieve sustainable economic growth through structural adjustments of the economy. Together with the expanded scope of implementation of the plan to "replace business tax with value-added tax" and the gradual emergence of the structural tax reduction effects, the development of domestic modern service industry was driven continuously, which had led to the optimisation of the overall structure of domestic investments, consumption and exports, thus providing a strong support to China's future economic growth.

During the first half of 2013, China's gross domestic product ("GDP") reached RMB24.8 trillion, representing a year-on-year increase of 7.6% as compared to the same period. Total retail sales of consumer goods reached RMB11.1 trillion, representing a year-on-year increase of 12.7% as compared to the same period, which was 1.7 percentage points lower than the growth rate of the same period last year. Urban disposable income per capita was RMB13,649, representing a year-on-year increase of 9.1% over the same period. Excluding the price factor, the real growth rate was 6.5%. Consumer price index was up 2.4% year-on-year over the same period.

In the region of Jiangsu Province, where the Group has already established a leading market position, local GDP was RMB2.8 trillion during the first half of 2013, representing a year-on-year growth of 9.6%. Total retail sales of consumer goods grew by 12.9% year-on-year to RMB1.0 trillion, while urban disposable income per capita increased by 9.0% year-on-year over the same period. These economic indicators have strengthened the Group's confidence in pursuing further development in the Jiangsu Province region.

In the region of Anhui Province, the new strategic focus of the Group, local GDP was RMB0.9 trillion during the first half of 2013, representing a year-on-year growth of 10.9% as compared to the same period. Total retail sales of consumer goods grew by 13.5% year-on-year over the same period to RMB0.3 trillion, while urban disposable income per capita increased by 9.6% year-on-year over the same period. The growth rates of all major economic indicators were above national average levels.

Management Discussion and Analysis

Business Operation and Management

Impacted by the slower growth of the macro-economy, the operating results of China's mid-to-high-end retailers continued to maintain slow growth in general during the first half of 2013. However, through the joint efforts of all our staff, the Group still managed to record stable and fair performance. During the first half of 2013, gross sales proceeds ("GSP") reached RMB8.6 billion, representing a year-on-year increase of 7.1% over the same period. Net profit amounted to RMB630.1 million, representing a year-on-year increase of 1.9% over the same period. Same store sales growth ("SSSG") continued to maintain a stable growth pace of 5.6%.

In order to capture the latest trends of diversified developments in the retailing industry and satisfy the diversified consumption demands of our customers, the Group has been proactively developing a comprehensive lifestyle-one-stop shopping concept, which injects new growth momentum into our sales performance. Since 2013, the Group has been fully committed to implementing its comprehensive lifestyle department store concept by introducing more functions and amenities, such as food and beverage, leisure and entertainment, into majorities of our chain stores so as to fully exploit the operating results growth potential of these stores. This adjustment is expected to be completed by the end of 2013. Upon completion of the adjustment, the proportion of multi-functions and amenities operating area to the Group's total operating area will be increased to over 20%. The initial implementation results showed that the introduction of multi-functions and amenities into our floor area had notable positive effects on increasing the stores' customer traffic, lengthening the staying time in the stores and enriching customers' shopping experiences, which in turn enhanced customer loyalty and improved operation results of the stores. Yancheng Store, being the Group's first store to introduce the comprehensive lifestyle concept, has effectively made use of the inherent advantages of comprehensive service functions of lifestyle multiple retail formats and the unified sophisticated department store management concept, and has become the best-performing department store in its local market within three years after the commencement of its operations. It is also one of the Group's major stores which generated over RMB1 billion GSP a year. On this basis, the store fully tapped its own potential, optimised the merchandise mix, improved shopping experiences by synergising lifestyle multiple retail formats and boosted up customer traffic. Being an established store, Yancheng Store still recorded a year-on-year increase of approximately 20.1% in GSP in the first half of this year as compared to the same period last year.

The Group placed great importance on the continuous improvement and enhancement of existing chain stores to fully leverage on the advantages of regional management. Since the implementation of regional management, regional general managers have been able to more effectively integrate resources, such as the operation and merchandising management teams and the merchandising and promotion planning resources, and adjust operational approaches and merchandise mix to cater for different customers' consumption habits in their respective regions while preserving the Group's existing vertical management structure without incurring additional management costs. This not only helped to reinforce our leading market position and the sales performances of our major stores but also facilitated the accelerated development of stores which were still in the incubation stage, shorten their ramp-up period and in turn boost the overall performance of chain stores in the regions, thereby achieving a win-win situation for the long-term cooperation relationship between the Group and its suppliers.

Management Discussion and Analysis

The Group strives to provide industry-leading value-added services to our VIP customers. Combining with the launch of the "goodee mobile App" (掌上金鷹) mobile phone application, the installation of free full WIFI coverage at our chain stores since May 2013 where stores at Nanjing, Yancheng and Taizhou had already installed, the use of the wireless POS cash register system and the lead launch of the "Electronic VIP Card", has facilitated customers to get access to various VIP value-added services and to obtain comprehensive and attentive promotional information more easily and conveniently. The launch of this series of packaged value-added services has not only significantly increased the quality of customer services, drove an increase in customer traffic at our stores, but also further enhanced the shopping experience of customers and stimulated the consumption desires of our customers. Furthermore, the Group could make use of the SAP system to conduct in-depth analysis of the consumption behavior of VIP customers and provide strong data support for precision marketing. Meanwhile, through intensive co-operations with various banks, the Group shares valuable customer base and marketing resources with these banks. As at 30 June 2013, the Group had approximately 1,070,000 VIP customers, which accounted for approximately 54.7% of the Group's total GSP, whereas sales to VIP customers at established stores on average exceeded 60.0% of the GSP for such stores.

In order to prepare for the Group's long-term rapid development, the Group also continuously innovated training mechanism and selection approach for our front-line professionals. On the one hand, since the beginning of this year, the Group has further strengthened its joint professional training co-operations with colleges and entered into various co-operation agreements for selecting outstanding undergraduates with potentials for comprehensive professional and on-the-job trainings within the Group during the winter and summer holidays so that they would be competent for the Group's operational tasks after finishing studies, thereby effectively identifying outstanding young business talents required for the Group's long-term rapid development and achieving win-win situation for college students, the enterprise and the colleges. On the other hand, the Group began to employ outstanding front-line sales staff as our own staff so as to enhance the quality of on-site customer services and to improve sales performance. The Group established direct employment relationship with these outstanding front-line sales talents to enhance their sense of belonging and to continuously improve their customer service skills and sales performance through various means of trainings, thereby driving the further enhancement of the Group's overall customer service standard and sales performance.

Opening of New Stores and Chain Development

In the second half of 2013, the gross floor area ("GFA") of Changzhou Jiahong Store will be increased by approximately 18,000 square meters to approximately 51,500 square meters. With the expansion of the store, Changzhou Jiahong Store will be able to introduce more unique and special commercial and consumption elements into the local market so as to create new growth momentum for the store and further improve the synergies created among Changzhou Wujin Store, Changzhou Jiahong Store and Liyang Store, which laid a solid foundation for the Group to establish a leading position in the Changzhou market.

Even more exciting is that Xian Beicheng Store, being the third chain store of the Group in Xi'an, will also commence operation in late 2013. It is located in an emerging commercial centre in Xi'an with a total GFA of approximately 62,500 square meters. The store is surrounded by a huge group of potential consumers and is positioned as a comprehensive lifestyle-one-stop shopping destination integrating fashion and retail, food and beverage, leisure and entertainment. The store will interact and coordinate with Xi'an Gaoxin Store and Xi'an Xiaozhai Store once it is opened and further reinforce the Group's development strategy of "single city, multi stores" and characteristic store operation.

Suzhou Store was closed on 28 February 2013 due to the expiry of the lease. The Group has already identified a new store location in the core commercial area of the Suzhou National New & Hi-tech Industrial Development Zone, which comprises GFA of approximately 136,000 square meters. The store is expected to commence operation in 2016.

Based on the sites secured by the Group for its new store expansion, it is anticipated that these stores will increase the GFA of the Group's chain stores by over 1.5 million square meters in the next four to five years. This will further increase the proportion of the Group's department stores operating at self-owned properties. Besides, the Group will adopt flexible approaches, such as entrusted management, to optimise the ways of securing new store location based on each location's unique characteristics so as to effectively reduce the preliminary operating risks of new stores. Furthermore, the Group will continue to focus on high-quality premises that are suitable for the comprehensive lifestyle-one-stop shopping concept, that the Group can operate steadily in a long term cost-effective manner with considerable scale and enriched service model. Meanwhile, the Group will continue to actively seek opportunities of investment, co-operation, merger and acquisition opportunities that can fulfill the Group's development and investment strategies and objectives, hence laying a solid foundation for the Group's business expansion.

Outlook

Since 2013, the global economy in general has shown an unbalanced and weak recovery. In the second half of the year, it is expected that all the major economies throughout the world will continue to launch economy stimulus policies to drive global economic recovery. Meanwhile, maintaining a rapid yet stable economic development has always been the long-term goal of the Chinese government. On the one hand, the Chinese government will enforce active fiscal policies to strengthen infrastructure construction and speed up urbanisation on a continuous basis, thus resulting in a boosting effect on the economic growth through investment, and to mitigate the negative impacts as the results of the weak exports and the austerity measures imposed on the property sector. It is anticipated that the economy will still achieve the objective of steady growth during the full year of 2013. On the other hand, the Chinese government will make full efforts to boost economic restructuring as well as structural optimisation to create and foster new areas of high consumer demand so as to enhance the boosting effect of consumption on economic growth. It is believed that the successive introduction of concrete plans for policies implementation such as increasing citizens' income, improving the social security system and promoting domestic consumption will have a significant stimulating effect on the development of the commercial retailing industry. In the long run, the combination of the accelerated urbanisation in China and fast expansion of the middle-class will benefit the long-term development of the Group in the second and third tier cities.

Management Discussion and Analysis

The management is cautiously optimistic about China's economic development and growth of domestic consumption in the future. In the second half of the year, the Group will implement more proactive and effective measures to concentrate its efforts on shortening the ramp-up period and nurturing period of newly opened chain stores and explore ways for enhancing the sales performance and profitability of established mature stores, so as to consolidate and reinforce the Group's leading position in the industry. These measures will be reflected in further optimised chain store brand and merchandise mix, full efforts in upgrading and transforming into comprehensive lifestyle format, full leverage on intelligent e-platform to accelerate business growth, improve operational efficiency and create new business value, enhancement of the overall customer satisfaction and loyalty through the provision of quality and unique merchandise mix, lifestyle shopping experiences with multi-functions and amenities, innovative and interactive sales promotion activities as well as a variety of interesting gifts in relation to VIP membership award points program.

Meanwhile, the Group will also continue to maintain an established and steady pace of new chain store development. We will remain persistent that each new store shall be managed by a pragmatic and efficient management team with strong brand resources, which will further shorten the ramp-up period of new stores. In the next three years, the Group will continue to expand and solidify its market presence in Jiangsu, Anhui, Shaanxi and Yunnan Provinces through various ways such as self-owned properties, long-term leased premises or via mergers and acquisitions to further reinforce our leading position in the industry, and will proactively identify co-operation and collaboration opportunities with leading enterprises in related industries. The Group will also continue to explore market opportunities in those provincial capital cities with strong economic growth potential, so as to further expand the coverage of our chain store network.

The management believes that, by leveraging on its strong brand equity, prominent execution capability, sound financial position and loyal VIP customer base, the Group will be able to bring better returns to its shareholders.

Financial review

GSP and revenue

GSP of the Group grew to RMB8,622.5 million for the six months ended 30 June 2013, representing a year-on-year growth of 7.1% or RMB572.2 million. The growth was mainly contributed by SSSG of 5.6% and the inclusion of full six months sales proceeds of those stores or additional retail spaces opened or commenced operation in the year 2012.

Due to the complicated and volatile economic situation, the increasing competitive market environment and the construction of Xinjiekou Store Phase II in the adjacent area, Nanjing Xinjiekou Store (the flagship store of the Group) recorded a moderate deceleration in SSSG of 2.6%, whilst Yangzhou Store and Xuzhou Store maintained SSSG of 4.8% and 7.0% respectively for the six months ended 30 June 2013. Furthermore, younger stores such as Nanjing Xianlin Store, Huaibei Store and Suqian Store, the new growth drivers of the Group's sales, achieved remarkable SSSG of 39.8%, 34.5% and 46.6% respectively.

With increasing GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP decreased from 23.5% to 21.4% while the aggregate contribution to GSP from three largest contributors, Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from 45.7% to 43.3%.

Management Discussion and Analysis

During the six months ended 30 June 2013, concessionaire sales contributed 90.9% (2012: 91.2%) of the Group's GSP, representing an increase of 6.8% from RMB7,338.0 million to RMB7,833.7 million, and direct sales contributed 8.6% (2012: 8.3%) of the Group's GSP, representing an increase of 11.0% from RMB664.8 million to RMB738.1 million.

Commission rate from concessionaire sales decreased to 17.2% (2012: 19.0%). The decrease was mainly due to (i) the relatively strong performance of certain product categories which carried lower commission rates such as gold and jewellery; (ii) the increase in sales contribution from younger stores which carried lower commission rates as compared with mature stores such as Nanjing Xinjiekou Store; and (iii) the increase in promotion activities in newly opened and weaker performance stores in order to attract traffic and build up market position. Gross profit margin from direct sales remained stable at 18.0% (2012: 17.7%). Overall gross profit margin from concessionaire sales and direct sales decreased to 17.3% (2012: 18.9%).

In terms of GSP breakdown by merchandise categories, apparel and accessories contributed 51.0% (2012: 55.0%) of the GSP; gold, jewellery and timepieces contributed 23.4% (2012: 19.7%); cosmetics contributed 8.2% (2012: 7.8%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 17.4% (2012: 17.5%).

The Group's total revenue increased to RMB1,831.0 million, representing an increase of 1.7% from the same period last year. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income remained stable and amounted to RMB108.4 million for the six months ended 30 June 2013. Other operating income mainly included income from suppliers and customers, which amounted to RMB95.9 million (2012: RMB90.8 million), and government grants, which amounted to RMB12.2 million (2012: RMB14.9 million).

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. Changes in inventories of merchandise increased by RMB49.8 million or 10.7% to RMB517.1 million for the six months ended 30 June 2013. The increase was generally in line with the increase in direct sales.

Employee benefits expense

Employee benefits expense remained stable and amounted to RMB170.4 million for the six months ended 30 June 2013. This was mainly contributed by the net effects of (i) the inclusion of full period employee benefits expense for those stores or additional retail spaces opened or commenced operation in the year 2012; (ii) the adjustment in staff number due to the continuous streamlining of roles and functions at all departments after the implementation of the SAP system; and (iii) the increase in staff number in preparation for the Group's future development and expansion, including recruitment of experienced staff and professionals for the preparation of the Group's upcoming mega stores with multi-functions and amenities to enrich the concept of "lifestyle one-stop shopping destination".

Employee benefits expense as a percentage to GSP decreased by 0.2 percentage point to 2.3% as compared to 2.5% in the same period last year.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and investment property and release of prepaid lease payments on land use rights increased by RMB8.6 million or 8.8% to RMB106.3 million for the six months ended 30 June 2013. The increase was primarily due to (i) the inclusion of full period depreciation and amortisation for those stores or additional retail spaces opened or commenced operation in the year 2012 and (ii) the additional depreciation and amortisation charges recognised for construction, renovation and expansion of the Group's existing stores during the period under review.

Depreciation and amortisation expenses as a percentage to GSP remained stable at 1.4% (2012: 1.4%).

Rental expenses

Rental expenses increased by RMB9.9 million or 12.6% to RMB88.6 million for the six months ended 30 June 2013. This was mainly contributed by the net effects of (i) the inclusion of full period rental expenses for those stores operating in leased properties opened in 2012; (ii) the increase in sales contribution from stores which are operating in leased properties and paying rental expenses with reference to a percentage of GSP, such as Nanjing Zhujiang Store, Yangzhou Jinghua Store and Nanjing Xianlin Store; and (iii) the decrease in rental expenses for Suzhou Store by RMB8.0 million, as the store was closed in February 2013 upon the expiry of the lease.

Rental expenses as a percentage to GSP increased by 0.1 percentage point to 1.2% as compared to 1.1% in the same period last year.

Other operating expenses

Other operating expenses decreased by RMB3.2 million or 1.1% to RMB293.7 million for the six months ended 30 June 2013. Other operating expenses mainly include water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fees. The decrease was primarily contributed by the management's continuous efforts of disciplined cost control during the period under review.

Other operating expenses as a percentage to GSP decreased by 0.3 percentage point to 4.0% as compared to 4.3% for the same period last year.

Had the Group's stores opened in the year 2011 and 2012 been excluded from the calculation, on a comparable basis, other operating expenses as a percentage to GSP would have been decreased by 0.1 percentage point to 3.2% as compared to 3.3% for the same period last year.

Profit from operations

Profit from operations, which is the earnings before interest and taxes, decreased by RMB37.4 million or 4.7% to RMB763.3 million for the six months ended 30 June 2013.

Profit from operations as a percentage to GSP decreased to 10.4%, a 1.2 percentage point decrease as compared to 11.6% for the same period last year while profit from operations as a percentage to revenue decreased to 41.7%, a 2.8 percentage points decrease as compared to 44.5% for the same period last year, which was mainly due to the decrease in gross profit margin for the period under review.

Management Discussion and Analysis

Finance income

Finance income comprised income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group in banks when the Group has surplus capital. Finance income increased by RMB48.5 million or 76.9% to RMB111.6 million for the six months ended 30 June 2013 which was primarily due to more capital being placed in various short-term bank related deposits during the period under review.

Finance costs

Finance costs comprised interest expenses on the Group's bank loans and senior notes. Finance costs increased by RMB38.7 million or 1.5 times to RMB65.1 million for the six months ended 30 June 2013. The increase was primarily due to the issue of Notes in the aggregate principal amount of USD400.0 million which will mature in May 2023.

Other gains and losses

Other gains and losses mainly comprised (i) net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB; (ii) gains and losses arising from the Group's securities investments and (iii) the changes in fair value of the conversion and redemption options attached to zero coupon convertible bonds subscribed by the Group in August 2011 from a trade supplier during the period under review.

Other gains and losses increased from a net loss of RMB1.7 million to a net gain of RMB34.1 million. Such increase was primarily due to the net effects of (i) the increase in net foreign exchange gain by RMB44.3 million from a net foreign exchange loss of RMB8.5 million to a net foreign exchange gain of RMB35.8 million as a result of the fluctuations of RMB exchange rates during the period under review and (ii) a loss of RMB6.0 million was noted for the fair value changes of the conversion and redemption options attached to the zero coupon convertible bonds subscribed by the Group as compared to a gain of RMB2.0 million reported in the same period last year.

Share of profit of associates

Share of profit of associates represented the Group's share of results of its 38% owned associate (2012: 49%), Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司), and 30% owned associate, Anhui Sanxin Watch Co., Ltd. (安徽三新鐘錶有限公司).

Income tax expense

Income tax expense of the Group remained stable and amounted to RMB220.2 million. The effective tax rate for the period under review was 25.9% (2012: 26.1%).

Profit for the period

Profit for the period increased by RMB11.5 million or 1.9% to RMB630.1 million for the six months ended 30 June 2013. Because of the decrease in gross profit margin for the period under review, net profit margin to GSP was 8.5% (2012: 9.0%).

Management Discussion and Analysis

Had the Group's stores opened in the year 2011 and 2012 been excluded from the calculation, which represented the aggregate net operating losses generated by 9 loss making stores (2012: 9) of approximately RMB44.6 million (2012: RMB60.9 million), on a comparable basis, profit for the period would have decreased by RMB4.8 million or 0.7% to RMB674.7 million for the period under review. Net profit margin to GSP decreased to 10.3%, representing a 0.4 percentage point decrease as compared to 10.7% for the same period last year.

Capital expenditure

Capital expenditure of the Group for the six months ended 30 June 2013 amounted to RMB178.5 million (2012: RMB620.5 million). The amount mainly comprised contractual payments made for the acquisition of property, plant and equipment, construction of greenfield projects for department chain store expansion and the upgrade and/or expansion of the Group's existing retail spaces in order to further enhance the shopping environment and the Group's competitiveness in its local markets.

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

As at 30 June 2013, 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 shares of HKD0.10 each of the Company ("Shares")

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Mr. Wang Hung, Roger (Note)	Interest in controlled corporation	1,339,344,000	70.57%

Note: These 1,339,344,000 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 deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,339,344,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2013, 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 2013, 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	1,335,344,000	70.36%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,335,344,000	70.36%

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

Save as disclosed above, as at 30 June 2013, the Company has 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.

Other Information

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 will remain effective for a period of ten years commencing from 26 February 2006.

During the six months ended 30 June 2013, 356,000 share options were exercised and 235,000 share options were forfeited. There were a total of 22,636,000 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 1.2% 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 2013 were as follows:

	Number of share options									
	Outstanding at 1 January 2013	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2013	Date of Grant	Exercise period (Note1)	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
Key management	680,000	555,000	(90,000)	–	1,145,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	14.26
	3,200,000	700,000	–	–	3,900,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	13,797,000	(555,000)	(266,000)	(35,000)	12,941,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	14.06
	5,550,000	(700,000)	–	(200,000)	4,650,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	23,227,000	–	(356,000)	(235,000)	22,636,000					
Exercisable at 30 June 2013					5,513,000					

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 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

Set out below is the status of the Group's non-exempt connected transactions which are pending completion:

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 (the "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 a portion of second level of basement of Golden Eagle Phase III (the "Xinjiekou Store Phase II"), a 42-storey building with 5 levels of basement to be located adjacent to Nanjing Xinjiekou Store and to be developed by Golden Eagle International Group.

The consideration of RMB875,000,000 (subject to adjustment) for the acquisition of Xinjiekou Store Phase II was calculated based on RMB17,500 per square metre and the estimated aggregate gross floor area of approximately 50,000 square metres and may be adjusted depending on the actual gross floor area of Xinjiekou Store Phase II actually to be delivered to the Group upon completion. In the event that the actual gross floor area is less than 50,000 square metres, 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 Phase II to the Group.

The purpose of the acquisition of Xinjiekou Store phase II 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 is expected to complete in the year 2013 and Xinjiekou Store phase II is expected to commence operation in 2014.

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

Other Information

Cooperation Framework Agreements

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 located at Kunshan City, Jiangsu Province. Completion of the acquisition is expected to take place in 2014.

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

The consideration of RMB1,125,750,000 (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 actual 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 is expected to complete in 2014 and Kunshan Property is expected to commence operation in 2014.

The Board believes that the acquisition of the Kunshan Property and its development into a mega department store 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 transactions 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 18 April 2012, the Group entered into a dual-currency three-year term loan facility agreement in the principal amounts of up to USD259.5 million and HKD665.0 million (in aggregate equivalent to approximately RMB2,172.9 million) with a group of financial institutions which will be due for full repayment on 17 April 2015 (the "Syndicated Loan Facility Agreement").

Pursuant to the terms of the Syndicated Loan Facility 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 Facility Agreement may become immediately due and payable. The facility was fully utilised and remained outstanding as at 30 June 2013.

Other Information

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, 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 RMB5,506.5 million (31 December 2012: RMB4,964.5 million) whereas the Group's total borrowings (including bank borrowings and senior notes) amounted to RMB4,730.2 million (31 December 2012: RMB3,210.7 million). For the six months ended 30 June 2013, the Group's net cash used in operating activities amounted to RMB41.4 million (2012: generated from operating activities amounted to RMB121.9 million), the Group's net cash used in investing activities amounted to RMB66.5 million (2012: RMB370.7 million) and the Group's net cash generated from financing activities amounted to RMB516.4 million (2012: RMB440.5 million).

The Group's bank borrowings amounted to RMB2,290.3 million (31 December 2012: RMB3,210.7 million), which comprised short-term bank loans of RMB185.4 million (31 December 2012: RMB1,079.0 million) and a 3-year dual-currency syndicated loan of RMB2,104.9 million (31 December 2012: RMB2,131.7 million) which will be due for full repayment on 17 April 2015. The Notes amounted to RMB2,439.9 million as at 30 June 2013 (31 December 2012: nil). On 21 May 2013, the Company issued 10-year senior notes in the aggregate principal amount of USD400.0 million (equivalent to approximately RMB2,476.2 million). The Notes carry fixed coupon rate of 4.625% per annum and will mature on 21 May 2023. The proceeds of the Notes will be used to refinance the Group s short-term bank loans and for other general corporate purposes, including capital expenditures. During the period under review, the Group repaid short-term bank loans in the aggregate sum of approximately RMB874.0 million.

Total assets of the Group as at 30 June 2013 amounted to RMB14,276.1 million (31 December 2012: RMB13,786.5 million) whereas total liabilities amounted to RMB9,382.6 million (31 December 2012: RMB8,488.9 million), resulting in a net assets position of RMB4,893.5 million (31 December 2012: RMB5,297.6 million). The gearing ratio, calculated by dividing total borrowings over total assets of the Group, increased to 33.1% as at 30 June 2013 (31 December 2012: 23.3%). After excluding the effects of the cross currency interest rate swap arrangements, the adjusted gearing ratio was 32.3% (31 December 2012: 17.5%).

The capital commitments of the Group as at 30 June 2013 amounted to RMB1,557.3 million (31 December 2012: RMB1,570.7 million), which were contracted for but not provided in the condensed consolidated financial statements for the contractual payments for the acquisition of property, plant and equipment and land use rights and acquisition of an associate and a subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no material contingent liabilities.

Other Information

PLEDGE OF ASSETS

As at 30 June 2013, the Group has pledged its equity interests in certain subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the syndicated loan facility granted to the Group.

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

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Available-for-sale investments	**85,631**	91,790
Trade and other receivables	**29,418**	17,898
Restricted cash	**17,398**	18,038
Bank balances and cash	**840,633**	286,078
	973,080	413,804

FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash, bank loans and senior notes are denominated in Hong Kong dollars ("HKD") or USD which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HKD/USD and RMB. During the period under review, the Group recorded a net foreign exchange gain of RMB35.8 million (30 June 2012: a net foreign exchange loss of RMB8.5 million). The Group's operating cashflows are not subject to any exchange fluctuation.

EMPLOYEES

As at 30 June 2013, the Group employed a total of 4,900 employees (30 June 2012: 5,600) with remuneration in the aggregate sum of RMB170.4 million (30 June 2012: RMB168.9 million). The Group's remuneration policies are formulated with reference to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2013, the Company repurchased an aggregate of 63,189,000 shares in its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HKD826.1 million (equivalent to RMB660.8 million).

Subsequent to the period end date, the Company repurchased an aggregate of 11,124,000 shares in its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HKD111.5 million (equivalent to RMB88.8 million).

The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase. Of the balance, 37,188,000 shares were cancelled during the period under review and the remaining 26,001,000 shares were cancelled in July 2013. 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 2013, except for code provision A.2.1.. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Chairman of the Board takes a leading role in the day-to-day management and is responsible for the effective functioning of the Board. With the support of the senior management team, the Chairman is also responsible for the overall strategic development of the Group. The chief operating officer ("COO") and chief financial officer ("CFO") of the Company are responsible for the implementation of business strategy and management of the day-to-day operations of the Group's business. Having considered the current business operations and the aforesaid organisation structure, the Directors consider that it is not necessary to appoint a chief executive officer.

Ms. Zheng Shu Yun (one of the executive Directors who retired on 23 May 2013) retired from her position as COO while Mr. Ko Younchoul, the executive vice president of the Group, took up her position as COO with effect from 22 March 2013. Ms. Tai Ping, Patricia, one of the members of the senior management team, is the CFO.

The Company will adopt the board diversity policy in compliance with the amended version of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules which will become effective from 1 September 2013 onwards. The Company will disclose the details of its compliance with the said requirement in its next annual report for the year ending 31 December 2013.

Other Information

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 2013, except that Mr. Wang acquired 34,000 shares on 31 January 2013 and 50,000 shares on 1 February 2013 respectively. These shares were subsequently disposed of on 1 February 2013. The Company will from time to time reiterate and provide reminders to the Directors regarding the procedures, rules and requirements to be complied with by them in relation to Directors' dealings in securities.

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. Wang Yao and Mr. Liu Chi Husan, Jack.

ACKNOWLEDGEMENT

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

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

Hong Kong, 19 August 2013