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

2014 中期報告 Interim Report

Complete Lifestyle

Spirit of Enterprise

Credible and Committed
Optimistic and Progressive
Dedicated and United
Diligent and Devoted

Sunshine 陽光 Sports 運動 Food and
Beverage 美食 Hospitality 款待 Gourmet 極品

Contents

Corporate Profile

BUILD NATIONWIDE NETWORK FROM YANGTZE RIVER DELTA

Since the opening of our first department store, Nanjing Xinjiekou Store, 18 years ago, the Group has successfully opened 26 self-owned stores, with a total gross floor area of 1,187,023 square meters and a total operating area of 850,061 square meters as at 30 June 2014. 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 will continue to reinforce its leading position and solidify its presence in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai, where the Group already has presence with, by operating comprehensive lifestyle centers which with long-term business growth potential. Meanwhile, the Group will gradually build up a nationwide retail chain network by actively exploring opportunities in the first- and second-tier cities and by tapping into the third-tier cities, which have immense growth potential.

INSIST ON THE STRATEGY OF DEVELOPING AT SELF-OWNED PROPERTIES WITH ESTABLISHMENT OF LONG-TERM LEASES AS ALTERNATIVE

The Group's department stores are situated at prime shopping districts in their respective cities and the Group always adheres to its core development strategy of developing in self-owned properties. As at 30 June 2014, approximately 59.2% of the total gross floor area of our stores are located in self-owned properties. In order to capture opportunities for development, the Group also secures high quality properties by entering into long-term leases for ten years or longer, hence minimising the impact of rental increase on our department stores' operation. We also procure landlords to charge rental with reference to a percentage of the relevant store's sales proceeds.

PROMOTING COMPREHENSIVE LIFESTYLE CENTER CONCEPT

In order to maintain competitiveness in this ever-changing retail sector, the Group has been proactively developing a comprehensive lifestyle shopping concept. The Group has introduced comprehensive functions and amenities, such as dining, entertainment, beauty and personal care, hair styling, cinemas and pre-school education in addition to our core function of international fashion shopping store, so as to satisfying the various needs of our customers and promote Golden Eagle's "Complete Lifestyle (全心全意全生活)" concept. As at 30 June 2014, the proportion of comprehensive lifestyle operating area in total operating area rises to 20.5%.

DEVELOPING PROPRIETARY BRANDS TO ENHANCE "GOLDEN EAGLE" BRAND EQUITY

The Group develops our own proprietary brands through a team of professionals. Apart from offering a variety of consumer goods under a rich portfolio of brands with high cost-performance, the Group is also dedicated to boosting the competitiveness of our brands so as to meet the target customers' needs and enhancing the brand equity of "Golden Eagle".

Corporate Profile

MONITORING CONSUMPTION TREND OF TARGET CUSTOMERS, UTILISING ALL MARKETING CHANNELS

The Group fully utilises all the marketing channels such as the Group's websites, "goodee mobile App" (掌上金鷹), WeChat and Weibo to provide timely, direct and effective marketing information to our customers so as to enhance customers' shopping experience, stimulate consumption sentiments and generate further sales. As at 30 June 2014, the "goodee mobile App" application has registered over 1.6 million downloads, with over 650,000 daily hits, had over 0.6 million WeChat and 2.2 million Weibo followers. The Group has also been actively developing electronicalised business model (商務電子化), through the installation of free full WIFI coverage at all our chain stores, the use of wireless POS cash register system and the launch of the "Electric VIP Card", the Group has developed an economical and effective marketing channel.

DEVOTED TO PROVIDING MORE INNOVATIVE AND CROSS-INDUSTRY VALUE-ADDED VIP SERVICES

The Group is devoted to providing more innovative and value-added quality services for all G·Club VIP customers. In April 2014, the Group has officially launched the "iPoint reward points redeeming mall" (iPoint 積分兑換商城) for its VIP customers with the service of "Points Plus Cash" redemption so as to further enhance the loyalty and degree of satisfaction of VIP customers. Meanwhile, a new point award card (積點卡) was launched to offer the Group's quality services to potential VIP customers with no minimum spending requirement. This move was aimed at converting these customers into VIP customers. The Group successfully secured over 1.47 million loyal VIP customers as at 30 June 2014, thus strengthening further the Group's position for long-term development and expansion. Spendings by VIP customers accounted for 55.8% of the total gross sales proceeds of the Group during the period under review.

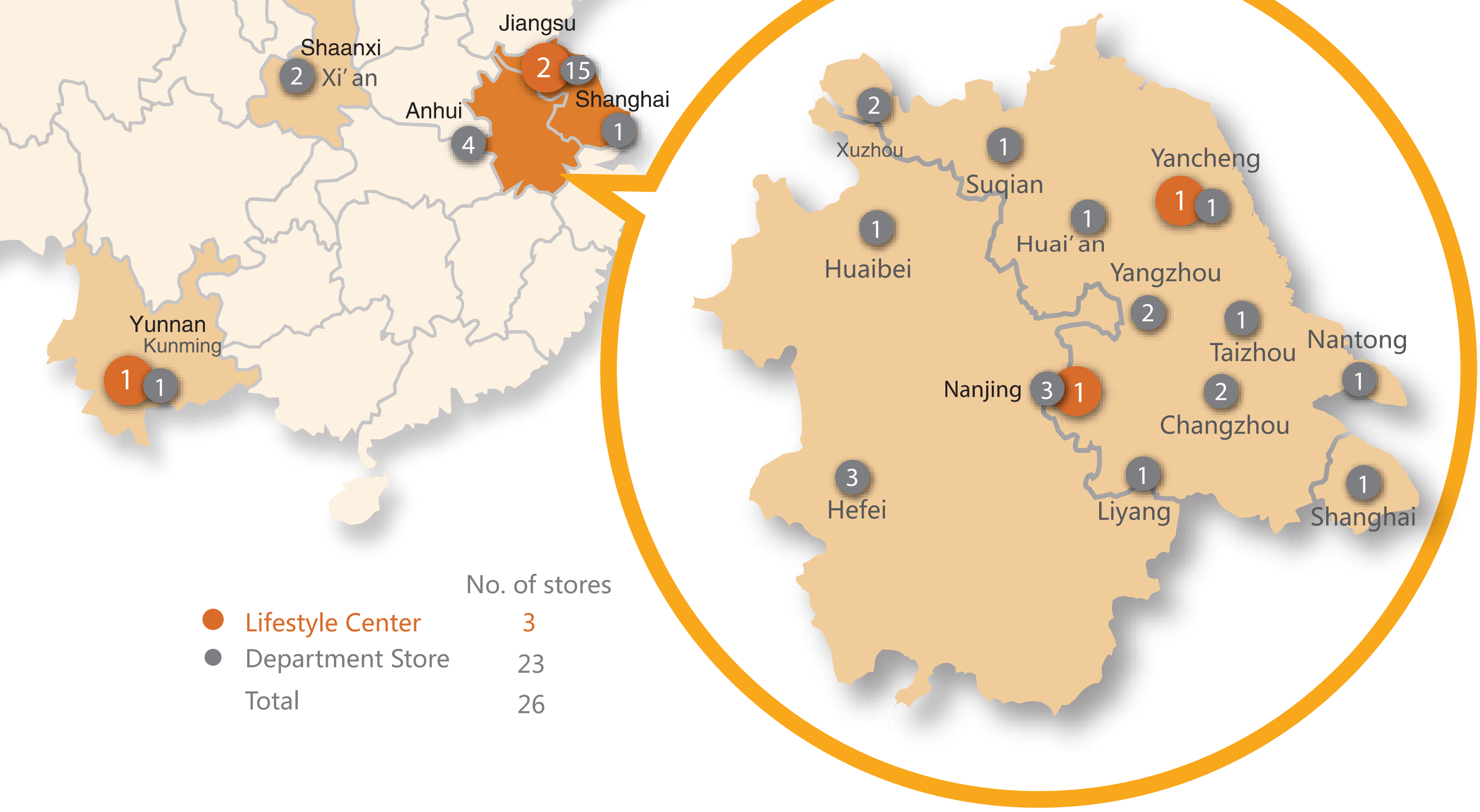
INDUSTRY-LEADING INTELLIGENT E-PLATFORM MANAGEMENT SYSTEM

The Group manages every department store with a standardised management system which is connected to our industry leading intelligent e-platform. It is a customer-oriented platform built on a SAP system and is adopted by many companies under Fortune 500. 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). Business value has also been created as the platform and system have raised operational efficiency and optimised the process and flow of the operations.

WORLDWIDE VISION OF MANAGEMENT AND LOCALISED OPERATING STRATEGIES

The Group appreciates the dedication and contributions of its employees, and fosters their capabilities, competence and worldwide perspectives by conducting regular professional training sessions and overseas study trips for both the management and employees. The Group also implements localised management systems for each local 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 30 June 2014, the Group had approximately 5,300 employees.

Golden Eagle In China

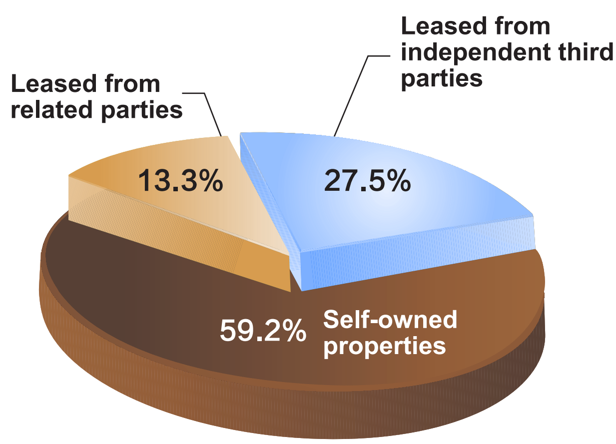


	No. of stores
Lifestyle Center	3
Department Store	23
Total	26

Self-owned properties situated at prime shopping locations accounted for 59.2%* of total gross floor area.

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	85,303	29,242	114,545
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	95,904		95,904
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		46,820	46,820
Xi'an Xiaozhai Store		18,806	18,806

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Suqian Store	65,410		65,410
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			1,187,023



* As a percentage of total gross floor area (square meters) as at 30 June 2014

Corporate Information

EXECUTIVE DIRECTOR

Mr. Wang Hung, Roger

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Lay Danny J

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. Wang Hung, Roger
Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUDIT COMMITTEE

Mr. Wong Chi Keung *(Chairman)*
Mr. Wang Yao
Mr. Lay Danny J

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS IN THE PRC

Agricultural Bank of China
Bank of China
Bank of Communications
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)
Bank of Communications
Citi Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
Taipei Fubon Commercial Bank
The Bank of East Asia
Wing Lung Bank

AUDITOR

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

HONG KONG LEGAL ADVISORS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

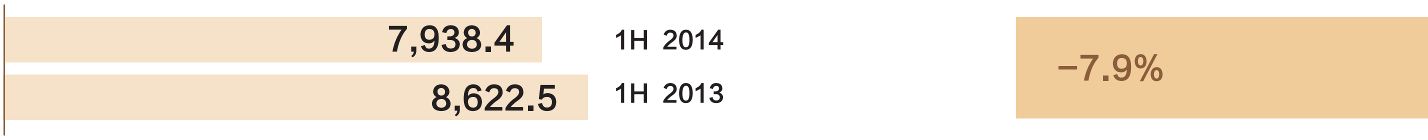
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

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

Financial Highlights

Gross Sales Proceeds (RMB Million)

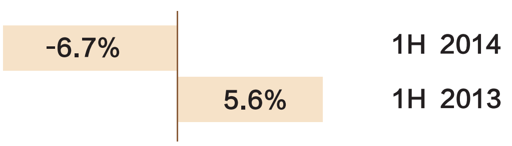


Revenue (RMB Million)

Profit from Operations (RMB Million)

Profit Attributable to
Owners of the Company (RMB Million)

Same Store Sales Growth[1]



(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 2014

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

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

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

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	13	**5,049,129**	4,033,910
Land use rights - non-current portion	13	**1,924,800**	1,909,689
Investment property		**87,521**	88,564
Deposits and prepayments	14	**869,004**	1,254,389
Goodwill		**263,179**	256,908
Interests in associates		**298,316**	255,255
Available-for-sale investments		**348,808**	356,575
Investment in convertible bonds		**56,789**	56,049
Deferred tax assets		**112,881**	100,390
		9,010,427	8,311,729
Current assets			
Inventories		**324,702**	354,404
Trade and other receivables	15	**509,127**	403,054
Land use rights – current portion	13	**37,673**	36,535
Amounts due from related companies	16	**13,227**	15,740
Tax asset		**36,795**	23,298
Investments in interest bearing instruments	17	**1,279,788**	3,005,573
Structured bank deposits	17	**1,657,783**	1,244,221
Restricted cash	17	**26,258**	25,908
Bank balances and cash	17	**2,006,607**	1,654,059
		5,891,960	6,762,792
Current liabilities			
Trade and other payables	18	**1,553,802**	2,054,688
Amounts due to related companies	19	**224,562**	69,972
Bank loans	20	**2,698,982**	—
Tax liabilities		**124,350**	157,967
Deferred revenue	21	**2,685,447**	2,920,839
		7,287,143	5,203,466
Net current (liabilities) assets		**(1,395,183)**	1,559,326
Total assets less current liabilities		**7,615,244**	9,871,055

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current liabilities			
Bank loans	20	—	2,086,638
Senior notes		**2,431,172**	2,407,642
Deferred tax liabilities		**148,299**	130,265
		2,579,471	4,624,545
Net assets		**5,035,773**	5,246,510
Capital and reserves			
Share capital	22	**186,163**	189,294
Reserves		**4,845,384**	5,055,027
Equity attributable to owners of the Company		**5,031,547**	5,244,321
Non-controlling interests		**4,226**	2,189
Total equity		**5,035,773**	5,246,510

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company												
	Share capital RMB'000 (note 22)	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 interests RMB'000	Total RMB'000
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
At 1 January 2014 (audited)	189,294	(210)	539,507	14,112	217,228	21,068	(14,737)	43,657	909,487	3,324,915	5,244,321	2,189	5,246,510
Profit for the period	–	–	–	–	–	–	–	–	–	483,830	483,830	(735)	483,095
Other comprehensive (expense) income for the period	–	–	–	–	–	(6,224)	507	–	–	–	(5,717)	–	(5,717)
Total comprehensive (expense) income for the period	–	–	–	–	–	(6,224)	507	–	–	483,830	478,113	(735)	477,378
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,772	2,772
Shares repurchased and cancelled	(3,140)	–	(281,150)	3,140	–	–	–	–	–	(3,140)	(284,290)	–	(284,290)
Cancellation of treasury shares	–	210	–	–	–	–	–	–	–	–	210	–	210
Shares repurchased but not cancelled	–	(476)	(43,916)	–	–	–	–	–	–	–	(44,392)	–	(44,392)
Exercise of share options	9	–	526	–	–	–	–	(176)	–	–	359	–	359
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	2,150	–	–	2,150	–	2,150
Transfer of share option reserve upon forfeiture of share options	–	–	–	–	–	–	–	(2,136)	–	2,136	–	–	–
Dividends recognised as distribution (note 11)	–	–	–	–	–	–	–	–	–	(364,924)	(364,924)	–	(364,924)
At 30 June 2014 (unaudited)	186,163	(476)	214,967	17,252	217,228	14,844	(14,230)	43,495	909,487	3,442,817	5,031,547	4,226	5,035,773

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	NOTE	Six months ended 30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Net cash used in operating activities		**(308,741)**	(41,394)
Investing activities:			
Investments in interest bearing instruments		**(6,582,171)**	(3,502,220)
Investments in structured bank deposits		**(5,442,470)**	(1,198,302)
Additions to property, plant and equipment		**(342,732)**	(98,371)
Prepayments for acquisition of property, plant and equipment and land use rights		**(189,015)**	(66,888)
Purchase of available-for-sale investments		**(67,498)**	(129,925)
Investments in associates		**(41,428)**	—
Payments on lease payments of land use rights		**(35,087)**	(13,260)
Placement of restricted cash		**(18,024)**	(73,312)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	24	**(1,665)**	—
Deposit paid for acquisition of an associate		**—**	(2,500)
Redemption of investments in interest bearing instruments		**8,304,111**	2,802,220
Redemption of structured bank deposits		**5,037,470**	1,757,104
Income received from investments in interest bearing instruments		**78,310**	57,711
Proceeds from disposal of available-for-sale investments		**68,447**	268,609
Income received from structured bank deposits		**36,937**	58,378
Withdrawal of restricted cash		**17,674**	68,272
Interest received from bank deposits		**8,216**	4,976
Dividends received from equity investments		**7,834**	—
Other investing cash flows		**147**	1,047
Net cash generated from (used in) investing activities		**839,056**	(66,461)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Financing activities:		
Dividends paid to owners of the Company	**(364,924)**	(352,758)
Repayment of bank loans	**(308,238)**	(873,957)
Repurchase of own shares	**(305,201)**	(660,789)
Interest paid	**(90,115)**	(52,524)
Expenses on issuance of senior notes	**—**	(10,807)
New bank loans raised	**890,352**	—
Proceeds on exercise of share options	**359**	1,202
Issuance of senior notes	**—**	2,466,064
Net cash (used in) generated from financing activities	**(177,767)**	516,431
Net increase in cash and cash equivalents	**352,548**	408,576
Cash and cash equivalents at 1 January	**1,654,059**	2,840,321
Cash and cash equivalents at 30 June, representing bank balances and cash	**2,006,607**	3,248,897

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. REVENUE

The Group's revenue generated from the department store operations in the PRC represents the net amount received and receivable for goods sold, less returns and allowances, income from concessionaire sales, rental income and management service fees. An analysis of the Group's revenue for the six months ended 30 June 2014 is as follows:

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

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

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

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

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

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of the 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 2014						
Gross sales proceeds	2,520,968	3,812,892	979,068	7,312,928	625,435	7,938,363
Segment revenue	615,395	793,844	188,116	1,597,355	179,790	1,777,145
Segment results	272,765	404,711	71,833	749,309	(12,487)	736,822
Central administration costs and Directors' salaries						(39,970)
Finance income						131,422
Finance costs						(88,706)
Other gains and losses						(37,627)
Share of loss of associates						(4,524)
Profit before tax						697,417
Income tax expense						(214,322)
Profit for the period						483,095

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

4. SEGMENT INFORMATION *(Continued)*

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of the 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

5. OTHER OPERATING INCOME

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

6. FINANCE INCOME

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

7. FINANCE COSTS

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

8. OTHER GAINS AND LOSSES

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

9. INCOME TAX EXPENSE

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

10. PROFIT FOR THE PERIOD

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

11. DIVIDENDS

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

12. EARNINGS PER SHARE

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

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

	Six months ended	
	30.6.2014	30.6.2013
	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)	**483,830**	630,306

	Six months ended	
	30.6.2014	30.6.2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,823,973**	1,912,386
Effect of dilutive potential ordinary shares attributable to share options	**7,711**	9,700
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,831,684**	1,922,086

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Company's earnings per share during both the six months ended 30 June 2014 and 30 June 2013 because the exercise prices of these options were higher than the average market prices of the Company's shares during both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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

During the period, additions to property, plant and equipment amounted to RMB100,313,000 (six months ended 30 June 2013: RMB10,858,000) were recorded for construction and renovation of the Group's new department stores and amounted to RMB1,015,359,000 (six months ended 30 June 2013: RMB53,796,000) were recorded for construction, renovation and expansion of the Group's existing stores in order to expand and/or upgrade its operating capabilities. In addition, RMB35,087,000 (six months ended 30 June 2013: nil) were recorded for acquisition of land use rights.

Of the balance, RMB568,750,000 of the deposits for acquisition of property, plant and equipment had been reclassified as property, plant and equipment (six months ended 30 June 2013: RMB190,000,000 of the deposits for acquisition of land use rights had been reclassified as land use rights).

As at 30 June 2014, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB1,171,363,000 (31 December 2013: RMB247,622,000) and land use right certificates in respect of medium-term land use rights with a carrying value of RMB747,010,000 (31 December 2013: RMB747,010,000).

14. DEPOSITS AND PREPAYMENTS

	30.6.2014 **RMB'000** **(unaudited)**	31.12.2013 RMB'000 (audited)
Prepayments for acquisition of property, plant and equipment and land use rights (Note)	**854,804**	1,234,539
Deposit for acquisition of an associate	—	5,650
Rental deposits	**14,200**	14,200
	869,004	1,254,389

Note: Included in the balance is prepayments of RMB434,163,000 (31 December 2013: RMB1,002,913,000) paid to fellow subsidiaries of the Group for construction of properties to be delivered to the Group in the future.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15. TRADE AND OTHER RECEIVABLES

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

Note: Included in the balance is RMB21,000,000 (31 December 2013: 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 the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

16. AMOUNTS DUE FROM RELATED COMPANIES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
依洛（中國）商貿有限公司 (iROO China Co., Limited) (Note 1)	**4,647**	—
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group") (Note 2)	**3,527**	10,036
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Co., Ltd.) (Note 2)	**2,722**	4,184
雲南金鷹實業有限公司 (Yunnan Golden Eagle Industry Co., Ltd.) (Note 2)	**1,462**	758
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development") (Note 2)	**284**	284
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.) (Note 2)	**218**	248
Others	**367**	230
	13,227	15,740

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 related balances and prepayments for the Group's department stores operations.

Notes:

1. An associate of the Group.

2. Fellow subsidiaries of the Group.

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

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

Notes:

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

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

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

4. Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Short-term bank deposits are made for various periods ranging from 1 to 3 months, depending on the immediate cash requirements of the Group.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. TRADE AND OTHER PAYABLES

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

19. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
南京金鷹國際集團有限公司 (Nanjing Golden Eagle Group) (Note 1)	**159,140**	2,742
南京金鷹工程建設有限公司 (Nanjing Construction and Development) (Note 1)	**62,002**	64,231
安徽三新鐘錶有限公司 (Anhui Sanxin Watch Co., Ltd.) (Note 2)	**1,036**	1,014
Others	**2,384**	1,985
	224,562	69,972

The amounts due to Nanjing Golden Eagle Group and Nanjing Construction and Development 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.

20. BANK LOANS

During the period, the Group raised short-term bank loans amounting to approximately RMB890,352,000 (six months ended 30 June 2013: nil) and repaid short-term bank loans amounting to approximately RMB308,238,000 (six months ended 30 June 2013: RMB873,957,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

21. DEFERRED REVENUE

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

22. SHARE CAPITAL

	Number of shares	Share capital HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2014 and 30 June 2014	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2014 (audited)	1,840,198,000	184,020
Shares repurchased and cancelled	(36,947,000)	(3,695)
Cancellation of treasury shares	(2,667,000)	(267)
Exercise of share options	107,500	11
At 30 June 2014 (unaudited)	1,800,691,500	180,069

	RMB'000
Shown in the condensed consolidated financial statements:	
At 30 June 2014 (unaudited)	**186,163**

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

22. SHARE CAPITAL *(Continued)*

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
For the six months ended 30 June 2014:				
– January 2014	9,615,000	10.20	9.62	95,027
– March 2014	2,062,000	10.30	10.10	21,268
– May 2014	25,270,000	9.90	9.30	241,889
	36,947,000			358,184
– June 2014	6,000,000	9.30	9.10	55,924
	42,947,000			414,108

Included in the 42,947,000 shares repurchased during the six months ended 30 June 2014, 36,947,000 shares were cancelled during the period, and the remaining 6,000,000 shares were cancelled in August 2014 and recognised as treasury shares as at 30 June 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

23. 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).

Financial assets	Fair value as at 30.6.2014 RMB'000	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs	Significant unobservable inputs
1) Available-for-sale listed equity securities	348,808	Level 1	Quoted prices in active markets	N/A
2) Derivative component of the convertible bonds	13,004	Level 3	Binomial model. The key inputs are: expected volatility and the market value of the issuer, which is determined by 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 42.1%, determined by reference to the average of the historical weekly share price volatility of comparable companies (31.12.2013: 47.1%) (Note 1). Weighted average cost of capital ("WACC") of 21.6%, determined by using a Capital Asset Pricing Model (31.12.2013: 22.3%) (Note 2). Long-term revenue growth rate of 3.0%, taking into account of management's experience and knowledge of market conditions of the specific industry (31.12.2013: 3.0%) (Note 3). Discount for lack of marketability of 25.0%, by reference to the share price of listed entities in similar industry (31.12.2013: 25.0%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

23. 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)*

Note 1: An increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the derivative component of convertible bonds, and vice versa. A 10% increase/decrease in the expected volatility holding all other variables constant would increase/decrease the carrying amount of derivative component of convertible bonds by RMB661,000 and RMB612,000 (31December 2013: RMB968,000 and RMB957,000), respectively.

Note 2: An increase in WACC used in isolation would result in a decrease in the fair value measurement of the derivative component of convertible bonds, and vice versa. A 100 basis points increase/decrease in WACC holding all other variables constant would decrease/increase the carrying amount of the derivative component of the convertible bonds by RMB1,037,000 and RMB1,622,000 (31December 2013: RMB1,703,000 and RMB2,360,000), respectively.

Note 3: An increase in long-term revenue growth rate used in isolation would result in a significant increase in the fair value measurement of the derivative component of convertible bonds, and vice versa. A 1.0 percentage point increase/decrease in the long-term revenue growth rate holding all other variables constant would increase/decrease the carrying amount of the derivative component of convertible bonds by RMB552,000 and RMB446,000 (31December 2013: RMB773,000 and RMB669,000), respectively.

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

Reconciliation of Level 3 fair value measurements of financial asset

	Derivative component of the convertible bonds RMB'000
For the six months ended 30 June 2014	
At 1 January 2014	**15,506**
Loss included in other gains and losses (note 8)	**(2,502)**
At 30 June 2014	**13,004**
For the six months ended 30 June 2013	
At 1 January 2013	26,115
Loss included in other gains and losses (note 8)	(6,004)
At 30 June 2013	20,111

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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

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.

24. ACQUISITION OF THE SUBSIDIARIES

On 18 April 2014, the Group acquired 60% equity interests in Make The Brand Limited and its subsidiaries (the "MTB Group") at a cash consideration of approximately RMB10,429,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB6,271,000. The MTB Group's principal activities are launching and managing contemporary fashion brands throughout the Greater Asia region.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	621
Trade and other receivables	58
Bank balances and cash	8,764
Trade and other payables	(1,897)
Short-term loan	(616)
Net assets	6,930

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

24. ACQUISITION OF THE SUBSIDIARIES *(Continued)*

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	10,429
Plus: non-controlling interests	2,772
Less: recognised amount of indentifiable net assets acquired (100%)	(6,930)
	6,271

The non-controlling interests (40%) in the MTB Group recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of the MTB Group, which amounted to RMB2,772,000.

Goodwill arose in the acquisition of the MTB Group because the cost of acquisition includes the amounts in relation to the benefits of expected synergies, revenue growth and the future expansion of direct sales business bring forth to the Group. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition

	RMB'000
Cash consideration paid	(10,429)
Less: cash and cash equivalents acquired	8,764
	(1,665)

Impact of acquisition on the results of the Group

Between the date of acquisition and the period ended of 30 June 2014, the MTB Group contributed net revenue of RMB184,000 and a loss of RMB1,918,000 to the Group for the period.

Had the acquisition been completed on 1 January 2014, the Group's revenue and profit for the period ended 30 June 2014 would have been RMB1,781,724,000 and RMB482,553,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

25. 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:

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	**51,627**	41,203
In the second to fifth year inclusive	**362,869**	392,634
Over five years	**1,291,389**	1,488,867
	1,705,885	1,922,704

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:

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	**7,260**	—
In the second to fifth year inclusive	**10,424**	—
	17,684	—

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 Group, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the six months ended 30 June 2014 amounted to RMB63,442,000 (six months ended 30 June 2013: RMB61,031,000).

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

25. 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:

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	**94,424**	63,658
In the second to fifth year inclusive	**246,554**	175,646
Over five years	**53,381**	92,047
	394,359	331,351

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 2014 amounted to approximately RMB48,260,000 (six months ended 30 June 2013: RMB28,757,000).

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

26. CAPITAL COMMITMENTS

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(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)	**988,333**	1,174,867
– acquisition of associates and a subsidiary	**48,674**	650
	1,037,007	1,175,517

Note: Included in the balance is RMB527,065,000 (31 December 2013: RMB833,315,000) capital expenditure contracted for with fellow subsidiaries of the Group.

27. PLEDGE OF ASSETS

At 30 June 2014, the Group has pledged equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the syndicated loan facility granted to the Group.

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

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

28. RELATED PARTY TRANSACTIONS

During the period, other than those disclosed in notes 14, 15, 16, 19, 25 and 26, the Group had the following significant transactions with related parties:

a) Transactions

		Six months ended	
Relationship with related parties	**Nature of transactions**	**30.6.2014**	30.6.2013
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Fellow subsidiaries of the Group	Acquisition of property	**875,000**	—
	Decoration service fee paid	**19,678**	—
	Property management fee paid	**35,182**	37,691
	Property and ancillary facilities rentals paid	**46,195**	44,111
	Carpark management service fee paid	**956**	1,256
Associates	Purchase of merchandise	**11,300**	13,365

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

28. 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	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	**2,485**	2,558
Retirement benefits schemes contributions	**170**	205
Equity-settled share-based payments	**941**	4,562
	3,596	7,325

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 38, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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
25 August 2014

Management Discussion and Analysis

BUSINESS REVIEW

Industry Overview

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

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

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

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

Business Operation and Management

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

Management Discussion and Analysis

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

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

— Firstly, in terms of functions and amenities, Xinjiekou Lifestyle Center is based on the model of international fashionable shopping malls where functions and amenities are integrated. Xinjiekou Lifestyle Center brings casual dining restaurants such as Mr. Pizza and Green Tea, Lumière International Cinema, Animal Kingdom Exhibitions, Gmart, a large-scale premium-end boutique supermarket with GFA of 3,000 square metres, and other characteristic comprehensive lifestyle functions and amenities under one roof. The area for comprehensive lifestyle functions and amenities accounted for 31.8% of the total operating area of the Xinjiekou Lifestyle Centre.

— Secondly, in terms of merchandise mix, Xinjiekou Lifestyle Center houses approximately 800 domestic and foreign fashion brands, over 100 brands were first introduced to the Group and amongst which, 76 brands were first introduced to Nanjing and even China markets. Around 60% of the brands in comprehensive lifestyle functions were first introduced into the Nanjing market.

— Moreover, in terms of service enhancement, Xinjiekou Lifestyle Center houses a VIP Customer Service Centre of approximately 800 square meters. It not only provides the VIP customers with a more comprehensive and thoughtful after-sales and reward points redeeming services, but also provides them with services for all kinds of artistic exchanges and salon services from time to time. At the same time, leveraging on the "goodee mobile App" mobile phone application, computerized and convenient parking services are also offered to the VIP customers.

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

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

Opening of New Stores and Development of Retail Chain

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

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

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

Management Discussion and Analysis

Outlook

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

The management is cautiously optimistic about China's economic development and the growth of domestic consumption in the future. In the second half of the year, the Group will implement more proactive and effective measures to explore ways, including introducing unique and innovative functions and amenities into the floor area, to enhance the sales performance and profitability of the well established stores, so as to further consolidate and reinforce its leading position in the industry. These measures include: (1) with the objective of continuing optimizing and upgrading floor area into a comprehensive lifestyle center that cater for family's leisure and shopping, continuing to optimize chain store brand and merchandise mix with emphasis on product categories with growth potentials; (2) strengthening the development of the Group's jointly-operated and self-operated brands with higher profit margins. This will lay a solid foundation for the Group's future e-commerce development; (3) optimizing the Group's existing O2O business model that fits the Group's development, implementing omni-channel marketing and electronicalised business model which play important roles in merchandise management, precision marketing and accelerating business growth; (4) nurturing core senior management personnel to prepare for future business expansion; and (5) enhancing the overall customer satisfaction and loyalty through the provision of quality and unique merchandise mix, comprehensive lifestyle shopping experiences, innovative and interactive sales promotional activities, customized and attentive VIP value-added services and a variety of interesting items for its VIP reward points redemption program.

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

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

FINANCIAL REVIEW

GSP and revenue

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

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

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

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

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

Management Discussion and Analysis

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

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

Other operating income

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

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. Changes in inventories of merchandise decreased by RMB7.4 million or 1.4% to RMB509.7 million for the six months ended 30 June 2014. The decrease was generally in line with the decrease in direct sales.

Employee benefits expense

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

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

Management Discussion and Analysis

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and investment property and release of prepaid lease payments on land use rights increased by RMB4.9 million or 4.6% to RMB111.1 million for the six months ended 30 June 2014. The increase was primarily due to the additional depreciation and amortisation charges recognised for construction, renovation and expansion of the Group's existing stores, including Nanjing Xinjiekou Store Block B, during the period under review.

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

Rental expenses

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

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

Other operating expenses

Other operating expenses increased by RMB15.8 million or 5.4% to RMB309.5 million for the six months ended 30 June 2014. Other operating expenses mainly include water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fees. The increase was primarily contributed by the net effects of (i) the inclusion of other operating expenses for those additional retail spaces which have commenced operation during the period under review; and (ii) the management's continuous efforts of disciplined cost control during the period under review.

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

Profit from operations

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

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

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

Finance costs

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

Other gains and losses

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

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

Share of loss of associates

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

Income tax expense

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

Profit for the period

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

Capital expenditure

Capital expenditure of the Group for the six months ended 30 June 2014 amounted to RMB566.8 million (2013: RMB178.5 million). The amount mainly comprised contractual payments made for acquisition of property, plant and equipment and land use rights, construction of greenfield projects for department chain store expansion and the upgrade and/or expansion of the Group's existing retail spaces in order to further enhance the shopping environment and the Group's competitiveness in its local markets.

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

As at 30 June 2014, 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	74.63%

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 2014, 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 2014, 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	74.41%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,335,344,000	74.41%

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 2014, 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.

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 2014, 107,500 share options were exercised and 3,080,000 share options were forfeited. There were a total of 18,909,500 Shares available for issue pursuant to options that were granted under the Scheme, representing approximately 1.1% 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 2014 were as follows:

	Number of share options									
	Outstanding at 1 January 2014	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2014	Date of Grant	Exercise period (Note1)	Exercise price	Price of the Company's Share immediately before the grant date	Price of the Company's Shares on the date immediately before the exercise date (Note 2)
								HKD	HKD	HKD
Key management	1,124,000	–	(13,500)	(330,000)	780,500	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	10.53
	3,500,000	200,000	–	(2,000,000)	1,700,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	12,823,000	–	(94,000)	–	12,729,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	10.64
	4,650,000	(200,000)	–	(750,000)	3,700,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	22,097,000	–	(107,500)	(3,080,000)	18,909,500					
Exercisable at 30 June 2014					8,529,500					

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 located adjacent to Nanjing Xinjiekou Store and to be developed by Golden Eagle International Group.

The consideration of RMB875.0 million (subject to adjustment) for the acquisition of Xinjiekou Store 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 of Xinjiekou Store Phase II was completed and commenced soft opening in April 2014. It is expected that the gross floor area to be delivered to the Group will be approximately 51,856 square metres and the outstanding consideration will be adjusted upward by approximately RMB32.5 million, resulting an adjusted total consideration of RMB907.5 million. It is anticipated that the title of Xinjiekou Store Phase II will transfer to the Group upon the completion of the entire complex in 2015.

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 at end of 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 RMB1,125.8 million (subject to adjustment) for the acquisition of Kunshan Property was calculated based on RMB9,500 per square meter and the estimated aggregate gross floor area of approximately 118,500 square meters and may be adjusted depending on the 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 at end of 2014.

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

Details of the 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 2014.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

Other Information

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 30 June 2014, the Group employed a total of 5,300 employees (31 December 2013: 5,300). During the period under review, the aggregate amount of remuneration paid by the Group to its employees was RMB183.9 million (six months ended 30 June 2013: RMB170.4 million). The Group's remuneration policies are formulated with reference to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

DIVIDENDS

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

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 September 2014, which is also the record date for the distribution of dividend.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

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

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

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2014.

Other Information

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. Lay Danny J.

ACKNOWLEDGEMENT

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

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

Hong Kong, 25 August 2014