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)

(1) INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020; AND (2) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2019 ANNUAL REPORT

HIGHLIGHTS OF INTERIM RESULTS

- Total gross sales proceeds ("GSP") amounted to RMB7,149.6 million, representing a year-on-year decrease of 21.9%. The Group recorded a year-on-year decrease of 38.2% in GSP in the first quarter of the year and a year-on-year decrease of 0.5% in the second quarter of the year
- Same-store sales ("SSS") [(1)] decreased by 21.0% year-on-year
- Revenue amounted to RMB2,502.7 million, representing a year-on-year decrease of 15.3%
- Profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses) ("EBITDA") amounted to RMB1,119.5 million, representing a year-on-year decrease of 12.9%. The Group recorded a year-on-year decrease of 24.9% in EBITDA in the first quarter of the year and a year-on-year increase of 2.8% in the second quarter of the year
- Profit attributable to owners of the Company was RMB358.2 million
- Earnings per share for the period under review was RMB0.214
- The Board resolves to declare an interim dividend of RMB0.118 per share

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 2020, together with unaudited comparative figures for the corresponding period in 2019. 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) Same-store sales represents change in total GSP of retail chain stores which were in operation throughout the comparable period. Nanjing Xinjiekou Store underwent a major revamp during the second half of the year 2019 and is excluded from the SSS calculation.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	**Six months ended 30 June 2020** *RMB'000 (unaudited)*	**2019** *RMB'000 (unaudited)*
Revenue	*3*	2,502,671	2,955,357
Other income, gains and losses	*5*	229,597	458,297
Changes in inventories of merchandise		(1,013,723)	(1,030,631)
Cost of properties sold		(100,592)	(185,267)
Employee benefits expense		(145,823)	(183,018)
Depreciation and amortisation of property, plant and equipment and intangible asset		(188,432)	(186,772)
Depreciation of right-of-use assets		(34,724)	(36,945)
Rental expenses		(126,982)	(159,457)
Other expenses		(276,191)	(364,906)
Share of loss of associates		(58,670)	(47,065)
Share of loss of joint ventures		(1,726)	(14)
Finance income	*6*	29,606	23,193
Finance costs	*7*	(179,341)	(216,197)
Profit before tax		635,670	1,026,575
Income tax expense	*8*	(283,198)	(348,327)
Profit for the period	*9*	352,472	678,248
Profit (loss) for the period attributable to:			
Owners of the Company		358,220	685,828
Non-controlling interests		(5,748)	(7,580)
		352,472	678,248
Earnings per share			
– Basic and diluted (RMB per share)	*11*	0.214	0.408

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June 2020 *RMB'000* *(unaudited)*	2019 *RMB'000* *(unaudited)*
Profit for the period	352,472	678,248
Other comprehensive income (expense):		
Item that may be reclassified subsequently to profit or loss:		
Share of exchange difference of associates	1,162	(3,093)
Items that will not be reclassified subsequently to profit or loss:		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income	(1,444)	37,185
Income tax expense relating to item that will not be reclassified to profit or loss	(1,004)	(10,386)
	(2,448)	26,799
Other comprehensive (expense) income for the period, net of tax	(1,286)	23,706
Total comprehensive income for the period	351,186	701,954
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	356,934	709,534
Non-controlling interests	(5,748)	(7,580)
	351,186	701,954

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	NOTES	**30 June 2020** *RMB'000* *(unaudited)*	**31 December 2019** *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		8,553,419	8,778,133
Right-of-use assets		2,131,849	2,167,133
Investment properties		2,237,928	2,240,624
Intangible asset		11,584	11,917
Goodwill		17,664	17,664
Interests in associates		145,027	202,775
Interests in joint ventures		10,423	12,149
Other receivables	*12*	54,662	53,242
Equity instruments at fair value through other comprehensive income ("FVTOCI")	*13*	114,248	117,463
Financial assets at fair value through profit or loss ("FVTPL")	*13*	245,481	237,118
Deferred tax assets		98,581	94,389
		13,620,866	13,932,607
Current assets			
Inventories		337,113	353,535
Properties under development for sale		1,048,899	1,074,776
Completed properties for sale		933,427	958,297
Trade and other receivables	*12*	745,012	773,658
Amounts due from fellow subsidiaries		41,457	30,140
Tax assets		19,820	14,839
Financial assets at FVTPL	*13*	509,808	611,070
Restricted cash		64,294	112,087
Bank balances and cash		5,272,018	5,081,262
		8,971,848	9,009,664

	NOTES	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Current liabilities			
Bills, trade and other payables	*14*	3,629,439	4,362,971
Amounts due to fellow subsidiaries		394,178	303,955
Lease liabilities		11,194	11,648
Tax liabilities		551,281	592,239
Prepayments from customers		2,955,708	2,856,346
Contract liabilities	*15*	314,089	175,878
Bank loans	*16*	4,229,907	272,647
		12,085,796	8,575,684
Net current (liabilities) assets		(3,113,948)	433,980
Total assets less current liabilities		10,506,918	14,366,587
Non-current liabilities			
Bank loans	*16*	–	3,829,979
Senior notes		2,666,124	2,625,392
Lease liabilities		43,164	47,101
Other payables	*14*	114,150	129,084
Deferred tax liabilities		823,090	781,064
		3,646,528	7,412,620
Net assets		6,860,390	6,953,967
Capital and reserves			
Share capital		176,023	176,832
Reserves		6,591,344	6,678,364
Equity attributable to owners of the Company		6,767,367	6,855,196
Non-controlling interests		93,023	98,771
Total equity		6,860,390	6,953,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2020

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 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 of the Company (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. Ms. Wang Janice S.Y. is a beneficiary of The 2004 RVJD Family Trust.

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").

In preparing the condensed consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2020, its current liabilities exceeded its current assets by approximately RMB3,113,948,000. Taking into account the internally generated funds and unutilised banking facilities, the Directors of the Company considered that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of 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 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "*Covid-19-Related Rent Concessions*". The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of RMB10,241,000 in the profit or loss for the current interim period.

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current 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 2020 is as follows:

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Commission income from concessionaire sales	781,964	1,041,456
Direct sales	1,139,901	1,169,945
Sales of properties	156,080	273,081
Management fees	22,536	19,102
Hotel operations	5,926	14,735
Automobile services fees	10,694	11,708
Revenue from contracts with customers	2,117,101	2,530,027
Rental income	385,570	425,330
Total revenue	2,502,671	2,955,357
Timing of revenue recognition under HKFRS 15		
A point in time	2,094,565	2,510,925
Over time	22,536	19,102
Total	2,117,101	2,530,027

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	
	2020	**2019**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Concessionaire sales	5,252,761	7,037,530
Direct sales	1,287,926	1,338,073
Rental income	406,730	451,168
Sales of properties	159,893	281,401
Management fees	23,998	20,348
Hotel operations	6,310	15,672
Automobile services fees	11,947	13,259
	7,149,565	9,157,451

4. SEGMENT INFORMATION

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

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

– Retail operations consists of:

  • Southern Jiangsu Province, including stores at Nanjing, Suzhou, Danyang and Kunshan

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

  • Western and the other regions of the PRC, including stores at Xi'an, Kunming, Shanghai, Huaibei, Ma'anshan and Wuhu

– Property development and hotel operations

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

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

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

	Retail operations						
	Southern Jiangsu Province *RMB'000 (unaudited)*	**Northern Jiangsu Province** *RMB'000 (unaudited)*	**Western and the other regions of the PRC** *RMB'000 (unaudited)*	**Subtotal** *RMB'000 (unaudited)*	**Property development and hotel operations** *RMB'000 (unaudited)*	**Other operations** *RMB'000 (unaudited)*	**Total** *RMB'000 (unaudited)*
For the six months ended 30 June 2020							
Gross sales proceeds	2,611,212	3,553,653	718,611	6,883,476	177,752	88,337	7,149,565
Segment revenue	1,066,190	989,486	233,205	2,288,881	173,020	40,770	2,502,671
Segment results	355,777	443,763	92,895	892,435	39,755	(10,571)	921,619
Central administration costs and Directors' salaries							(25,291)
Other gains and losses							(50,527)
Share of loss of associates							(58,670)
Share of loss of joint ventures							(1,726)
Finance income							29,606
Finance costs							(179,341)
Profit before tax							635,670
Income tax expense							(283,198)
Profit for the period							352,472

	Retail operations						
	Southern Jiangsu Province *RMB'000* *(unaudited)*	Northern Jiangsu Province *RMB'000* *(unaudited)*	Western and the other regions of the PRC *RMB'000* *(unaudited)*	Subtotal *RMB'000* *(unaudited)*	Property development and hotel operations *RMB'000* *(unaudited)*	Other operations *RMB'000* *(unaudited)*	Total *RMB'000* *(unaudited)*
For the six months ended 30 June 2019							
Gross sales proceeds	3,320,898	4,285,092	1,160,051	8,766,041	309,302	82,108	9,157,451
Segment revenue	1,203,588	1,114,562	297,209	2,615,359	299,406	40,592	2,955,357
Segment results	410,840	507,120	124,806	1,042,766	75,782	(24,179)	1,094,369
Central administration costs and Directors' salaries							(32,551)
Other gains and losses							204,840
Share of loss of associates							(47,065)
Share of loss of joint ventures							(14)
Finance income							23,193
Finance costs							(216,197)
Profit before tax							1,026,575
Income tax expense							(348,327)
Profit for the period							678,248

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June 2020 *RMB'000* *(unaudited)*	2019 *RMB'000* *(unaudited)*
Other income		
Income from suppliers and customers	276,712	248,368
Government grants	2,034	2,572
Others	1,378	2,517
	280,124	253,457
Other gains and losses		
Net foreign exchange losses	(102,785)	(14,105)
Dividend income from equity investments	326	428
Investment income of structured bank deposits	58,879	97,360
Fair value change of investment properties	(2,696)	–
Fair value change of financial assets at FVTPL	(4,251)	3,337
Gain on disposal/partial disposal of interests in associates	–	116,394
Gain on deemed disposal of an associate	–	1,426
	(50,527)	204,840
	229,597	458,297

6. FINANCE INCOME

	Six months ended 30 June 2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest income on bank deposits	14,564	11,874
Interest income from loans to third parties and associates	13,622	10,008
Interest income from refundable rental deposits paid	1,420	1,311
	29,606	23,193

7. FINANCE COSTS

	Six months ended 30 June 2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest expenses on:		
Bank loans	111,683	122,518
Senior notes	63,172	60,488
Proceeds from pre-sale of properties	2,836	14,423
Refundable rental deposits received	3,870	2,932
Lease liabilities	1,266	1,394
PRC medium-term notes	–	31,365
	182,827	233,120
Less: amounts capitalised in the cost of qualifying assets		
Properties under development for sale	(3,486)	(16,923)
	179,341	216,197

Finance costs capitalised during the six months ended 30 June 2020 are calculated by applying a weighted average capitalisation rate of 5.0% (six months ended 30 June 2019: 5.2%) per annum.

8. INCOME TAX EXPENSE

	Six months ended 30 June 2020	2019
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
PRC Enterprise Income Tax ("EIT"):		
Current period	206,607	254,301
Land Appreciation Tax ("LAT")	11,898	15,294
Under (over) provision in prior periods	2,533	(2,874)
	221,038	266,721
Deferred tax charge:		
Current period	62,160	81,606
	283,198	348,327

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

Subsidiaries of the Group located in the PRC are subject to PRC EIT rate of 25% (six months ended 30 June 2019: 25%) pursuant to the relevant PRC EIT laws, except for Xi'an Golden Eagle International Shopping Centre Co., Ltd. which was granted on 24 April 2014 a preferential income tax rate of 15% effective from 1 January 2013 for 8 years.

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

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	**2019**
	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	188,432	186,772
Depreciation of right-of-use assets	35,791	38,012
Less: amounts capitalised	(1,067)	(1,067)
	34,724	36,945
Loss on disposal of property, plant and equipment	309	348
COVID-19-related rent concessions	10,241	–

10. DIVIDENDS

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Dividends recognised as distribution during the period:		
2019 Final dividend of RMB0.231 (2018 Final dividend of RMB0.160) per share	384,372	268,979

Subsequent to the end of the interim period, the Directors have resolved that an interim cash dividend of RMB0.118 per share (six months ended 30 June 2019: RMB0.118 per share), in an estimated aggregate amount of RMB197,082,000 (six months ended 30 June 2019: RMB198,100,000) will be paid to the owners of the Company whose names appear in the Register of Members on 10 September 2020.

11. EARNINGS PER SHARE

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

	Six months ended 30 June 2020 *RMB'000 (unaudited)*	Six months ended 30 June 2019 *RMB'000 (unaudited)*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	358,220	685,828

	Six months ended 30 June 2020 *'000*	Six months ended 30 June 2019 *'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,677,554	1,679,406

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 2020 and 30 June 2019 because the exercise prices of these options were higher than the average market prices of the Company's shares during both periods.

12. TRADE AND OTHER RECEIVABLES

	30 June 2020 *RMB'000 (unaudited)*	31 December 2019 *RMB'000 (audited)*
Trade receivables	27,471	80,012
Advance to suppliers	47,758	39,147
Rental deposits	54,757	53,340
Other deposits	16,909	16,952
Deposits paid for purchases of goods	4,985	5,411
Other taxes recoverable	130,236	139,657
Loans to third parties	234,309	122,207
Other receivables and prepayments	283,249	370,174
	799,674	826,900
Presented as:		
Non-current assets	54,662	53,242
Current assets	745,012	773,658
	799,674	826,900

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 were no trade receivables in property development business at the end of the reporting periods.

Trade receivables for retail operations amounted to RMB25,880,000 (unaudited) (31 December 2019: RMB74,121,000 (audited)) were aged within 15 days from the respective reporting dates and the remaining trade receivables were aged within 90 days from the respective reporting dates.

13. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL

	30 June 2020 *RMB'000* *(unaudited)*	**31 December 2019** *RMB'000* *(audited)*
Equity instruments at FVTOCI		
Listed equity investments	114,248	117,463
Financial assets at FVTPL		
Non-current		
Unquoted fund investment	200,000	200,000
Listed equity investments	45,481	37,118
	245,481	237,118
Current		
Structured bank deposits	509,808	611,070

14. BILLS, TRADE AND OTHER PAYABLES

	30 June 2020 *RMB'000* *(unaudited)*	**31 December 2019** *RMB'000* *(audited)*
Trade payables	1,923,672	2,271,511
Bills payables	43,460	134,720
Total trade payables	1,967,132	2,406,231
Payables for purchase of property, plant and equipment	594,176	763,246
Rental deposits	217,081	236,046
Suppliers' deposits	152,069	133,102
Accrued expenses	158,044	154,404
Accrued salaries and welfare expenses	31,904	50,401
Advance lease payments	18,230	22,579
Interest payable	14,622	14,528
Other taxes payable	66,559	121,948
Other payables	523,772	589,570
	3,743,589	4,492,055
Presented as:		
Non-current liabilities	114,150	129,084
Current liabilities	3,629,439	4,362,971
	3,743,589	4,492,055

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

	30 June 2020 *RMB'000* *(unaudited)*	**31 December 2019** *RMB'000* *(audited)*
0 to 30 days	1,225,209	1,654,630
31 to 60 days	162,075	319,991
61 to 90 days	75,362	134,293
Over 90 days	504,486	297,317
	1,967,132	2,406,231

15. CONTRACT LIABILITIES

	30 June 2020 *RMB'000* *(unaudited)*	**31 December 2019** *RMB'000* *(audited)*
Deposits and prepayments received from pre-sale of properties	279,655	161,327
Deferred revenue arising from the Group's customer loyalty programme	34,434	14,551
	314,089	175,878

16. BANK LOANS

The dual currency three-year secured syndicated loan, denominated in United States dollar ("USD") and Hong Kong dollar ("HK$") amounted to USD430.0 million and HK$1,781.0 million, raised by the Group in April 2018 will be due for full repayment in April 2021 and therefore the loan has been reclassified under current liability as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Industry Overview

In the first half of 2020, the novel coronavirus pneumonia ("COVID-19") raged worldwide, mounting a heavy blow to the global economy. The pandemic frustrated the world's largest economies' attempts to resume production and commercial activities. China, in particular, saw its gross domestic product decline by 1.6% year-on-year in the first half of the year. On the back of the government's effective measures to bring the pandemic under control and to stimulate the economy, the country's economy rebounded with a year-on-year increase of 3.2% in the second quarter following the year-on-year contraction of 6.8% in the first quarter. However, the domestic consumer market remained in the doldrums — China's retail sales plunged by 11.4% year-on-year in the first half of the year.

In Jiangsu province, where the Group had already established a leading position in the local retail market, the resumption of work, production and commercial activities was in full swing. The province's economy performed better than expected and even better than the whole country. Its gross domestic product edged up by 0.9% year-on-year in the first half of 2020. The province's key economic indicators pointed to a steady rebound. The management is of the view that the market was optimistic about the local economy and was buoyed by social stability.

In the course of retail sector's development, brick-and-mortar operators took initiatives to cope with the impact of the pandemic by speeding up reforms, diversifying consumption scenarios and furthering the integration of their online and offline operations. Moreover, the advent of 5G telecommunication technology will only serve to further popularise the digital intelligence in the retail sector and consumer market. Meanwhile, consumer demand becomes increasingly diverse, engendering new modes of consumption in which the weight is shifting from goods to experiences. Therefore, improving the quality of services and enriching consumer experience with diverse contents are the way forward in the development of retail sector.

Operation Management and Corporate Development

In the first half of 2020, the Group adopted various measures to prevent and contain the COVID-19 pandemic while trying to resume business and to integrate further its online and offline operations. It adjusted its business operation strategies according to the progress made in the prevention and control of the pandemic.

As a result of the joint and unified efforts of our entire staff, footfall at the Group's stores totalled 58.4 million visits[(2)] in the first half of 2020 and bounced back in July 2020 to 80% of that for the same period last year. The Group's total GSP decreased by 21.9% year-on-year to RMB7.15 billion while its EBITDA dropped by 12.9% year-on-year to RMB1.12 billion. For the first three months of 2020, GSP plunged by 38.2% year-on-year and EBITDA fell by 24.9% year-on-year. The situation improved in the second quarter of 2020 when the year-on-year decrease in GSP narrowed to 0.5% while EBITDA edged up 2.8% year-on-year.

---

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

It is against this backdrop of the protracted combat against the pandemic as a new normal and of the transformation of the retail sector that the Group pressed on with the strategy of developing an innovative intelligent consumption service platform for retail services that meets the needs of consumers' daily life and enhances their shopping experience. Geared towards the economy that emphasises quality of life and aimed at meeting consumers' aspirations for good living, the Group upgraded the sales and marketing functions of its online platform to enhance customers' online shopping experiences and the attraction of the offline sales and marketing activities. This resulted in a fast recovery in both the footfall and the Group's sales performance. Meanwhile, the Group continued to refine the operation of its mainstay business and to improve both its operational management and expertise. It also stepped up the merchandise adjustment at its stores, fully tapping the potential of premium merchandise for boosting the Group's sales performance. In all these moves, the Group aimed to drive the organic growth of its existing business and to add impetus to its development with new initiatives.

To safeguard the employees' interests and rights and to create a safe working environment for its employees and a safe shopping environment for its customers, the Group has adopted a series of measures to cope with the pandemic since its outbreak, including stringent measures to prevent and control the disease. The move has ensured the orderly resumption of both the Group's business and its employees' work and also ensured uninterrupted supply of daily necessities through the further integration of its online and offline operations. The Group always believes in reciprocal relationships between itself and the society for mutual support and trust. The Group has launched a series of measures and policies to assist merchants and business partners in weathering the difficult situation caused by the pandemic, including granting subsidies and rental concessions in the total amount of RMB80.0 million. At the time when the pandemic was raging, the Group organised a number of charitable campaigns to assist in the fight against the pandemic and to show care for the medical personnel who were combating the disease. The Group also took advantage of the LED façade of Nanjing Hexi Golden Eagle World to display meaningful and inspiring slogans to encourage the society to combat the pandemic as a cohesive force and thus projected a positive image of itself as a socially responsible company.

The Group continued to enhance its merchandise resources by introducing popular, premium brands, especially those brands that made their debuts in the city in order to enhance both the attractiveness and competitiveness of its stores. In the first half of 2020, the Group's 30 self-operated stores had adjusted approximately 113,000 square meters of its counter area, involving more than 1,000 brands and the introduction of 287 new brands into the stores. The Group's Nanjing Xinjiekou Store introduced Valmont into Jiangsu province and thus increased the number of premium cosmetics brands offered in the store and provided more selections for its high-end customers. Moreover, FILA's 5G-image shop made its debut in the province by opening at Nanjing Xinjiekou Store, offering a full range of products that suit customer needs on various occasions. Other international premium brands that also made their debuts at the Group's other stores include La Mer, which made its debut in Xi'an region by opening a counter at Xi'an Gaoxin Store and Adidas, which opened its first "Mega 1" store, being on the highest tier of Adidas' stores in Kunshan at Kunshan Store.

In late April when the pandemic showed signs of abating, the Group's chain stores launched a number of young, interesting and creative marketing campaigns with the aim of stimulating consumer purchases. The moves were so successful that both the footfall and sales rebounded and footfall and sales of some activities were even higher than those in the same period last year. The Group organized a marketing event in April under the theme "Together Forever" to celebrate the Group's 24th anniversary and to convey a message to the public that Golden Eagle Retail Group will be working with the society together for a better tomorrow. During the three-days' event, the Group recorded a GSP of RMB269.0 million, which was up by 27.8% year-on-year. This gave a shot in the arm to the retail sector and consumer market much needed for a recovery amid the pandemic. All of Golden Eagle's chain stores organised a total of more than 55 marketing events of various themes during the Labour Day holidays for its customers and the general public. This boosted the aggregated footfall to more than 3.0 million visits which was at the same level as that for the same period last year and generated GSP of RMB450.0 million, which was up by 27.7% year-on-year. On Network Valentine's Day (which is celebrated annually on 20 May), the Group's chain stores recorded a rebound in footfall and a year-on-year increase of 47.0% in GSP. From 17 to 19 July 2020, Golden Eagle's 6th VIP Day attracted over 2.3 million VIP members and sent GSP surging by 35.3% year-on-year across the Group's 30 stores in 18 cities. The stores also recorded steady growth in both the footfall and stay-and-buy ratio.

It is against the backdrop of a new normal that the Group's e-commerce platform, Jingying.com, began exploring new ways of sales and marketing and of cooperating with business partners. Through live streaming and by triggering social fission through social media marketing, the Group deepened its online cooperation with international premium brands. This has resulted in a year-on-year increase of 64.6% in GMV (Gross Merchandise Value) of the sales on the e-commerce platform and the addition of 265,000 users that represented a year-on-year increase of 33.3% during the first half of 2020. This development attracted more online customers to the Group's brick-and mortar stores and provided operational and technical supports to such stores. On the back of the growing trend towards a new mode of consumption, sales at the concessionaires and supermarkets through their home delivery services surged by 344.0% year-on-year in the first half of 2020.

Outlook

In the second half of 2020, it is anticipated that the world will still be gripped by the dire situation of the raging pandemic. In China, the protracted efforts to prevent and contain the disease has already become a new normal. Meanwhile, consumers' quest for lifestyle shopping experiences has been growing. Coping with such adversities and meeting such market demand both call for a wider scope of the application of new technologies that enables the omni-channel retail to gain traction. Retail contents at the physical stores will be updated frequently; the stores' scene settings will be more diverse and the VIP services will be more precise. All these enhancements are aimed at enriching consumers' shopping experience with diverse scenes.

To cope with the unprecedented and severe challenges posed by the global health and economic crises, the Group will continue to enhance its mainstay business's adaptability so as to maintain its competitiveness in the volatile market and ensure its sustainable development for the long term.

The Group will further its cooperation with high-quality brands, leverage on its high stickiness and active digitalised VIP members, and actively make use of cloud services, big data and artificial intelligence such emerging technologies to digitalise its overall operation to come up with solutions for its online-and-offline omni-channel retail business so as to improve the customer experience:

– Golden Eagle supermarket has become one of the two licensed channels in Jiangsu province to sell Moutai liquor in general merchandise stores. In the first half of 2020, the Group sold 76,000 bottles of Moutai for RMB114.0 million in sales. In the second half of 2020, the Group and Kweichow Moutai Group will jointly open an exhibition hall to exhibit the history and culture of Moutai on the 50th floor of Nanjing Golden Eagle World Hotel. The exhibition hall will serve as a venue in Jiangsu for activities to be organised for Kweichow Moutai Group's high-net-worth customers.

– The Golden Eagle 7-Eleven convenience stores will grow faster in numbers, with the goals of operating 30 convenience stores at the end of 2020 and operating 50 stores at the end of 2021. The Group has also set the target of generating positive operating cash flows from all such convenience stores by the end of 2022.

– Jingying.com is positioned as an online platform for services, sales and marketing and it will step up the effort to transform itself into an intelligent consumption service platform to provide more extended services to the Group's VIP members. Meanwhile, Jingying.com will also introduce high-end cosmetic products and online flagship stores of benchmarking brands to realise the interflow and integration of online and offline customer traffic.

To capture the growing demand of middle-class families and young customers for high-quality lifestyle, the Group will upgrade the existing merchandise portfolio steadily:

– The Group's flagship store, Nanjing Golden Eagle World Store, will further upgrade its merchandise portfolio to solidify its leading position with more exclusive brands in the local market. For instance, it will introduce the well-performing, affordable luxury brands such as Theory, PINKO, Coach, Lululemon and high-end cosmetics brands such as La Mer, HR and Guerlain into the store.

– The Group's Nanjing Jiangning Store, which is located in the well-developed metropolitan area of Nanjing, will continue to upgrade its merchandise portfolio with high-end brands of cosmetics and fashions so as to expand its market share and maintain sustainable growth in sales.

In the course of its development in the past 28 years, the Group has already formed a mature operation management team and a sound supply chain system. In addition, it has also formed a comprehensive ecosystem of retail businesses, encompassing information technology, theme parks, boutique supermarkets, convenience stores and beauty stores. The Group will press on with its dual development strategy of self-operated stores and asset-light management output to maintain its core competitiveness and flexibility for its long-term development in a rapidly changing and highly competitive operating environment:

– The Group undertook Project GE66 as its first shopping mall management project in Jiangsu province under asset-light business model with approximately 20,000 square meters of the commercial area to be managed by the Group. The Group will be responsible from the initial planning and preparation to the subsequent day-to-day management and operation of the project. The project is located right above a Metro station connecting Metro Lines 1 and 5 at Nanjing Jiangning district. Project GE66 will be positioned as a trendy landmark for shopping and is scheduled to be opened in 2021.

- On 5 June 2020, the Group won a tender for a lease right to operate commercial retail spaces at Pengcheng Square station and People's Square station on Metro Line 1 of Xuzhou. It is the phase one of the first Metro commercial project to be developed in Huaihai Economic Zone which includes parts of Shandong, Jiangsu, Anhui and Henan provinces. The two Metro stations where Golden Eagle will operate are situated in the core commercial districts of Xuzhou and together have an aggregate gross floor area ("GFA") of over 30,000 square meters. The two Metro stations are seamlessly connected to the commercial complexes in the districts with average daily foot traffic of over 300,000 visits.

- In the forthcoming years, the Golden Eagle World commercial complexes which will be opened in Nantong, Changzhou and Changchun, will be operated at either the Group's own properties or leased properties, and will increase the total GFA of the Group's lifestyle centers portfolio by approximately 736,000 square meters. The Golden Eagle World commercial complexes and the nearby luxury hotels, offices and housing will together integrate leisure shopping, commercial offices and community lifestyle into a full life cycle ecosystem. The high-end amenities there will attract more high-end customers to the Group's stores, and ultimately drive the Group's sales growth.

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 since then been implemented across China, including the extension of the Chinese New Year holidays nationwide, postponement of work resumption after the Chinese New Year holidays in some regions, restrictions on travel and some traffic control arrangements, quarantine measures of certain residents, the restriction on some commercial activities for social distancing, raised both the awareness of hygiene and the imminent needs for prevention of epidemic. The epidemic has affected retail business in China and the economic activities of the Group to some extent. Some of the Group's stores shortened their opening hours during February and early March 2020.

In response to the situation, the Group has adopted various measures to mitigate the impact on its business operations, including maximising operational efficiency, promoting online sales, assisting concessionaire and rental tenants in weathering the epidemic by granting concessions, and implementing comprehensive cost-saving measures. Notably, the Company's online platform, Jinying.com, has recorded a significant growth of 64.6% in GMV and amounted to RMB218.2 million for the six months ended 30 June 2020.

Although the Group adopted the above-mentioned measures to mitigate the adverse effect of the epidemic and its retail stores had resumed operation since the second quarter of the year amid the gradual stabilisation of the COVID-19 outbreak in China, the Group's revenue, operating cashflows and profit from operations for the six months ended 30 June 2020 decreased when compared with those in the same period of 2019.

During the period under review, GSP of the Group decreased to RMB7,149.6 million, representing a year-on-year decrease of 21.9% or RMB2,007.9 million. The decrease was mainly attributable to a year-on-year decrease of 21.0% in SSS amid the COVID-19 outbreak. The Group recorded a year-on-year decrease of 38.2% in GSP and a decrease of 35.8% in SSS in the first quarter of the year and a year-on-year decrease of 0.5% in GSP and a decrease of 2.4% in SSS in the second quarter of the year.

The Group's nine new lifestyle centres which have opened since September 2014, namely Yancheng Julonghu Store, Nantong Lifestyle Centre, Danyang Store, Kunshan Store, Jiangning Store, Ma'anshan Store, Suzhou Gaoxin Lifestyle Centre, Golden Eagle World Store and Yangzhou New City Centre, together generated a total GSP of RMB1,696.1 million (1H2019: RMB1,983.2 million), which accounted for 23.7% (1H2019: 21.7%) of the Group's total GSP during the period under review.

During the six months ended 30 June 2020, concessionaire sales contributed to 73.5% (1H2019: 76.9%) of the Group's GSP, and decreased by 25.4% year-on-year to RMB5,252.8 million from RMB7,037.5 million in the same period of 2019, while direct sales contributed to 18.0% (1H2019: 14.6%) of the Group's GSP, and decreased by 3.7% year-on-year to RMB1,287.9 million, from RMB1,338.1 million in the same period of 2019. Rental income contributed to 5.7% (1H2019: 4.9%) of the Group's GSP, and decreased by 9.8% year-on-year to RMB406.7 million in the first six months of 2020 from RMB451.2 million in the same period of 2019. Sales of properties contributed to 2.2% (1H2019: 3.1%) of the Group's GSP for the first six months of 2020, and decreased by 43.2% year-on-year to RMB159.9 million from RMB281.4 million in the first half of 2019. Other income accounted for the remaining 0.6% (1H2019: 0.5%) of the Group's GSP, and decreased by 14.3% year-on-year to RMB42.3 million for the first six months of 2020 from RMB49.3 million for the same period of 2019.

Commission rate from concessionaire sales decreased to 16.8% (1H2019: 17.0%) while gross profit margin from direct sales decreased to 11.2% (1H2019: 12.2%), resulting in a decrease in the overall gross profit margin from concessionaire sales and direct sales to 15.7% (1H2019: 16.2%). This was mainly due to the increase in sales contribution from direct sales (namely supermarket and cosmetic sales) which carry a lower gross profit margin than concessionaire sales.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed 38.8% (1H2019: 45.0%) of the GSP; sales of gold, jewellery and timepieces contributed 17.1% (1H2019: 17.6%); sales of cosmetics contributed 16.0% (1H2019: 13.1%); sales of outdoor, sports clothing and accessories contributed 10.5% (1H2019: 9.4%), supermarket contributed 7.7% (1H2019: 5.0%) and the sales of other products such as electronics and appliances, tobacco and wine, household and handicrafts, children's wears and toys contributed the remaining 9.9% (1H2019: 9.9%) of the GSP.

As at 30 June 2020, the Group's completed properties for sale and properties under development for sale amounted to RMB933.4 million (31 December 2019: RMB958.3 million) and RMB1,048.9 million (31 December 2019: RMB1,074.8 million) respectively. Completed properties for sale refers to the Group's Riverside Century Plaza Project with total saleable office and residential GFA of approximately 66,591.5 square meters as at 30 June 2020 (31 December 2019: 70,480.8 square meters), while properties under development for sale mainly comprised the Group's Yangzhou New City Centre Project with an estimated total saleable commercial and residential GFA of approximately 98,630.4 square meters (31 December 2019: 106,718.7 square meters) and saleable car parking spaces with GFA of approximately 39,298.8 square meters (31 December 2019: 24,484.8 square meters) as at 30 June 2020. The Group had commenced pre-sale of the units in phase one of Yangzhou New City Centre Project since 2016 and these units were completed and delivered to purchasers in the second half of 2018 and the first half of 2019. The Group has commenced pre-sale of the units in phase two sub-section one of the project since September 2017 and 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 has two sub-sections, while sub-section two is yet to be developed. During the period under review, the Group has also commenced pre-sale of the units in phase one of Changchun Golden Eagle World Project, which is planned to have five phases. The construction work of phase one is expected to be completed at the end of year 2021 and the pre-sold units are expected to be delivered to purchasers in the year 2022.

Sales of properties amounted to RMB159.9 million (1H2019: RMB281.4 million) with a total GFA of 20,231.0 square meters (1H2019: 31,529.6 square meters) being sold during the period under review. The sales were mainly contributed by the sales of properties at the Group's Yangzhou New City Centre Project which amounted to RMB112.6 million (1H2019: RMB194.0 million) and the sales of properties at Riverside Century Plaza Project in Wuhu City, Anhui Province (one of the projects acquired by the Group in the year 2015) which amounted to RMB47.3 million (1H2019: RMB87.4 million). Gross profit margin of the sales of properties during the period under review was 35.6% (1H2019: 32.2%). Sales of properties during the period under review were mainly contributed by the delivery of pre-sold phase two sub-section one units of Yangzhou New City Centre Project which carried a higher gross profit margin whereas sales of properties during the first half of 2019 were mainly contributed by the sales of car parking spaces which carried a lower gross profit margin than residential property sales.

The Group's total revenue amounted to RMB2,502.7 million, representing a decrease of 15.3% from the same period last year. The decrease in revenue was generally in line with the decrease in GSP.

Other income, gains and losses

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

The net amount of other income, gains and losses decreased by RMB228.7 million to RMB229.6 million for the six months ended 30 June 2020 from RMB458.3 million in the same period of 2019. Such decrease was primarily due to (i) the increase in net foreign exchange loss of RMB88.7 million from RMB14.1 million for the six months ended 30 June 2019 to RMB102.8 million for the six months ended 30 June 2020; and (ii) the decrease in gain on disposal/partial disposal of the Group's interests in associates of RMB116.4 million as no such disposals were made during the period under review while the Group disposed of its interests in Beijing Pop Mart Cultural & Creative Corp., Ltd. and partially disposed of its interests in Toebox Korea Ltd. in the first half of 2019.

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 decreased by RMB101.6 million or 8.4% year-on-year to RMB1,114.3 million for the six months ended 30 June 2020. Such decrease was generally in line with the decrease in direct sales and sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB37.2 million or 20.3% year-on-year to RMB145.8 million for the six months ended 30 June 2020. 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; (ii) the continuous investment in human resources for the implementation and development of the Group's "comprehensive lifestyle concept" and "interactive retail platform"; (iii) the decrease in contributions to state-managed retirement benefits schemes under the government's relief measures; and (iv) the comprehensive cost-saving measures implemented since the COVID-19 outbreak.

Employee benefits expense as a percentage of GSP remained stable at 2.3%.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment, intangible asset and right-of-use assets decreased by RMB0.6 million or 0.3% year-on-year to RMB223.2 million for the six months ended 30 June 2020.

Depreciation and amortisation expenses as a percentage of GSP increased by 0.7 percentage point to 3.5% from 2.8% in the same period last year.

Rental expenses

Rental expenses decreased by RMB32.5 million or 20.4% year-on-year to RMB127.0 million for the six months ended 30 June 2020. The Group's rental arrangements were mainly pegged to sales of the respective stores which were operated in leased properties. The decrease in rental expenses is attributable to the decrease in sales of these stores and the rental concessions in an aggregate amount of RMB10.2 million granted by landlords during the period under review.

Rental expenses as a percentage of GSP remained stable at 2.0%.

Other expenses

Other expenses decreased by RMB88.7 million or 24.3% year-on-year to RMB276.2 million for the six months ended 30 June 2020. 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 management's consistent and disciplined approach towards cost control and the comprehensive cost-saving measures implemented since the COVID-19 outbreak.

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Other expenses		
Utilities expenses	71,694	98,355
Property management fees	59,471	67,233
Cleaning, repair and maintenance expenses	36,034	49,878
Advertising and promotion expenses	22,466	30,179
Other tax expenses	36,536	43,207
Subcontracting service charges	4,688	17,075
Others	45,302	58,979
	276,191	364,906

Other expenses as a percentage of GSP decreased by 0.2 percentage point to 4.3% from 4.5% in the same period last year.

Share of losses of associates and joint ventures

Share of losses of associates and joint ventures mainly represented the Group's share of financial results of its 8.9%-owned (31 December 2019: 8.9%-owned) associate, Whittle School & Studios Holdings, Ltd. ("Whittle"). Whittle is principally engaged in the development and operation of private schools worldwide for students in the 3-18 age group. Whittle opened its first two campuses in September 2019. The net loss attributable to the Group amounted to RMB54.0 million (1H2019: RMB42.5 million) during the period under review.

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 RMB6.4 million or 27.6% year-on-year to RMB29.6 million for the six months ended 30 June 2020. It was mainly because of the increase in interest income from loans to third parties in the amount of RMB3.6 million during the period under review.

Finance costs

Finance costs comprised of interest expenses for the Group's bank borrowings, senior notes and PRC medium-term notes. Finance costs decreased by RMB36.9 million or 17.0% year-on-year to RMB179.3 million for the six months ended 30 June 2020. Such decrease was primarily due to the net effect of: (i) the decrease in interest rates and the depreciation of RMB against HK$ and USD during the period under review; and (ii) the decrease in the average borrowings as compared with those in the same period last year. The Group's PRC medium-term notes were fully repaid in September 2019.

Income tax expense

Income tax expense of the Group decreased by RMB65.1 million or 18.7% year-on-year to RMB283.2 million. Effective tax rate for the period under review was 44.6% (1H2019: 33.9%). The year-on-year increase of 10.7 percentage points in effective tax rate was mainly due to the increase in non-deductible expenses, namely offshore net foreign exchange loss and share of losses of associates.

Profit for the period

Profit for the period decreased by RMB325.8 million or 48.0% year-on-year to RMB352.5 million. Net profit margin, which measures net profit as a percentage of GSP, was 5.5% (1H2019: 8.4%) for the six months ended 30 June 2020.

Profit from operations (net profit before interest, tax and other income and losses) decreased by RMB165.5 million or 15.6% year-on-year to RMB896.3 million (1H2019: RMB1,061.8 million), while EBITDA decreased by RMB166.0 million or 12.9% year-on-year to RMB1,119.5 million (1H2019: RMB1,285.5 million). The Group recorded a year-on-year decrease of 24.9% in EBITDA in the first quarter of the year and a year-on-year increase of 2.8% in the second quarter of the year.

On the other hand, profit from retail operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses and excluding profit from property sales and hotel operations) ("Retail EBITDA") decreased by RMB129.9 million or 10.8% year-on-year to RMB1,070.1 million (1H2019: RMB1,200.0 million). The Group recorded a year-on-year decrease of 22.1% in Retail EBITDA in the first quarter of the year and a year-on-year increase of 2.7% in the second quarter of the year.

During the period under review, the aggregate net operating losses generated by 3 (1H2019: 3) loss-making stores amounted to RMB12.7 million (1H2019: RMB18.2 million). Among these stores, one of them commenced its operation in 2017.

Capital expenditure

Capital expenditure of the Group for the six months ended 30 June 2020 amounted to RMB133.1 million (1H2019: RMB232.6 million). The amount mainly comprised contractual payments made for acquisition of property, plant and equipment, construction of chain store projects on greenfield sites and the upgrade and/or expansion of the Group's existing retail spaces in order to enhance the shopping environment and the Group's competitiveness in its local markets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's cash and near cash (including bank balances and cash, restricted cash and structured bank deposits) amounted to RMB5,846.1 million (31 December 2019: RMB5,804.4 million) whereas the Group's total borrowings (including bank borrowings and senior notes) amounted to RMB6,896.0 million (31 December 2019: RMB6,728.0 million). For the six months ended 30 June 2020, the Group's net cash generated from operating activities amounted to RMB790.0 million (1H2019: RMB24.2 million); net cash used in investing activities amounted to RMB14.2 million (1H2019: net cash generated from investing activities amounted to RMB172.2 million); and net cash used in financing activities amounted to RMB585.0 million (1H2019: RMB441.5 million).

As at 30 June 2020, the Group's bank borrowings amounted to RMB4,229.9 million (31 December 2019: RMB4,102.6 million), which comprised of its three-year dual-currency syndicated loan to be due in April 2021 amounted to RMB4,099.9 million (31 December 2019: RMB4,022.6 million) and short-term bank loans amounted to RMB130.0 million (31 December 2019: RMB80.0 million), and senior notes amounted to RMB2,666.1 million (31 December 2019: RMB2,625.4 million). The Group's PRC medium-term notes with the principal sum of RMB1,500.0 million due in September 2019 were fully repaid during the year 2019.

Total assets of the Group as at 30 June 2020 amounted to RMB22,592.7 million (31 December 2019: RMB22,942.3 million) whereas total liabilities of the Group amounted to RMB15,732.3 million (31 December 2019: RMB15,988.3 million), resulting in a net assets position of RMB6,860.4 million (31 December 2019: RMB6,954.0 million). The gearing ratio, which is calculated by having the Group's total borrowings divided by its total assets, increased to 30.5% as at 30 June 2020 (31 December 2019: 29.3%).

The capital commitments of the Group as at 30 June 2020 amounted to RMB577.2 million (31 December 2019: RMB344.6 million), which were contracted for but not provided in the condensed consolidated financial statements in respect of:

	30 June 2020 *RMB'000* *(unaudited)*	**31 December 2019** *RMB'000* *(audited)*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	17,122	17,437
– investments in associates	1,600	25,000
	18,722	42,437
Other commitments:		
– construction of properties under development	558,434	302,155

CONTINGENT LIABILITIES

	30 June 2020 *RMB'000* *(unaudited)*	**31 December 2019** *RMB'000* *(audited)*
Guarantee in respect of mortgage facilities for certain purchasers	108,638	20,388

The Group cooperates with certain financial institutions which arranges 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 real estate ownership certificate to the purchasers or upon the full repayment of mortgaged loans by the property purchasers, whichever is the earlier. In the opinion of the Directors, the fair value of the financial guarantee contracts is insignificant.

PLEDGE OF ASSETS

As at 30 June 2020, the Group has pledged the 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:

	30 June 2020	**31 December 2019**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Equity instruments at FVTOCI	54,623	60,084
Restricted cash	40,627	46,646
Bank balances and cash	45,255	35,283
	140,505	142,013

In addition, restricted cash amounted to RMB23,667,000 (unaudited) (31 December 2019: RMB65,441,000 (audited)) have been pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

Certain bank balances and cash, equity investments, bank loans and senior notes of the Group are denominated in HK$ or USD, which exposed the Group to foreign exchange risks associated with the fluctuations in exchange rates between HK$ vs. RMB and USD vs. RMB. Currently, the Group has not entered into any contracts to hedge against its foreign currency exposure and will consider hedging measures should the needs arise. During the period under review, the Group recorded a net foreign exchange loss of RMB102.8 million (1H2019: RMB14.1 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 30 June 2020, the Group employed a total of 2,780 employees (31 December 2019: 3,300 employees) with remuneration in an aggregate amount of RMB145.8 million (1H2019: RMB183.0 million). 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.

DIVIDENDS

The Directors have resolved that an interim dividend of RMB0.118 per share (1H2019: RMB0.118 per share) is expected to be paid on or before Thursday, 24 September 2020 to those shareholders of the Company whose names appear on the Register of Members of the Company at the close of business on Thursday, 10 September 2020.

In order to be qualified for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office 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 Thursday, 10 September 2020, which is also the record date for the distribution of interim dividend.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2020, the Company repurchased an aggregate of 8,917,000 of its own issued ordinary shares through the Stock Exchange at an aggregate consideration of HK$66.1 million (equivalent to RMB60.4 million).

The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were subsequently cancelled. Save for the aforesaid, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Directors are of the opinion that the Company has complied with the Corporate Governance Code as stipulated in Appendix 14 to the Listing Rules (the "Code") for the six months ended 30 June 2020, except for provision A.2.1. of the Code. Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the year ended 31 December 2019 (as disclosed in the Corporate Governance Report of the Company in its 2019 annual report) and during the period under review, Mr. Wang Hung, Roger acted as both the chairman of the Board and the chief executive officer of the Company and took a leading role in the day-to-day management and was responsible for the effective functioning of the Board. Since November 2018, Mr. Li Pei, the President of the Company, has been responsible for assisting the chairman in the overall strategic development of the Group and the Group's senior management team is responsible for implementation of business strategy and management of the day-to-day operations of the Group's business. Subsequent to the end of the interim period, Mr. Chen Yihang (陳毅杭) has been appointed as the chief executive officer of the Company with effect from 26 August 2020 and as of the date of this announcement, provision A.2.1 of the Code has been complied with.

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 enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as stipulated in the Model Code during the six months ended 30 June 2020.

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

This announcement will be published on the websites of the Stock Exchange and the Company (http://www.geretail.com). An interim report for the six months ended 30 June 2020 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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. 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.

ACKNOWLEDGEMENT

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

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2019 ANNUAL REPORT

References are made to the annual report of the Company for the year ended 31 December 2019 published on 24 April 2020 (the "2019 Annual Report"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those set out in the 2019 Annual Report.

In addition to the information provided in the paragraph headed "Other expenses" in the section "Management Discussion and Analysis" of the 2019 Annual Report, the Board would like to provide further information and breakdown in relation to such other expenses of the Group for the year ended 31 December 2019, with the comparative figures for the preceding year ended 31 December 2018.

	Year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Other expenses		
Utilities expenses	193,889	224,797
Property management fees	146,938	145,354
Cleaning, repair and maintenance expenses	123,297	105,648
Advertising and promotion expenses	64,706	65,893
Other tax expenses	86,732	89,608
Subcontracting service charges	24,663	35,174
Loss on disposal/write-off of property, plant and equipment	31,898	966
Others	142,022	138,756
	814,145	806,196

Save as disclosed in this announcement, the remaining contents of the 2019 Annual Report remain unchanged.

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

Hong Kong, 26 August 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Wang Hung, Roger, Ms. Wang Janice S. Y. and Mr. Hans Hendrik Marie Diederen and three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan.