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GOLDEN EAGLE RETAIL GROUP LIMITED

金鷹商貿集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3308)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS OF INTERIM RESULTS

- Total gross sales proceeds (“GSP”) amounted to RMB8,153.8 million, representing a year-on-year increase of 3.5%.
- Same-store sales⁽¹⁾ (“SSS”) increased by 4.3% year-on-year.
- Revenue remained stable at RMB2,786.9 million.
- Profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other gains and losses) (“EBITDA”) amounted to RMB1,325.1 million, representing a year-on-year decrease of 0.9%.
- Profit attributable to owners of the Company was RMB577.7 million, representing a year-on-year increase of 25.4%.
- Earnings per share for the period under review was RMB0.348, representing a year-on-year increase of 25.2%.
- The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Golden Eagle Retail Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 (“1H2023”), together with unaudited comparative figures for the corresponding period in 2022 (“1H2022”). The unaudited condensed consolidated interim results have not been audited, but have been reviewed by the auditor, Messrs. Deloitte Touche Tohmatsu, and the audit committee of the Company (the “Audit Committee”).

⁽¹⁾ SSS represents change in total GSP of retail chain stores which were in operation throughout the comparable period.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

		Six months ended 30 June	
	<i>NOTES</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3	2,786,882	2,786,224
Other income, gains and losses	5	261,959	138,934
Changes in inventories of merchandise		(1,139,887)	(1,042,890)
Cost of properties sold		(25,316)	(99,252)
Employee benefits expense		(156,802)	(162,955)
Depreciation and amortisation of property, plant and equipment and intangible asset		(189,981)	(191,733)
Depreciation of right-of-use assets		(49,429)	(37,642)
Rental expenses		(203,001)	(197,291)
Other expenses		(315,509)	(316,158)
Share of results of associates		5,199	6,726
Share of results of joint ventures		(170)	(198)
Finance income	6	130,728	56,351
Finance costs	7	(241,714)	(149,879)
		<hr/>	<hr/>
Profit before tax		862,959	790,237
Income tax expense	8	(285,272)	(319,971)
		<hr/>	<hr/>
Profit for the period	9	<u>577,687</u>	<u>470,266</u>
Profit (loss) for the period attributable to:			
Owners of the Company		577,735	460,816
Non-controlling interests		(48)	9,450
		<hr/>	<hr/>
		<u>577,687</u>	<u>470,266</u>
Earnings per share			
– Basic (RMB per share)	11	<u>0.348</u>	<u>0.278</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	<u>577,687</u>	<u>470,266</u>
Other comprehensive income (expense):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Share of exchange difference of associates	<u>2,860</u>	<u>(3,341)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income	2,339	(3,925)
Income tax expense relating to item that will not be reclassified to profit or loss	<u>67</u>	<u>761</u>
	<u>2,406</u>	<u>(3,164)</u>
Other comprehensive income (expense) for the period, net of income tax	<u>5,266</u>	<u>(6,505)</u>
Total comprehensive income for the period	<u><u>582,953</u></u>	<u><u>463,761</u></u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	583,001	454,311
Non-controlling interests	<u>(48)</u>	<u>9,450</u>
	<u><u>582,953</u></u>	<u><u>463,761</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	<i>NOTES</i>	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
<i>Non-current assets</i>			
Property, plant and equipment		7,864,702	8,016,284
Right-of-use assets		2,244,378	2,411,704
Investment properties		2,436,000	2,472,670
Intangible asset		9,589	9,922
Goodwill		17,664	17,664
Interests in associates		175,204	167,145
Interests in joint ventures		13,481	13,651
Other receivables	12	63,101	61,290
Amount due from an associate		4,500	—
Equity instruments at fair value through other comprehensive income (“FVTOCI”)	13	62,285	63,566
Financial assets at fair value through profit or loss (“FVTPL”)	13	184,193	210,473
Deferred tax assets		36,032	35,809
		<u>13,111,129</u>	<u>13,480,178</u>
<i>Current assets</i>			
Inventories		362,733	436,878
Properties under development for sale		1,187,138	1,582,768
Completed properties for sale		1,035,846	622,588
Trade and other receivables	12	787,905	1,349,455
Amounts due from fellow subsidiaries		57,319	58,761
Tax assets		43,698	42,455
Financial assets at FVTPL	13	1,590,495	189,017
Restricted/pledged bank balances		82,447	75,177
Cash and cash equivalents		6,705,066	7,814,741
		<u>11,852,647</u>	<u>12,171,840</u>

	<i>NOTES</i>	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
<i>Current liabilities</i>			
Trade and other payables	14	3,365,186	3,271,187
Amounts due to fellow subsidiaries		193,338	135,206
Lease liabilities		29,695	27,477
Tax liabilities		537,580	554,844
Prepayments from customers		3,491,199	3,608,112
Contract liabilities	15	280,523	236,557
Bank loans	16	4,836,561	281,203
Senior notes	17	–	2,634,667
		<u>12,734,082</u>	<u>10,749,253</u>
Net current (liabilities) assets		<u>(881,435)</u>	<u>1,422,587</u>
Total assets less current liabilities		<u>12,229,694</u>	<u>14,902,765</u>
<i>Non-current liabilities</i>			
Bank loans	16	780,000	3,945,813
Other payables	14	117,165	105,062
Lease liabilities		384,364	510,123
Deferred tax liabilities		981,826	958,381
		<u>2,263,355</u>	<u>5,519,379</u>
Net assets		<u>9,966,339</u>	<u>9,383,386</u>
<i>Capital and reserves</i>			
Share capital		175,146	175,146
Reserves		<u>9,688,452</u>	<u>9,105,451</u>
Equity attributable to owners of the Company		9,863,598	9,280,597
Non-controlling interests		<u>102,741</u>	<u>102,789</u>
Total equity		<u>9,966,339</u>	<u>9,383,386</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

The Company is a public limited company incorporated in the Cayman Islands under the Companies Act 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 Ltd., a company incorporated in the British Virgin Islands, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger.

The Company is an investment holding company and its subsidiaries are principally engaged in the lifestyle centre and stylish department store chain development and operation, property development and hotel operation in the People’s Republic of China (the “PRC”).

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

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

The Directors have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

An analysis of the Group's revenue for the six months ended 30 June 2023 is as follows:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Commission income from concessionaire sales	903,683	891,781
Direct sales	1,303,147	1,208,954
Sales of properties	26,815	138,421
Management fees	14,151	19,308
Hotel operations	11,067	8,950
	<hr/>	<hr/>
Revenue from contracts with customers	2,258,863	2,267,414
Rental income	528,019	518,810
	<hr/>	<hr/>
Total revenue	<u>2,786,882</u>	<u>2,786,224</u>
Timing of revenue recognition under HKFRS 15		
<i>Revenue from Contracts with Customers</i>		
A point in time	2,233,645	2,239,156
Over time	25,218	28,258
	<hr/>	<hr/>
Total	<u>2,258,863</u>	<u>2,267,414</u>

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

Gross sales proceeds

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Concessionaire sales	6,067,647	5,797,334
Direct sales	1,472,816	1,365,668
Sales of properties	26,350	137,996
Management fees	15,081	20,552
Hotel operations	11,756	9,510
	<hr/>	<hr/>
Gross sales proceeds from contracts with customers	7,593,650	7,331,060
Rental income	560,122	550,471
	<hr/>	<hr/>
Total gross sales proceeds	<u>8,153,772</u>	<u>7,881,531</u>

4. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive Directors and chief executive officer, being the chief operating decision makers (the “CODM”), in order to allocate resources to the segments and to assess their performance.

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

- Retail operations consists of:
 - Southern Jiangsu Province, including retail stores at Nanjing, Suzhou, Danyang and Kunshan
 - Northern Jiangsu Province, including retail stores at Nantong, Yangzhou, Xuzhou, Taizhou, Huai’an, Yancheng and Suqian
 - Western and the other regions of the PRC, including retail stores at Xi’an, Kunming, Shanghai, Huaibei, Ma’anshan and Wuhu
- Property development and hotel operations
- Other operations represent the total of other operating segments that are individually not reportable

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

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

	Retail operations				Property development and hotel operations		Total
	Southern Jiangsu Province	Northern Jiangsu Province	Western and the other regions of the PRC	Subtotal	operations	Other operations	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30 June 2023							
Gross sales proceeds	<u>3,106,504</u>	<u>4,212,327</u>	<u>770,199</u>	<u>8,089,030</u>	<u>56,146</u>	<u>8,596</u>	<u>8,153,772</u>
Segment revenue	<u>1,363,979</u>	<u>1,133,213</u>	<u>225,432</u>	<u>2,722,624</u>	<u>54,964</u>	<u>9,294</u>	<u>2,786,882</u>
Segment results	<u>501,192</u>	<u>546,697</u>	<u>79,339</u>	<u>1,127,228</u>	<u>4,665</u>	<u>(5,279)</u>	<u>1,126,614</u>
Central administration costs and Directors’ salaries							(40,877)
Other gains and losses							(116,821)
Share of results of associates							5,199
Share of results of joint ventures							(170)
Finance income							130,728
Finance costs							<u>(241,714)</u>
Profit before tax							862,959
Income tax expense							<u>(285,272)</u>
Profit for the period							<u>577,687</u>

	Retail operations			Subtotal	Property development and hotel operations	Other operations	Total
	Southern Jiangsu Province	Northern Jiangsu Province	Western and the other regions of the PRC				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30 June 2022							
Gross sales proceeds	<u>2,870,043</u>	<u>4,069,394</u>	<u>760,077</u>	<u>7,699,514</u>	<u>165,414</u>	<u>16,603</u>	<u>7,881,531</u>
Segment revenue	<u>1,254,394</u>	<u>1,117,979</u>	<u>231,962</u>	<u>2,604,335</u>	<u>164,439</u>	<u>17,450</u>	<u>2,786,224</u>
Segment results	<u>465,877</u>	<u>566,432</u>	<u>84,958</u>	<u>1,117,267</u>	<u>35,889</u>	<u>(14,996)</u>	<u>1,138,160</u>
Central administration costs and Directors' salaries							(30,933)
Other gains and losses							(229,990)
Share of results of associates							6,726
Share of results of joint ventures							(198)
Finance income							56,351
Finance costs							<u>(149,879)</u>
Profit before tax							790,237
Income tax expense							<u>(319,971)</u>
Profit for the period							<u>470,266</u>

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Income from suppliers, tenants and customers	365,745	362,326
Government grants	5,298	2,108
Others	<u>7,737</u>	<u>4,490</u>
	<u>378,780</u>	<u>368,924</u>
Other gains and losses		
Net foreign exchange loss	(122,448)	(312,026)
Dividend income from equity investments	60	1,828
Dividend income from unquoted fund investment	8,486	—
Investment income from structured bank deposits	4,059	51,027
Fair value change of investment properties	(24,391)	(4,343)
Fair value change of equity investments at FVTPL	13,026	3,333
Fair value change of unquoted fund investment	(742)	29,386
Gain on disposal of a joint venture	41	805
Others (Note)	<u>5,088</u>	<u>—</u>
	<u>(116,821)</u>	<u>(229,990)</u>
	<u>261,959</u>	<u>138,934</u>

Note: Of the amount, included RMB6.5 million accrual relating to a litigation of the Group. In September 2021, Golden Eagle International Retail Group (China) Co., Ltd., an indirect wholly-owned subsidiary of the Company, became the defendant in a litigation initiated in Anhui Province, the PRC in relation to the lease of a commercial property for retail operation. The plaintiff claims the underpayment of rental expenses amounting to RMB100.0 million plus interest accrued. In May 2022, Hefei Intermediate People’s Court ruled that the Group should be liable for payment in an aggregate amount of approximately RMB203.1 million for the underpayment of rental expenses and the relevant interest accrued thereon (the “Ruling”). The Group has filed an appeal against the Ruling in 2022 and enforcement of the Ruling has been suspended since then. In August 2023, the appeal hearing in the Higher People’s Court of Anhui Province, the PRC resumed. During the period under review, the Group has made an additional accrual in the amount of RMB6.5 million for this litigation. The Group, after seeking independent legal advice, considers it has made sufficient provision as at 30 June 2023.

6. FINANCE INCOME

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income from bank deposits	125,219	44,711
Interest income from loans to third parties	3,883	10,083
Interest income from refundable rental deposits paid	1,626	1,557
	<u>130,728</u>	<u>56,351</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expenses on:		
Bank loans	182,914	85,527
Senior notes	44,689	58,507
Proceeds from pre-sale of properties	6,721	4,881
Refundable rental deposits received	4,394	3,107
Lease liabilities	11,117	2,738
	<u>249,835</u>	<u>154,760</u>
Less: amounts capitalised in the cost of qualifying assets		
Properties under development for sale	<u>(8,121)</u>	<u>(4,881)</u>
	<u>241,714</u>	<u>149,879</u>

Finance costs capitalised during the six months ended 30 June 2023 are calculated by applying a weighted average capitalisation rate of 6.8% (six months ended 30 June 2022: 4.5%) per annum.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current period	260,507	270,905
Land Appreciation Tax	2,306	7,088
Under provision in prior periods	1,246	764
	264,059	278,757
Deferred tax charge:		
Current period	21,213	41,214
	285,272	319,971

Hong Kong Profits Tax has not been provided as the Group had no assessable profit which arose in nor derived from Hong Kong during both periods.

Except as described below, subsidiaries of the Company located in the PRC are subject to PRC EIT rate of 25% (six months ended 30 June 2022: 25%) pursuant to the relevant PRC EIT laws. On 2 December 2020, Nanjing Golden Eagle Information Service Co., Ltd. was qualified as a High and New Technology Enterprise under the relevant PRC tax laws and regulations. Accordingly, the entity is entitled to a preferential income tax rate of 15% from 2020 to 2023. Kunming Golden Eagle Shopping Centre Co., Ltd. and Xi'an Golden Eagle International Shopping Centre Co., Ltd. are entitled to a preferential income tax rate of 15% because of their locations in western part of the PRC.

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation and amortisation of property, plant and equipment and intangible asset	189,981	191,733
Depreciation of right-of-use assets	49,429	37,642
Loss on disposal of property, plant and equipment	1,105	2,520
COVID-19-related rent concessions	–	(1,276)

10. DIVIDEND

Subsequent to the end of the interim period, the Directors have resolved not to declare any interim dividend for the six months ended 30 June 2023.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Earnings		
Earnings for the purpose of basic earnings per share		
(profit for the period attributable to owners of the Company)	<u>577,735</u>	<u>460,816</u>
	Six months ended 30 June	2022
	2023	2022
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,660,205</u>	<u>1,660,205</u>

12. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables	42,989	77,266
Advances to suppliers	78,844	88,949
Rental deposits	63,270	61,913
Other deposits	19,309	18,933
Other taxes recoverable	74,395	85,889
Loans to third parties	316,814	847,388
Other receivables and prepayments	<u>255,385</u>	<u>230,407</u>
	<u>851,006</u>	<u>1,410,745</u>
Presented as:		
Non-current assets	63,101	61,290
Current assets	<u>787,905</u>	<u>1,349,455</u>
	<u>851,006</u>	<u>1,410,745</u>

For operations other than property development, 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 which are normally settled within 15 days. There is no trade receivable from property development operations at the end of the reporting periods.

Trade receivables for retail operations amounted to RMB39,618,000 (unaudited) (31 December 2022: RMB70,520,000 (audited)) were aged within 15 days and the remaining trade receivables were aged within 90 days based on the invoice date at the respective reporting dates.

13. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL

	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
Equity instruments at FVTOCI		
Listed equity investments	<u>62,285</u>	<u>63,566</u>
Financial assets at FVTPL		
Non-current		
Unquoted fund investment	<u>184,193</u>	<u>210,473</u>
Current		
Structured bank deposits	1,500,000	–
Listed equity investments	<u>90,495</u>	<u>189,017</u>
	<u>1,590,495</u>	<u>189,017</u>

14. TRADE AND OTHER PAYABLES

	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
Trade payables	1,642,273	1,565,825
Payables for purchase of property, plant and equipment	381,586	401,283
Rental deposits	270,507	272,336
Suppliers' deposits	177,351	181,707
Accrued expenses	174,782	155,973
Accrued salaries and welfare expenses	30,825	37,623
Advance lease payments	18,796	14,980
Interest payable	–	14,729
Other taxes payable	59,914	46,229
Other payables	<u>726,317</u>	<u>685,564</u>
	<u>3,482,351</u>	<u>3,376,249</u>
Presented as:		
Non-current liabilities	117,165	105,062
Current liabilities	<u>3,365,186</u>	<u>3,271,187</u>
	<u>3,482,351</u>	<u>3,376,249</u>

The credit period on purchases of goods is ranging from 30 to 60 days. The following is an aged analysis of the Group's trade payables presented based on the invoice date at the reporting date:

	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
0 to 30 days	1,131,782	1,070,634
31 to 60 days	136,264	127,286
61 to 90 days	56,584	38,050
Over 90 days	317,643	329,855
	<u>1,642,273</u>	<u>1,565,825</u>

15. CONTRACT LIABILITIES

	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
Deposits and prepayments received from pre-sale of properties	252,350	220,535
Deferred revenue arising from the Group's customer loyalty programme	28,173	16,022
	<u>280,523</u>	<u>236,557</u>

16. BANK LOANS

During the current interim period, the Group raised short-term revolving bank loans and a three-year term loan in an aggregate principal amount of RMB1,508.0 million (six months ended 30 June 2022: nil) which carry variable interest ranging from 2.7% to 4.2% per annum and are repayable within one to three years.

The dual currency three-year secured syndicated loan, dominated in United States dollar ("USD") and Hong Kong dollar ("HK\$") amounted to USD420.0 million and HK\$1,408.0 million, raised by the Group in April 2021 will be due for full repayment in April 2024, and therefore the loan has been reclassified under current liabilities as at 30 June 2023.

17. SENIOR NOTES

The senior notes dominated in USD in the aggregate outstanding principal amount of USD378.5 million, raised by the Group in May 2013, were fully redeemed in May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail Industry Overview

In the first half of 2023, against the backdrop of insufficient growth momentum in the world economy and the slowdown in global trade growth, China's economy showed moderate momentum of recovery. Since the beginning of this year, national and local governments have launched a series of measures to stimulate consumption. Driven by market demand and policies, business recovery has been accelerated, and the recovery trend is clear. China's gross domestic product ("GDP") in the first half of 2023 was RMB59.3 trillion, representing a year-on-year ("YOY") increase of 5.5%. In the first half of the year, the total retail sales of consumer goods in China amounted to RMB22.8 trillion, representing a YOY increase of 8.2%. The role of consumption in stimulating the economy has significantly increased. After the pandemic, retail market gradually recovered, and the positive factors supporting consumption growth continued to increase. However, there are still uncertainties in the overall development of the industry. Due to the fluctuations in the base number caused by volatile pandemic situation last year, and the concentrated release of consumer demand at the beginning of this year, consumption growth slowed down slightly in the second quarter. Consumers remain cautious on spending and are more value-for-money given the expected unstable employment and income conditions, coupled with various factors such as intensified regional competition, the brick-and-mortar retail industry still faces huge challenges.

The three-year pandemic has reshaped business fundamentals in China, and the retail industry is facing cyclical changes. With the return of customer traffic, how can we embrace the new consumption momentum in the midst of major business changes? The change in consumption trend not only brings brand iteration, but also a change in operation strategy. From the initial recovery to recovery in full swing, the brick-and-mortar have entered into a new track. Although national spending power and willingness were restrained to a certain extent in the first half of the year, consumption options with great value, emotional comfort, and relevance were popular. Huge hits such as Zibo barbecue (淄博烧烤), Village Super League (村超) in Rongjiang county of Guizhou Province, and Village Basketball Association (村BA) successively emerged in various cities across the country. Diversified new consumption scenarios and patterns are constantly emerging, stimulating new consumer demand. The brick-and-mortar are experiencing all kinds of possibilities with tenacity, and the Chinese consumer market with strong development potential is still expected to expand throughout the year.

Operation Management and Corporate Development

With the economic stabilisation and consumption recovery in the first half of 2023, the Group seized the opportunities from the momentum of economic recovery, continuously strengthened its operational capabilities, revitalised existing assets, optimised its organisational structure, reduced costs and improved efficiency. By innovating business ideas, optimising the merchandise portfolio, refreshing retail environment, etc., the Group created unique business IPs. By strengthening the collaborations with government and platform resources, the Group successfully captured different groups of consumers through diversified and innovative marketing campaigns and continuously enhanced the entertainment and social experience and interesting level of membership services, providing warmer and more efficient new shopping experiences that drive sales conversion.

With the concerted efforts of the Group and its staff, the Group's customer traffic in the first half of the year reached 98.5 million visits⁽²⁾, gross sales proceeds ("GSP") was RMB8.2 billion, representing a YOY increase of 21.1% and 3.5% from the same period in 2022, respectively, while profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other gains and losses) was RMB1.3 billion, representing a slight decrease of 0.9% from the same period in 2022. In the first half of the year, the Group promoted merchandising adjustments in an orderly manner, and continued to strengthen cooperation with benchmark brands for store debuts and flagship store establishment in the region. In the first half of the year, the Group adjusted a total of 109,000 square metres of its counter area, involving 881 brands and accounting for 10.2% of the total counter area of the Group. The overall occupancy rate was 91.6%.

With the continuous upgrade of consumption philosophy and consumer demand, consumer's demand for quality, brand, service and experience is ever-growing. The "first store economy" continues to gain momentum. Store debut not only has a significant brand spillover and consumption upgrade effect, but also brings about new consumption scenarios and public discussions, stimulating consumption potential. In the first half of the year, the Group has introduced 5 provincial-level first stores, 22 city-level first stores, 26 benchmark brands, and 1 flagship store. Based on the changes in consumer demand and consumption characteristics, the Group continued to lead commercial upgrades by virtue of its "merchandise strength", and continued to introduce regional and city-level first stores and optimise brand portfolio with popular catering, high-end beauty, fashion, entertainment and cultural experiences, increasing store revenue and rejuvenating urban quality life with diversified merchandise portfolio.

Leveraging on its landmark location in the city, Nanjing Golden Eagle World Store focused on introducing composite and innovative business formats. Through the introduction of store debuts in the city and the introduction of benchmark brands in various categories, such as Siam Street (暹羅街), Xiaonanye (小南椰), Lego, GUCCI Timepieces and Jewelry, and Xia Laotaitai (西塔老太太), Nanjing Golden Eagle World Store continued to build a new lifestyle track favoured by young consumers. At the same time, it strengthened its parent-child offerings and created a new urban gathering space. Nanjing Xinjiekou Store continued to expand its advantageous brand categories by introducing popular catering brands including Huolujia (火爐家), Chenmapo (陳麻婆), and JUST FIRE (啫火), subverting the dining experience in Nanjing. The opening of Xuzhou Store's Metro Shopping Block attracted the entry of 15 internet-famous benchmark brands including Nayuki (奈雪的茶), CHAGEE (霸王茶姬), and IP STAR, releasing new vitality for consumption in the city center of Xuzhou. The Group has also upgraded the international beauty selections of its Taizhou store. Helena Rubenstein, YSL, ARMANI and other high-end beauty brands that are in short supply in the market will make an entrance into the store's beauty section on 1st floor.

⁽²⁾ According to year-on-year comparison of data collected from the Group's retail chain stores with customer traffic statistics system installed

The Group closely follows the market trends and hot topics, and drives user engagement and growth through marketing, and empowers operations through customer traffic. Through the combination of high quality, high frequency, and multi-channel marketing approaches, the Group carried out nationwide collaborations and targeted pivotal moments to explore new opportunities for business growth. In the first half of the year, the Group cooperated with premium IPs, platforms and government departments to jointly launch city-level marketing campaigns. In January, the Group's six stores in Nanjing partnered with the Nanjing Municipal Bureau of Commerce, Nanjing Metro and Alipay to give away Golden Eagle coupons via a QR code scan for people taking metro transport. In April, the Group collaborated with Super Plants (超級植物公司) to hold the first national exhibition, and the User-generated Content ("UGC") on social media exceeded 10 million views; the Group also partnered with Ant Forest (螞蟻森林) to build a "Green Energy Station", which achieved 22 million online exposures. In addition, the Group leveraged on brands' resources to strengthen customer stickiness for brands and stores and achieved a win-win situation. In April, HAZZY was opened at Nanjing Xinjiekou Store and Chen Duling (陳都靈), the spokesperson for HAZZY womenswear, served as a one-day star store manager. The customer traffic on the day of the event increased by 20.1% YOY, and the brand's single-week sales exceeded RMB1.1 million. In April, the Group collaborated with L'Occitane to hold the first national exhibition of "From Green to Green", L'Occitane in Nanjing Xinjiekou Store generated RMB1.8 million GSP for that month. Furthermore, the Group placed more focus on online marketing to create a new growth driver. During the mid-year shopping festival in June, the Group partnered with Douyin (抖音) to carry out livestreaming sales for the first time to promote Golden Eagle coupons that are redeemable at 25 stores in 15 cities across the country, covering beauty, fashion, grocery, catering and other categories. In addition, the Group invited thousands of influencers to visit the stores, and 22,000 videos were released, with the total number of video views exceeding 42.0 million and the Gross Merchandise Value ("GMV") exceeding RMB30.0 million.

In the first half of 2023, the Group's 7-Eleven convenience store business expanded steadily with increasing returns. GSP generated in the first half of the year was RMB149.0 million, representing a YOY increase of 67.6%. The number of the Group's 7-Eleven convenience stores grew from 121 at the end of 2022 to 145, of which 22 are self-owned stores and 123 are franchised stores. 7-Eleven held a mid-year shopping festival, and its single-day GSP exceeded RMB16.0 million. In the first half of the year, 7-Eleven recruited 743,000 new members, bringing sales of RMB67.6 million. In order to connect with consumers more effectively so as to boost sales, in 2023, 7-Eleven has been actively building its "2.0 version store" to revitalise and elevate the store image. In addition, 7-Eleven has established its own fresh food factory with a total gross floor area ("GFA") of approximately 4,000 square metres, which will focus on the production of 7-Eleven distinctive food products, such as rice balls and other rice items. The designed daily production capacity of the factory is 120,000 servings, which can meet the daily demand for 300 stores in the future.

The Group continues to optimise its member services, actively explore opportunities for growth, and build a private traffic pool. In the first half of 2023, the Group had a total of approximately 3.5 million VIP members. The Group focused on online and offline integration to optimise the traffic matrix. The average daily traffic of the "GE Life" (金鷹生活) WeChat mini program rose 17.1% YOY, and the official account has a total of 390,000 followers. In the first half of the year, the Group rationalised 1,846 chat groups and added 218 new groups, and the conversion rate of group transactions increased by 43.2% YOY. Through the "GE Life" WeChat mini program, 342 brand flagship store livestream sessions featuring celebrities and KOLs were carried out in the first half of the year, and sales of these brands increased by 46.0% YOY. In the first half of the year, the Group launched the IP activity "Wednesday Members' Day", offering free parking on Wednesdays, flash sales on Wednesdays, and various benefits through multi-business collaborations to strengthen the emotional connection with VIP members.

Outlook

With the impact of the three-year pandemic, economic volatility is inevitable, but the momentum for long-term domestic consumption recovery continues. Looking ahead to the second half of 2023, consumption will still be the core driver of China's economic growth, and the scale expansion and structural upgrade of consumer demand are important factors affecting economic development. The retail sector is expected to continue to benefit from the support of various government consumption-stimulating policies and see a gradual recovery. Retail operators have to delve deeper into business operations, start a new path in the changing situation, and continue to make efforts on store upgrades, merchandise portfolio adjustments, digitalisation, marketing, etc., to help accelerate business recovery.

In the next few years, the Group's Golden Eagle World projects in Nantong, Changzhou and Changchun, as well as Liyang, Kunshan Phase II and Yangzhou Jiangdu Phase II projects will be gradually launched in stages in leased or self-owned properties, which will add a total GFA of approximately 783,000 square metres to the Group's lifestyle centres; adhering to the green, low-carbon and sustainable development strategy, all new commercial projects of the Group in the future will fully adopt low-carbon energy-saving technologies such as photovoltaic power generation, high-efficiency chiller plant, rainwater recycling, and intelligent lighting, and will be planned and built in accordance with China's two-star or above green building standard.

FINANCIAL REVIEW

GSP and revenue

Since early 2020, the COVID-19 outbreak has spread across China and other countries. A series of precautionary and control measures have been implemented across China since then. The pandemic has affected retail business in China and the economic activities of the Group to a certain extent. The Group's stores were required to temporarily shortened their operating hours and/or closed during the regional outbreaks. In 1H2022, the Group's stores at Nantong, Xuzhou, Ma'anshan and Wuhu were closed for one to two weeks during the period in March and April 2022, while the Group's stores at Xi'an, Suzhou, Kunshan and Shanghai were closed for four to eight weeks in the second quarter of 2022.

In response to the situation, the Group has adopted various measures to mitigate the adverse impact of pandemic on its business operations, including maximising operational efficiency, promoting online sales, assisting merchants and business partners in weathering the pandemic, and implementing comprehensive cost-saving measures. With adoption of the abovementioned measures, continuous efforts in merchandise adjustments and creative marketing campaigns, the Group has demonstrated resilience in its recovery since the second quarter of 2020. However, the Group's operating results were inevitably impacted by the resurgence of regional outbreaks since then, especially during the period when the Group's stores temporarily shortened their opening hours and/or were closed.

The Group also implemented a series of measures and policies to assist merchants and business partners in weathering the difficult situation caused by the pandemic since 2020, including granting subsidies and rental concessions to concessionaire and rental tenants, totalling approximately RMB80.0 million and RMB49.0 million respectively, during each of the first half of 2020 and 2022.

During the period under review, GSP of the Group increased to RMB8,153.8 million, representing a YOY increase of 3.5% or RMB272.3 million. The increase was mainly attributable to the net effects of (i) a YOY increase of 4.3% in retail SSS amid the optimisation of China's pandemic prevention and control measures since the end of 2022 which resulted in the increase in customer traffic and recovery of consumer sentiment; and (ii) the decrease in sales of properties by RMB111.6 million or 80.9% to RMB26.4 million since no material delivery of property units was carried out in 1H2023 whereas the Group delivered a comparatively larger proportion of the pre-sold units in phase one sub-sections one and two of Changchun Golden Eagle World Project to the purchasers in 1H2022.

During 1H2023, concessionaire sales contributed to 74.4% (1H2022: 73.6%) of the Group's GSP, which increased by 4.7% YOY to RMB6,067.7 million from RMB5,797.3 million in 1H2022, while direct sales contributed to 18.1% (1H2022: 17.3%) of the Group's GSP, which increased by 7.9% to RMB1,472.8 million from RMB1,365.7 million in 1H2022. Rental income contributed to 6.9% (1H2022: 7.0%) of the Group's GSP, which increased by 1.8% YOY to RMB560.1 million in 1H2023 from RMB550.5 million in 1H2022. Sales of properties contributed to 0.3% (1H2022: 1.7%) of the Group's GSP in 1H2023, which decreased by 80.9% YOY to RMB26.4 million from RMB138.0 million in 1H2022. Other income accounted for the remaining 0.3% (1H2022: 0.4%) of the Group's GSP, which decreased by 10.7% YOY to RMB26.8 million in 1H2023 from RMB30.0 million in 1H2022.

Commission rate from concessionaire sales decreased to 16.8% (1H2022: 17.4%) while gross profit margin from direct sales decreased to 12.6% (1H2022: 13.8%), resulting in a decrease in the overall gross profit margin from concessionaire sales and direct sales to 16.0% (1H2022: 16.7%). This was mainly due to (i) more promotional discounts being offered in order to attract customer traffic and sales during the period under review; and (ii) approximately 0.5% dilution on the direct sales gross profit margin due to the increase in sales of goods to the Group's 7-Eleven franchisees at procurement costs (which was in line with the Group's pricing policy) and such sales increased by 1.1 times YOY to RMB103.2 million (1H2022: RMB49.5 million) for 1H2023 as a result of the continuous expansion of the Group's 7-Eleven franchise chain.

A breakdown of GSP from concessionaire sales and direct sales by category indicates that sales of apparel and accessories contributed to 40.4% (1H2022: 39.9%) of the GSP; sales of gold, jewellery and timepieces contributed to 17.9% (1H2022: 18.1%); sales of cosmetics contributed to 15.9% (1H2022: 16.2%); sales of outdoor, sports clothing and accessories contributed to 10.8% (1H2022: 10.4%); sales at the supermarket operation (including sales of tobacco, wine and liquor) contributed to 8.8% (1H2022: 8.2%) and the sales of other products such as electronics and appliances, household and handicrafts, childrenswear and toys contributed the remaining 6.2% (1H2022: 7.2%) of the GSP.

During the period under review, the Group's 7-Eleven convenience stores generated GSP of RMB149.0 million, which increased by 67.6% YOY from RMB88.9 million in 1H2022. The number of 7-Eleven convenience stores increased from 121 (with a total GFA of approximately 11,752 square metres) as at 31 December 2022 to 145 (with a total GFA of approximately 13,910 square metres) as at 30 June 2023. Out of which, 22 stores (31 December 2022: 22 stores) were self-operated stores and 123 stores (31 December 2022: 99 stores) were franchised stores, spanning across nine cities including Nanjing, Taizhou, Nantong, Yangzhou, Huai'an, Changzhou, Zhenjiang, Yancheng and Xuzhou.

As at 30 June 2023, the Group's completed properties for sale and properties under development for sale amounted to RMB1,035.8 million (31 December 2022: RMB622.6 million) and RMB1,187.1 million (31 December 2022: RMB1,582.8 million), respectively.

Completed properties for sale comprised of the Group's (i) the Riverside Century Plaza Project (in Wuhu Anhui Province, being one of the projects acquired by the Group in the year 2015) with total salable office and residential GFA of approximately 23,097.2 square metres (31 December 2022: 23,732.6 square metres); (ii) the remaining completed portion of the Yangzhou New City Centre Project, mainly phase one and two sub-section one properties, which were transferred from properties under development for sale with an estimated total salable residential and commercial GFA of approximately 1,095.7 square metres (31 December 2022: nil) and salable car parking spaces with GFA of approximately 35,433.3 square metres (31 December 2022: nil); and (iii) the remaining completed portion of Changchun Golden Eagle World Project phase one sub-sections one and two with an estimated total salable residential, commercial and car parking spaces GFA of approximately 82,653.4 square metres (31 December 2022: nil) as at 30 June 2023.

Properties under development for sale mainly comprised of the Group's (i) remaining portion of the Yangzhou New City Centre Project, mainly phase two sub-section two, with an estimated total salable residential and commercial GFA of approximately 95,117.8 square metres (31 December 2022: 96,501.8 square metres) as at 30 June 2023. The remaining completed salable car parking spaces with GFA of approximately 35,658.6 square metres as at 31 December 2022 were transferred to completed properties for sale during the period under review; (ii) Lianyungang Project with an estimated total salable residential and commercial GFA of approximately 29,323.0 square metres (31 December 2022: 29,323.0 square metres); and (iii) remaining completed Changchun Golden Eagle World Project phase one sub-sections one and two with an estimated total salable residential, commercial and car parking spaces GFA of approximately 84,744.1 square metres as at 31 December 2022 were transferred to completed properties for sale during the period under review.

Pre-sale of the units in phase one of Yangzhou New City Centre Project have commenced since the year 2016 and these units were completed and delivered to the purchasers in the second half of 2018 and the first half of 2019. The Group commenced pre-sale of the units in phase two sub-section one of the project since September 2017. These units were completed and delivered to purchasers at the end of 2019 and in the first half of 2020. Phase two is the last phase of Yangzhou New City Centre Project which comprises two sub-sections, and sub-section two is yet to be developed.

The Changchun Golden Eagle World Project is expected to be built in five phases and will be developed in stages over the coming years. Phase one of Changchun Golden Eagle World Project comprises three sub-sections. Pre-sale of the units in phase one sub-sections one and two have commenced since the year 2020. The construction work of phase one sub-sections one and two with total salable residential, commercial and car parking spaces GFA of approximately 116,720.9 square metres is expected to be completed in phases from the end of 2021 to the year 2023. The delivery of the respective pre-sold units to purchasers commenced at the end of 2021. A portion of these pre-sold units with GFA of approximately 2,090.7 square metres were completed and delivered to purchasers during 1H2023 and the remaining pre-sold units with GFA of approximately 5,560.5 square metres are expected to be delivered to purchasers in 2H2023. The Group will commence sales of the remaining units of phase one sub-sections one and two after evaluating the local market environment in 2H2023.

Pre-sale of the residential units in Lianyungang Project has commenced in the year 2022, which is a relatively small project of the Group. The construction work is expected to be completed in the year 2025 and the units are expected to be delivered to pre-sale purchasers in the same year. As at 30 June 2023, properties with GFA of approximately 14,854.1 square metres have been pre-sold and deposits and prepayments in the aggregate sum of RMB197.0 million have been received by the Group.

Sales of properties amounted to RMB26.4 million (1H2022: RMB138.0 million) with an aggregate GFA of approximately 3,239.7 square metres (1H2022: 17,150.9 square metres) being sold in 1H2023. The sales were mainly contributed by the sales of properties at the Group's (i) Changchun Golden Eagle World Project which amounted to RMB17.0 million (1H2022: RMB126.0 million); (ii) Yangzhou New City Centre Project which amounted to RMB3.4 million (1H2022: RMB4.7 million); and (iii) Riverside Century Plaza Project which amounted to RMB6.0 million (1H2022: RMB7.3 million). Gross profit margin of sales of properties was 5.6% (1H2022: 28.3%). The gross profit margin was diluted by the clearance sales of car parking spaces at the Yangzhou New City Centre Project and the Riverside Century Plaza Project in 1H2023 with low gross profit margin.

The Group's total revenue remained stable and amounted to RMB2,786.9 million.

Other income, gains and losses

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Other income	378,780	368,924
Other gains and losses	(116,821)	(229,990)
	<u>261,959</u>	<u>138,934</u>
Total operating income		
Revenue	2,786,882	2,786,224
Other income	<u>378,780</u>	<u>368,924</u>
	<u>3,165,662</u>	<u>3,155,148</u>

Other income mainly comprised of various miscellaneous operating income received from retail tenants and customers, including overall administration and management fees from concessionaires and rental tenants and credit card handling fees from retail customers. Other income increased by RMB9.9 million or 2.7% to RMB378.8 million which was generally in line with the increase in sales. Total operating income, being the aggregate of the Group's revenue and other income, increased to RMB3,165.7 million, representing an increase of RMB10.5 million or 0.3%. Total retail operating income, being the total operating income excluding the operating income from property sales and hotel operations (for simple reconciliation purpose), increased to RMB3,127.8 million, representing an increase of RMB120.0 million or 4.0%.

Other gains and losses mainly comprised of non-operating gains and losses such as (i) net foreign exchange gain and loss resulting from the translation of foreign currencies denominated assets and liabilities into RMB; (ii) the gains and losses and dividend income derived from the Group's investment in securities; (iii) the changes in the fair value of the Group's investment properties; and (iv) other one-off or non-recurring gains and losses.

The net loss of other gains and losses decreased by RMB113.2 million to RMB116.8 million in 1H2023. Such decrease was primarily due to the net effects of (i) the decrease in a net foreign exchange loss by RMB189.6 million to RMB122.4 million in 1H2023; (ii) the decrease in investment income from structured bank deposits by RMB47.0 million from RMB51.0 million recognised in 1H2022 to RMB 4.0 million in 1H2023 due to the decrease in the relevant deposit rates and the Group has deployed more surplus capital to bank deposits during the period under review; (iii) a fair value change of the Group's unquoted fund investment at FVTPL from a gain of RMB29.4 million recognised in 1H2022 to a loss of RMB0.7 million in 1H2023, representing a net difference of RMB30.1 million; and (iv) the increase in fair value loss of investment properties from RMB4.3 million recognised in 1H2022 to RMB24.4 million in 1H2023.

Changes in inventories of merchandise and cost of properties sold

Changes in inventories of merchandise and cost of properties sold represented the cost of goods sold under the direct sales business model and the cost of properties sold. Changes in inventories of merchandise and cost of properties sold increased by RMB23.1 million or 2.0% YOY to RMB1,165.2 million for 1H2023. Such increase was generally in line with the net increase in direct sales and decrease in sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB6.2 million or 3.8% YOY to RMB156.8 million in 1H2023. Such decrease was primarily attributable to the net effects of (i) the continuous efforts of the Group to streamline the roles and functions of its employees at all levels; and (ii) the continuous investment in human resources for the implementation and development of the Group's "comprehensive lifestyle concept" and "interactive retail platform".

Employee benefits expense as a percentage of GSP decreased by 0.1 percentage point to 2.2% from 2.3% in 1H2022.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment, intangible asset and right-of-use assets increased by RMB10.0 million or 4.4% YOY to RMB239.4 million in 1H2023. The increase was mainly attributable to the increase in depreciation of right-of-use assets followed by the delivery of approximately 27,240 square metres of the Group's additional Xuzhou metro commercial project leased area by the landlord in May 2023.

Depreciation and amortisation expenses as a percentage of GSP remained stable at 3.3% in 1H2023.

Rental expenses

Rental expenses increased by RMB5.7 million or 2.9% YOY to RMB203.0 million in 1H2023. The Group's rental arrangements were mainly pegged to the sales and rental income generated by the respective stores which operated in leased properties. Such increase was attributable to the increase in retail sales and rental income of these stores in 1H2023.

Rental expenses as a percentage of GSP remained stable at 2.8% in 1H2023.

Other expenses

Other expenses decreased by RMB0.6 million or 0.2% YOY to RMB315.5 million in 1H2023. Other expenses mainly included expenses for utilities, expenditure on advertising and promotional activities, costs for cleaning, repair and maintenance, fees for property management and other tax expenses.

The decrease was primarily attributable to the net effects of (i) the management's consistent and disciplined approach towards cost control; and (ii) the increase in utilities costs by RMB4.9 million due to the increase in both the utility unit costs and utility consumptions amid the optimisation of China's pandemic prevention and control measures since the end of 2022, resulting in the increase in customer traffic. The Group continues to take advantage of the intelligent property management measures in place to utilise various utilities effectively and efficiently.

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Utilities expenses	113,701	108,808
Property management fees	65,003	71,725
Cleaning, repair and maintenance expenses	48,478	48,680
Advertising and promotion expenses	17,997	16,605
Other tax expenses	13,807	13,525
Loss on disposal of property, plant and equipment	1,105	2,520
Subcontracting service charges	4,604	4,870
Others	50,814	49,425
	<u>315,509</u>	<u>316,158</u>

Other expenses as a percentage of GSP decreased by 0.1 percentage point to 4.4% from 4.5% in 1H2022.

Finance income

Finance income was mainly generated from bank deposits and various short-term bank related deposits placed by the Group in banks when the Group has surplus capital. Finance income increased by RMB74.4 million or 1.3 times YOY to RMB130.7 million in 1H2023 which was mainly due to the net effects of (i) the increase in interest income from bank deposits by RMB80.5 million as more capital had been deployed in bank deposits in 1H2023; and (ii) the decrease in interest income from loans to third parties by RMB6.2 million to RMB3.9 million as a result of the repayments of loans from the third parties in 1H2023.

Finance costs

Finance costs mainly comprised of interest expenses on the Group's bank borrowings and senior notes. Finance costs increased by RMB91.8 million or 61.3% YOY to RMB241.7 million in 1H2023, which was primarily due to the net effects of (i) the increase in London and Hong Kong Interbank Offer Rates, which the Group's floating rate syndicated loan referred to. Subsequent to the balance sheet date, CME Term SOFR Reference Rate has replaced London Interbank Offer Rate and became the reference rate for the USD portion of the Group's syndicated loan; (ii) the depreciation of RMB against USD and HK\$ in 1H2023; and (iii) the decrease in interest expenses for the Group's senior notes upon completion of the full redemption of the same in May 2023.

Income tax expense

Income tax expense of the Group decreased by RMB34.7 million or 10.8% YOY to RMB285.3 million. Effective tax rate for 1H2023 was 33.1% (1H2022: 40.5%). The YOY decrease of 7.4 percentage points in effective tax rate was mainly due to the net decrease in offshore non-deductible expenses, namely the decrease in offshore net foreign exchange loss and the increase in interest expenses for the Group's offshore bank borrowings.

Profit for the period

Profit for the period increased by RMB107.4 million or 22.8% YOY to RMB577.7 million. Net profit margin, which represents net profit as a percentage of GSP, was 8.0% (1H2022: 6.7%) for 1H2023.

Profit from operations (net profit before interest, tax and other gains and losses) decreased by RMB21.6 million or 1.9% YOY to RMB1,085.8 million (1H2022: RMB1,107.2 million), while EBITDA decreased by RMB11.5 million or 0.9% YOY to RMB1,325.1 million (1H2022: RMB1,336.6 million).

On the other hand, profit from retail operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax, other gains and losses and excluding profit from property sales and hotel operations) ("Retail EBITDA") increased by RMB19.7 million or 1.5% YOY to RMB1,313.4 million (1H2022: RMB1,293.7 million).

During the period under review, the aggregate net operating losses generated by 3 (1H2022: 3) loss-making stores amounted to RMB4.4 million (1H2022: RMB9.7 million).

Capital expenditure

Capital expenditure of the Group for 1H2023 amounted to RMB54.9 million (1H2022: RMB116.7 million). The amount mainly comprised of contractual payments made for the acquisition of plant and equipment, construction of chain store projects on greenfield sites and the upgrade and/or expansion of the Group's existing retail spaces in order to enhance both shopping environment and the Group's competitiveness in the markets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group's cash and near cash (cash and cash equivalents, restricted/pledged bank balances and structured bank deposits) amounted to RMB8,287.5 million (31 December 2022: RMB7,889.9 million) whereas the Group's total borrowings (including bank borrowings and senior notes) amounted to RMB5,616.6 million (31 December 2022: RMB6,861.7 million). For 1H2023, the Group's net cash generated from operating activities amounted to RMB1,300.2 million (1H2022: RMB553.0 million); net cash used in investing activities amounted to RMB730.2 million (1H2022: RMB797.9 million); and net cash used in financing activities amounted to RMB1,679.7 million (1H2022: RMB119.5 million).

As at 30 June 2023, bank borrowings of the Group amounted to RMB5,616.6 million (31 December 2022: RMB4,227.0 million), which comprised of the Group's three-year dual-currency syndicated loan amounted to RMB4,404.3 million (31 December 2022: RMB4,227.0 million), a three-year term loan due in March 2026 amounted to RMB800.0 million (31 December 2022: nil) and short-term revolving bank loans amounted to RMB412.3 million (31 December 2022: nil). The Group's syndicated loan will mature in full in April 2024. Accordingly, the amount has been reclassified as current liabilities as at 30 June 2023. Subsequent to the balance sheet date, the Group has made voluntary prepayment in the amounts of USD196.0 million and HKD657.1 million (equivalent to RMB2,008.9 million), to reduce its outstanding syndicated loan balance to USD224.0 million and HKD750.9 million as at the date of this announcement. Senior notes of the Group in the amount of RMB2,634.7 million as at 31 December 2022 have been fully redeemed in May 2023 with the Group's internal resources and banking facilities.

The total assets of the Group as at 30 June 2023 amounted to RMB24,963.8 million (31 December 2022: RMB25,652.0 million) whereas the total liabilities of the Group amounted to RMB14,997.4 million (31 December 2022: RMB16,268.6 million), resulting in a net assets position of RMB9,966.4 million (31 December 2022: RMB9,383.4 million). The gearing ratio, which is calculated by the Group's total borrowings divided by its total assets, decreased to 22.5% as at 30 June 2023 (31 December 2022: 26.7%).

The capital commitments of the Group as at 30 June 2023 amounted to RMB1,423.0 million (31 December 2022: RMB1,455.3 million) in respect of:

	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>36,549</u>	<u>43,584</u>
Other commitments in respect of construction of properties under development for sale	<u>1,386,450</u>	<u>1,411,761</u>

CONTINGENT LIABILITIES

Other than those disclosed above, the Group had the following contingent liabilities:

	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
Financial guarantee in respect of mortgage loan facilities for certain purchasers	<u>125,343</u>	<u>106,988</u>

The Group cooperates with certain financial institutions which arrange mortgage loan facilities for its property purchasers and provides guarantees to secure repayment obligations of such purchasers. Such guarantees will be released by banks upon the issuance of the relevant real estate ownership certificate to the purchasers or upon the full repayment of mortgage loans by the property purchasers, whichever is the earlier.

PLEDGE OF ASSETS

As at 30 June 2023, the Group has pledged its equity interests of certain subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the syndicated loan facilities granted to the Group. Assets with the following carrying amounts have been pledged to secure the syndicated loan and other banking facilities granted to the Group:

	30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(audited)</i>
Property, plant and equipment	143,645	–
Right-of-use assets	29,070	–
Equity instruments at FVTOCI	59,000	56,497
Financial assets at FVTPL	10,954	100,270
Restricted/pledged bank balances	79,400	67,800
Cash and cash equivalents	273,747	307,168
	<u>595,816</u>	<u>531,735</u>

FOREIGN EXCHANGE EXPOSURE

Certain bank balances, equity investments and bank loans of the Group are denominated in USD or HK\$, which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between USD against RMB and HK\$ against RMB. Currently, the Group has not entered into any contracts or arrangements to hedge against its foreign currency exposure, and will consider hedging measures should the needs arise. During 1H2023, the Group recorded a net foreign exchange loss of RMB122.4 million (1H2022: RMB312.0 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 30 June 2023, the Group employed a total of 2,015 employees (31 December 2022: 2,115 employees) with remuneration in an aggregate amount of RMB156.8 million (1H2022: RMB163.0 million) for 1H2023. The Group's remuneration policies are formulated with reference to market practices, experiences, skills, and performances of the individual employees and are reviewed every year.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

During 1H2023, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIVIDEND

The Board has resolved not to declare any interim dividend for 1H2023.

CORPORATE GOVERNANCE

The Directors are of the view that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for 1H2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as stipulated in Appendix 10 to the Listing Rules as its own code of conduct regarding Director’s securities transactions. Specific enquiries have been made to all the Directors, and the Directors have confirmed that they have complied with all relevant requirements as stipulated in the Model Code in 1H2023.

AUDIT COMMITTEE

The principal functions of the Audit Committee, established in compliance with the Listing Rules and the Code, are to review and supervise the financial reporting processes and internal control procedures of the Group. The interim results of the Group for 1H2023 have been reviewed by the Audit Committee. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.geretail.com>). An interim report of the Company for 1H2023 containing all the information required by Appendix 16 to the Listing Rules will also be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt gratitude to all staff members for their dedication, and sincerely thank our shareholders, business partners and customers for their long-term support. In the second half of 2023, the Group will continue to uphold its original aspirations in the tide of the times, steadfastly accumulate momentum, forge ahead, and continue to leverage on our solid business operation and efficient asset operation capabilities to empower urban commerce, achieving steady operating growth and bringing greater returns.

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

Hong Kong, 16 August 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wang Hung, Roger and Mr. Tan Jianlin and three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan.