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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 2021

### HIGHLIGHTS OF INTERIM RESULTS

- Total gross sales proceeds ("GSP") amounted to RMB9,386.4 million, representing a year-on-year increase of 31.3%. Sales of properties for the period decreased by 80.4% year-on-year to RMB31.3 million
- Same-store sales ("SSS") [(1)] increased by 36.2% year-on-year
- Revenue amounted to RMB3,021.4 million, representing a year-on-year increase of 20.7%
- Profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other gains and losses) ("EBITDA") amounted to RMB1,442.7 million, representing a year-on-year increase of 28.9%. Retail EBITDA for the period amounted to RMB1,432.3 million, representing a year-on-year increase of 33.8%
- Profit attributable to owners of the Company was RMB887.6 million, representing a year-on-year increase of 147.8%
- Earnings per share for the period under review was RMB0.535, representing a year-on-year increase of 150.0%
- The Board resolves to declare an interim dividend of RMB0.118 per shares
- GSP increased by RMB228.9 million or 2.5% year-on-year, EBITDA increased by RMB157.2 million or 12.2% while Retail EBITDA increased by RMB232.2 million or 19.3% year-on-year when compared to the same period in the year of 2019

### 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 2021, together with unaudited comparative figures for the corresponding period in 2020. 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.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

| | | Six months ended 30 June | |
|---|---|---|---|
| | *NOTES* | **2021** | **2020** |
| | | *RMB'000* | *RMB'000* |
| | | *(unaudited)* | *(unaudited)* |
| Revenue | *3* | 3,021,423 | 2,502,671 |
| Other income, gains and losses | *5* | 493,219 | 229,597 |
| Changes in inventories of merchandise | | (1,187,398) | (1,013,723) |
| Cost of properties sold | | (20,636) | (100,592) |
| Employee benefits expense | | (168,381) | (145,823) |
| Depreciation and amortisation of property, plant and equipment and intangible asset | | (191,948) | (188,432) |
| Depreciation of right-of-use assets | | (38,351) | (34,724) |
| Rental expenses | | (203,527) | (126,982) |
| Other expenses | | (369,225) | (276,191) |
| Share of profit (loss) of associates | | 5,806 | (58,670) |
| Share of loss of joint ventures | | (538) | (1,726) |
| Finance income | *6* | 22,863 | 29,606 |
| Finance costs | *7* | (131,718) | (179,341) |
| Profit before tax | | 1,231,589 | 635,670 |
| Income tax expense | *8* | (346,630) | (283,198) |
| Profit for the period | *9* | 884,959 | 352,472 |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 887,561 | 358,220 |
| Non-controlling interests | | (2,602) | (5,748) |
| | | 884,959 | 352,472 |
| Earnings per share | | | |
| – Basic (RMB per share) | *11* | 0.535 | 0.214 |
| – Diluted (RMB per share) | *11* | N/A | 0.214 |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| Profit for the period | 884,959 | 352,472 |
| Other comprehensive (expense) income: | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Share of exchange difference of associates | (2,141) | 1,162 |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income | 17,798 | (1,444) |
| Income tax expense relating to item that will not be reclassified to profit or loss | (2,127) | (1,004) |
| | 15,671 | (2,448) |
| Other comprehensive income (expense) for the period, net of tax | 13,530 | (1,286) |
| Total comprehensive income for the period | 898,489 | 351,186 |
| Total comprehensive income (expense) for the period attributable to: | | |
| Owners of the Company | 901,091 | 356,934 |
| Non-controlling interests | (2,602) | (5,748) |
| | 898,489 | 351,186 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AT 30 JUNE 2021

| | *NOTES* | **30 June 2021** *RMB'000* *(unaudited)* | **31 December 2020** *RMB'000* *(audited)* |
|---|---|---|---|
| *Non-current assets* | | | |
| Property, plant and equipment | | 8,344,687 | 8,474,084 |
| Right-of-use assets | | 2,577,183 | 2,633,368 |
| Investment properties | | 2,238,231 | 2,238,231 |
| Intangible asset | | 10,919 | 11,252 |
| Goodwill | | 17,664 | 17,664 |
| Interests in associates | | 144,038 | 140,276 |
| Interests in joint ventures | | 15,715 | 16,253 |
| Other receivables | *12* | 56,549 | 55,844 |
| Equity instruments at fair value through other comprehensive income ("FVTOCI") | *13* | 65,547 | 71,608 |
| Financial assets at fair value through profit or loss ("FVTPL") | *13* | 231,602 | 231,960 |
| Deferred tax assets | | 85,167 | 83,962 |
| | | 13,787,302 | 13,974,502 |
| *Current assets* | | | |
| Inventories | | 340,775 | 373,910 |
| Properties under development for sale | | 1,281,399 | 1,225,678 |
| Completed properties for sale | | 904,554 | 918,235 |
| Trade and other receivables | *12* | 663,599 | 715,119 |
| Amounts due from fellow subsidiaries | | 46,379 | 39,081 |
| Tax assets | | 36,927 | 31,841 |
| Financial assets at FVTPL | *13* | 597,531 | 106,330 |
| Restricted cash | | 242,216 | 28,241 |
| Bank balances and cash | | 6,124,604 | 6,670,166 |
| | | 10,237,984 | 10,108,601 |

| | NOTES | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 (audited) |
|---|---|---|---|
| *Current liabilities* | | | |
| Trade and other payables | 14 | 3,618,765 | 4,243,902 |
| Amounts due to fellow subsidiaries | | 287,510 | 177,053 |
| Lease liabilities | | 36,037 | 28,478 |
| Tax liabilities | | 549,055 | 583,477 |
| Prepayments from customers | | 3,184,297 | 3,115,938 |
| Contract liabilities | 15 | 396,872 | 360,059 |
| Bank loans | 16 | 134,879 | 3,786,586 |
| | | 8,207,415 | 12,295,493 |
| Net current assets (liabilities) | | 2,030,569 | (2,186,892) |
| Total assets less current liabilities | | 15,817,871 | 11,787,610 |
| *Non-current liabilities* | | | |
| Bank loans | 16 | 3,711,259 | – |
| Senior notes | | 2,436,441 | 2,458,747 |
| Lease liabilities | | 514,076 | 550,135 |
| Other payables | 14 | 142,380 | 123,275 |
| Deferred tax liabilities | | 901,105 | 864,089 |
| | | 7,705,261 | 3,996,246 |
| Net assets | | 8,112,610 | 7,791,364 |
| *Capital and reserves* | | | |
| Share capital | | 175,146 | 175,146 |
| Reserves | | 7,849,994 | 7,526,146 |
| Equity attributable to owners of the Company | | 8,025,140 | 7,701,292 |
| Non-controlling interests | | 87,470 | 90,072 |
| Total equity | | 8,112,610 | 7,791,364 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 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 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.

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").

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

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 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* in the current interim period. The application of this amendment and the 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 2021 is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| Commission income from concessionaire sales | 1,077,067 | 781,964 |
| Direct sales | 1,386,608 | 1,139,901 |
| Sales of properties | 29,377 | 156,080 |
| Management fees | 23,948 | 22,536 |
| Hotel operations | 9,501 | 5,926 |
| Automobile services fees | 1,468 | 10,694 |
| Revenue from contracts with customers | 2,527,969 | 2,117,101 |
| Rental income | 493,454 | 385,570 |
| Total revenue | 3,021,423 | 2,502,671 |
| Timing of revenue recognition under HKFRS 15 | | |
| A point in time | 2,494,520 | 2,088,639 |
| Over time | 33,449 | 28,462 |
| Total | 2,527,969 | 2,117,101 |

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 | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| Concessionaire sales | 7,227,656 | 5,252,761 |
| Direct sales | 1,566,826 | 1,287,926 |
| Sales of properties | 31,332 | 159,893 |
| Management fees | 25,496 | 23,998 |
| Hotel operations | 10,107 | 6,310 |
| Automobile services fees | 1,659 | 11,947 |
| Gross sales proceeds from contracts with customers | 8,863,076 | 6,742,835 |
| Rental income | 523,314 | 406,730 |
| Total gross sales proceeds | 9,386,390 | 7,149,565 |

## 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 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 2021* | | | | | | | |
| Gross sales proceeds | 3,551,428 | 4,809,891 | 928,169 | 9,289,488 | 61,025 | 35,877 | 9,386,390 |
| Segment revenue | 1,373,682 | 1,294,354 | 272,760 | 2,940,796 | 57,503 | 23,124 | 3,021,423 |
| Segment results | 521,818 | 626,153 | 104,793 | 1,252,764 | 409 | (4,851) | 1,248,322 |
| Central administration costs and Directors' salaries | | | | | | | (35,898) |
| Other gains and losses | | | | | | | 122,752 |
| Share of profit of associates | | | | | | | 5,806 |
| Share of loss of joint ventures | | | | | | | (538) |
| Finance income | | | | | | | 22,863 |
| Finance costs | | | | | | | (131,718) |
| Profit before tax | | | | | | | 1,231,589 |
| Income tax expense | | | | | | | (346,630) |
| Profit for the period | | | | | | | 884,959 |

| | Retail operations | | | | | | |
|---|---|---|---|---|---|---|---|
| | Southern Jiangsu Province | Northern Jiangsu Province | Western and the other regions of the PRC | Subtotal | Property development and hotel operations | Other operations | Total |
| | *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 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 |

## 5. OTHER INCOME, GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| **Other income** | | |
| Income from suppliers, tenants and customers | 361,747 | 276,712 |
| Government grants | 8,247 | 2,034 |
| Others | 473 | 1,378 |
| | 370,467 | 280,124 |
| **Other gains and losses** | | |
| Net foreign exchange gain (loss) | 59,049 | (102,785) |
| Dividend income from equity investments | 247 | 326 |
| Investment income of structured bank deposits | 70,370 | 58,879 |
| Fair value change of investment properties | – | (2,696) |
| Fair value change of financial assets at FVTPL | (3,666) | (4,251) |
| Gain on deemed disposal of an associate | 507 | – |
| Impairment loss in relation to store suspension | (3,755) | – |
| | 122,752 | (50,527) |
| | 493,219 | 229,597 |

## 6. FINANCE INCOME

| | Six months ended 30 June 2021 RMB'000 (unaudited) | Six months ended 30 June 2020 RMB'000 (unaudited) |
|---|---|---|
| Interest income on bank deposits | 14,265 | 14,564 |
| Interest income from loans to third parties | 7,115 | 13,622 |
| Interest income from refundable rental deposits paid | 1,483 | 1,420 |
| | 22,863 | 29,606 |

## 7. FINANCE COSTS

| | Six months ended 30 June 2021 RMB'000 (unaudited) | Six months ended 30 June 2020 RMB'000 (unaudited) |
|---|---|---|
| Interest expenses on: | | |
| Bank loans | 69,832 | 111,683 |
| Senior notes | 58,370 | 63,172 |
| Proceeds from pre-sale of properties | 8,748 | 2,836 |
| Refundable rental deposits received | 3,847 | 3,870 |
| Lease liabilities | 3,669 | 1,266 |
| | 144,466 | 182,827 |
| Less: amounts capitalised in the cost of qualifying assets | | |
| Properties under development for sale | (12,748) | (3,486) |
| | 131,718 | 179,341 |

Finance costs capitalised during the six months ended 30 June 2021 are calculated by applying a weighted average capitalisation rate of 4.2% (six months ended 30 June 2020: 5.0%) per annum.

## 8. INCOME TAX EXPENSE

| | Six months ended 30 June 2021 RMB'000 (unaudited) | Six months ended 30 June 2020 RMB'000 (unaudited) |
|---|---|---|
| PRC Enterprise Income Tax ("EIT"): | | |
| Current period | 286,938 | 206,607 |
| Land Appreciation Tax ("LAT") | 2,133 | 11,898 |
| (Over) under provision in prior periods | (3,655) | 2,533 |
| | 285,416 | 221,038 |
| Deferred tax charge: | | |
| Current period | 61,214 | 62,160 |
| | 346,630 | 283,198 |

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 Group located in the PRC are subject to PRC EIT rate of 25% (six months ended 30 June 2020: 25%) pursuant to the relevant PRC EIT laws. On 2 December 2020, Nanjing Golden Eagle Information Service Co., Ltd. was qualified as High and New Technology Enterprises under the relevant PRC tax laws and regulations. Accordingly, the entity is entitled to a preferential income tax rate of 15% from 2020 to 2022. Kunming Golden Eagle Shopping Centre Co., Ltd. is entitled to a preferential income tax rate of 15% because of it's location in western region of the PRC while Xi'an Golden Eagle International Shopping Centre Co., Ltd. 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 | |
|---|---|---|
| | **2021** | **2020** |
| | *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 | 191,948 | 188,432 |
| Depreciation of right-of-use assets | 39,418 | 35,791 |
| Less: amounts capitalised | (1,067) | (1,067) |
| | 38,351 | 34,724 |
| Loss on disposal of property, plant and equipment | 234 | 309 |
| COVID-19-related rent concessions | – | 10,241 |

## 10. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| Dividends recognised as distribution during the period: | | |
| 2020 Final dividend of RMB0.350 (2019 Final dividend of RMB0.231) per share | 577,243 | 384,372 |

Subsequent to the end of the interim period, the Directors have resolved that an interim cash dividend of RMB0.118 (six months ended 30 June 2020: RMB0.118) per share, in an estimated aggregate amount of RMB195,904,000 (six months ended 30 June 2020: RMB196,146,000) will be paid to the owners of the Company whose names appear in the Register of Members on 9 September 2021.

## 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 | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company) | 887,561 | 358,220 |

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | **2020** |
| | *'000* | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | 1,660,205 | 1,677,554 |

The 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 the six months ended 30 June 2020 because the exercise prices of these options were higher than the average market prices of the Company's shares during that period.

## 12. TRADE AND OTHER RECEIVABLES

| | **30 June 2021** | **31 December 2020** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Trade receivables | 46,831 | 72,947 |
| Advances to suppliers | 103,581 | 118,834 |
| Rental deposits | 57,633 | 56,284 |
| Other deposits | 11,901 | 11,826 |
| Deposits paid for purchases of goods | 1,003 | 4,226 |
| Other taxes recoverable | 102,568 | 93,102 |
| Loans to third parties | 226,393 | 227,587 |
| Other receivables and prepayments | 170,238 | 186,157 |
| | 720,148 | 770,963 |
| Presented as: | | |
| Non-current assets | 56,549 | 55,844 |
| Current assets | 663,599 | 715,119 |
| | 720,148 | 770,963 |

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 business at the end of the reporting periods.

Trade receivables for retail operations amounted to RMB35,158,000 (unaudited) (31 December 2020: RMB68,832,000 (audited)) were aged within 15 days 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 2021 | 31 December 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Equity instruments at FVTOCI | | |
| Listed equity investments | 65,547 | 71,608 |
| Financial assets at FVTPL | | |
| Non-current | | |
| Unquoted fund investment | 231,602 | 231,960 |
| Current | | |
| Listed equity investments | 89,113 | 106,330 |
| Structured bank deposits | 508,418 | – |
| | 597,531 | 106,330 |

## 14. TRADE AND OTHER PAYABLES

| | 30 June 2021 | 31 December 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Trade payables | 1,870,201 | 2,342,762 |
| Payables for purchase of property, plant and equipment | 485,665 | 574,951 |
| Rental deposits | 265,562 | 242,069 |
| Suppliers' deposits | 189,238 | 181,642 |
| Accrued expenses | 179,150 | 176,705 |
| Accrued salaries and welfare expenses | 28,036 | 61,001 |
| Advance lease payments | 18,737 | 18,978 |
| Interest payable | 13,274 | 13,800 |
| Other taxes payable | 62,893 | 130,546 |
| Other payables | 648,389 | 624,723 |
| | 3,761,145 | 4,367,177 |
| Presented as: | | |
| Non-current liabilities | 142,380 | 123,275 |
| Current liabilities | 3,618,765 | 4,243,902 |
| | 3,761,145 | 4,367,177 |

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 end of the reporting period:

| | **30 June 2021** *RMB'000* *(unaudited)* | **31 December 2020** *RMB'000* *(audited)* |
|---|---|---|
| 0 to 30 days | 1,391,419 | 1,698,212 |
| 31 to 60 days | 141,478 | 275,985 |
| 61 to 90 days | 60,354 | 82,664 |
| Over 90 days | 276,950 | 285,901 |
| | 1,870,201 | 2,342,762 |

## 15. CONTRACT LIABILITIES

| | **30 June 2021** *RMB'000* *(unaudited)* | **31 December 2020** *RMB'000* *(audited)* |
|---|---|---|
| Deposits and prepayments received from pre-sale of properties | 363,311 | 354,316 |
| Deferred revenue arising from the Group's customer loyalty programme | 33,561 | 5,743 |
| | 396,872 | 360,059 |

## 16. BANK LOANS

In April 2021, the Group arranged a dual-currency three-year syndicated loan in the principle amounts of United States dollar ("USD") 420,000,000 and Hong Kong dollar ("HK$") 1,408,000,000 (equivalent to RMB3,941,502,000) to refinance the maturing syndicated loan in the outstanding amount of RMB3,786,586,000 as at 31 December 2020. The new syndicated loan carries interest at LIBOR/HIBOR + 2.5% (six months ended 30 June 2020: LIBOR/HIBOR + 2.5%) per annum and repayable in full in April 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Industry Overview

In the first half of 2021, the global economy gradually saw a turnaround and stabilised, demonstrating a significant improvement. In the post-pandemic recovery stage, the Chinese government achieved healthy, stable and high-quality development of the Chinese economy with normalised pandemic prevention and control, and a series of economic recovery measures. In Jiangsu province, where the Group has established a market leadership, the pandemic prevention and control and economic situation continued to improve. In the first half of the year, the regional Gross Domestic Products increased by 13.2% year-on-year to RMB5.5 trillion, and the living consumption expenditure per capita was RMB14,903, representing a year-on-year increase of 22%, fostering new growth drivers for consumption to fuel economic growth.

From the perspective of retail sector's development, the continuous enrichment of scenes at physical stores and the extensive applications of online omni-channels further accelerated the upgrading and transformation of the industry, enabling it to quickly recover and maintain sustainable development. The trend of consumption upgrade supports people's robust demand for both shopping experiences and merchandise, which prompts diversification and personalisation of consumer demands. Thus, providing consumers with high-quality contents and services, and diversified experiences will be the key to the future development of retail sector.

### Operation Management and Corporate Development

In the first half of 2021, under the new normal of pandemic prevention and control, the Group deepened the integration of its online and offline sales channels, actively innovated, adhered to healthy and high-quality development, and continuously adjusted its business strategies in accordance with the progress made in the pandemic prevention and control, maintained sound financial status, captured the market trend and achieved breakthroughs to lay a solid foundation for high-quality development.

Against the backdrop of the economic recovery, the Group refined the operation of its key business, continued to enhance the quality of its operational management, stayed committed to expedite planning and adjustment in its store merchandise, strengthened strategic brand cooperation, and fully utilised the growth potentials of its high-quality merchandise resources. As a result, the Group's continuous efforts in merchandise adjustment and creative marketing became fruitful, achieving a rapid recovery in its performance. Thanks to the endeavours of the Group and its staff, the Group's customer traffic reached 98.33 million visits[2] in the first half of 2021, representing a 68.2% and 7.1% increase over the same period in 2020 and 2019, respectively. Gross sales proceeds ("GSP") amounted to RMB9.39 billion, representing an increase of 31.3% and 2.5% over the same period in 2020 and 2019, respectively; profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other gains and losses) ("EBITDA") amounted to RMB1.44 billion, representing a 28.9% and 12.2% growth over the same period in 2020 and 2019, respectively, while the profit for the period amounted to RMB885 million, representing a 151.1% and 30.5% growth over the same period in 2020 and 2019, respectively.

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

In the first half of 2021, the Group stayed committed to high-quality development, carried out merchandise upgrades, and continued to strengthen its cooperation with various brands to make their debuts in the region and with benchmark brands for flagship store openings. During the period, the number of brand counters upgraded and adjusted proactively by the Group reached 1,026, accounting for 12.3% of the total counter area of the Group, and the occupancy rate increased to 96%.

Among the major stores to be revamped, the Group made steady progress with the aim of consolidating the leading position of its main stores in the core business districts and enhancing its influence on the city. Blocks A and B of Xuzhou Store carried out joint store revamp in the first half of the year, FILA Kids 3.0 image store, Nike Kids L2 flagship store, Charles & Keith, China Li Ning and other latest image stores were introduced to further shape its positioning to attract young and trendy consumers in the core business district. The store layout of the first floor of Nanjing Zhujiang Road Store has been adjusted with merchandise upgrades and the introduction of viral hit bakery Holiland, beauty and cosmetic store The Colorist and smart technology store Xiaomi, etc., to further highlight the store's young, trendy and lifestyle positioning and better meet the shopping needs of young customers. In the first half of the year, Ma'anshan Store and Suqian Store have respectively launched a comprehensive store revamp and upgrade and introduced trendy fashion street and food court with urban cultural characteristics into the store to create inter-link customer traffic between the retail stores and street shops, link up both areas and thus building a commercial landmark in the city.

Capturing the recovery trend of the consumer market, the Group's chain stores have seized the opportunity to focus on emotional marketing and organised a number of rejuvenating, fun and innovative marketing activities that integrated social, parent-child and art elements etc., offering consumers with a diversified shopping experiences, which resulted in a steady increase in customer traffic and sales. During the Group's mid-year sale that ended in June 2021, the Group collaborated with 10 top beauty brands and TerraCycle to carry out a series of environmental protection activities such as recycling of empty bottles and low-carbon transportation in exchange for consumption vouchers. While integrating the concept of environmental protection, the Group's chain stores generated over RMB480 million GSP in aggregate during the event period, both sales and customer traffic increased remarkably as compared with the same period last year and recorded a year-on-year growth of 29.4% and 10.7%, respectively.

In the state of new normal, the Group continues to target at its goal of strategically develop a lifestyle, experiential and innovative smart consumer service platform, and attaches great importance to in-depth cooperation with strategic brands and new business development to inject development vitality and performance growth to the Group. During the year, the Group captured the opportunities in white liquor market brought about by consumption upgrades, established in-depth strategic cooperation with benchmark brands in the industry, and strengthened the centralised procurement and resources integration capabilities of key brands to create pricing and marketing advantages.

With the optimisation of supply chain, new product development, emphasis on competitive brand categories and enhancement in operational management, the Group achieved a significant increase in G·Mart supermarket sales. Its sales increased by 13.8% and 32.0% over the same period in 2020 and 2019, respectively. In the second half of the year, the Group will also proactively promote the repositioning of G·Mart supermarkets by adopting various measures such as suiting local needs, reasonably positioning, creating "G·Mart Flagship Store" with scenery and shopping experiences, optimising merchandise portfolio, implementing omni-channel operation and digitalising operation and management, thereby improving the overall operational capabilities of G·Mart supermarkets.

The 7-Eleven convenience store business has turned to profit making in the month of June this year and has entered into a benign operation stage. The newly-built central kitchen and the fresh food factory which plans to put into operation in January 2022 will provide high-quality products and efficient supply chain services to prepare for the rapid and high-quality expansion of the convenience store business. In the first half of the year, the Group debuted its market presence in Taizhou and Yangzhou, the number of the Group's convenience stores has increased from 25 at the end of 2020 to 38 as at the end of the current period. The Group will accelerate store expansion in the second half of this year with a target of 100 stores in operation at the end of 2021.

The Group attaches great importance to new business development to enhance members' omni-channel shopping experience, strengthen shopping and service functions, and create a one-stop lifestyle service platform, GE Life. In the first half of the year, GE Life's merchandise sales platform has transformed from a self-operated platform to an open POP (Pctowap Open Platform) platform. Its product and service positioning is "younger, more interesting and more cost-effective". Moreover, the Group further launched 33 online flagship stores in current year, resulting in aggregate a total of 40 online international brand flagship stores on GE Life being launched since September 2020. The platform has improved the brands' new customers requisition rate and the average percentage of sales orders from new customers in online brand flagship stores exceeded 60%. The total GMV (Gross Merchandise Value) generated by the entire platform in the first half of the year was RMB330 million, a year-on-year increase of 52.6%, and omni-channel membership increased by 90.7% year-on-year. The Group will proceed to deepen the omni-channel marketing and digitalisation upgrades, promote user digitalisation across the Group, precise VIP online marketing, and further enhance user activity and service experience in order to achieve long-term substantiable growth in member value.

Talents have always been an important asset that the Group values greatly. While continuing to identifying and attracting talents, the Group has formulated a complete talent development path from fresh graduates to senior executives and created the great eagle talent echelon development plan with five levels, namely "Eagle's Nest (鷹巢)", "Fledging Eagle (雛鷹)", "Eagle's Talents (鷹才)", "Seasoned Talents (雄鷹)" and "Leadership Development (領鷹)". In the future, the Group will also launch management trainee programme to identify and nurture senior management talents who can enhance sales performance and operational efficiency.

**Outlook**

In the second half of 2021, China's dual circulation development strategy will continue to drive consumption upgrades, boost consumer demand for lifestyle shopping experiences and broaden the application of new technologies. At the same time, the outbreak of the Delta variant of the coronavirus has increased the medium and high risk areas in many parts of the country, which has brought upon unprecedented challenges to the pandemic prevention and control and caused a negative impact on the consumer market. The Group will fulfill its corporate social responsibilities in the pandemic prevention and control, continue to enhance its services and operation quality, consolidate its core operating competence, and leverage on its omni-channel business operation to give full play to its advantages. Facing the normalised pandemic, volatile market due to the recurrent pandemic and the fast-changing competitive operating environment, the Group aims to achieve sustainable development in a flexible and effective manner.

As the era of enhancement of existing commercial properties arrives, the Group has established its competitive strengths by leveraging on its capabilities of designing and planning large-scale commercial complexes, implementing low carbon emission and energy-saving measures in smart buildings, configuring merchandise portfolio and refining operational management. The Group adopted a two-pronged development strategy by expanding into asset-light business model of managing commercial properties for and on behalf of third parties while also operating its own commercial properties to scale up its commercial property operation and increase its operating revenue.

In respect of the development of asset-light business model, as the first metro commercial project in Huaihai Economic Zone and also the Group's first metro commercial project, Golden Eagle "Shang Jie" (徐州金鷹上街) with a total lease area of approximately 31,000 square metres will further consolidate the Group's core position at the golden commercial district of the city. The L-shaped metro commercial area has been opened in February 2021, while the remaining area of approximately 25,000 square metres is expected to commence operation in the first half of 2022. The Group's first management project in Jiangsu province, Project GE66 is situated directly above the Metro station connecting Metro Lines 1 and 5 at Nanjing Jiangning district and occupies a commercial area of approximately 26,000 square metres. Project GE66 will be positioned as a commercial landmark centred on "Trends" and "Health" and is expected to be opened in the fourth quarter of 2021. At the same time, the Group has entered into a management contract in respect of the Zhenjiang Daxi Road Project in January 2021. The project is located at the heart of Zhenjiang city and is planned to be developed into a large-scale retail centre with total gross floor area ("GFA") of nearly 120,000 square metres to bring new defined commercial space for consumers in Zhenjiang.

In addition, the Group upholds the strategic plan of low-carbon, green and sustainable development, and will fully adopt low-carbon and energy-saving technologies such as photovoltaic power generation, high-efficiency chiller plant, rainwater harvesting and smart lighting in all future new commercial projects, including the Group's Golden Eagle World Projects in Nantong, Changzhou and Changchun, as well as Kunshan Phase II and Yangzhou Jiangdu Phase II projects, will also be built with China's 2-star green building standard. The aforementioned projects are expected to bring an additional green building area of approximately 731,000 square meters to the Group in the next few years. Large-scale commercial complex projects along with the surrounding luxury hotels, offices and residences perfectly integrate leisure shopping, offices and community lifestyles into a full life cycle ecosystem, which will not only attract high-end customer traffic for the Group's operations, but ultimately foster long-term sales growth to the Group.

The Group will adhere to high-quality development, conform to consumer trends, focus on high-quality lifestyle needs of middle-class families and young customers, and steadily carry out the upgrading of its existing stores. Certain stores, such as Nanjing Jiangning Store, Suqian Store, Ma'anshan Store and Yangzhou Store have all entered into the planning and renovation stages and are expected to complete upgrades by 2021.

## 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, including but not limited to 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 traffic control arrangements, quarantine measures on certain residents, restriction on certain commercial activities for social distancing, raised both the awareness of hygiene and the imminent needs for prevention of the pandemic. The pandemic has affected retail business in China and the economic activities of the Group to some extent. Most of the Group's stores shortened their opening hours and/or closed during February and early March 2020.

In response to the situation, the Group has adopted various measures to mitigate the impact of pandemic on its business operations, including maximising operational efficiency, promoting online sales, assisting concessionaire and rental tenants in weathering the pandemic by granting concessions, and implementing comprehensive cost-saving measures. Although the Group adopted the above-mentioned measures to mitigate the adverse effect of the pandemic and its retail stores had resumed operation since the second quarter of the year 2020 amid the gradual stabilisation of the COVID-19 outbreak in China, as shown in the unaudited interim financial results of the Group for the six months ended 30 June 2020, the Group's operating performance during that period was still inevitably impacted by the pandemic.

Against the backdrop of the COVID-19 pandemic, the Group has refined the operation of its key business, continued to improve the quality of its operational management, insisted on expediting planning and adjustment in its store merchandise, strengthened strategic brand cooperation to fully revealed the growth potentials of its high quality merchandise resources. With the Group's continuous efforts in merchandise adjustments and creative marketing, the Group demonstrated resilience in its recovery since the second quarter of the year 2020. For the period under review, the Group not only achieved a higher growth in its operating results when compared with the same period in 2020, such financial performance also represents an encouraging growth in its retail operations when compared to the same period in 2019 before the strike of the pandemic on the retail industry in the year of 2020.

During the period under review, GSP of the Group increased to RMB9,386.4 million, representing a year-on-year increase of 31.3% or RMB2,236.8 million. The increase was mainly attributable to the net effects of (i) a year-on-year increase of 36.2% in retail SSS amid the continued recovery of the economy and retail consumption in the PRC as the COVID-19 pandemic subsided; and (ii) the decrease in sales of properties by RMB128.6 million or 80.4% to RMB31.3 million since no material delivery of property units was carried out during the period under review whereas the Group delivered the remaining portion of pre-sold phase two sub-section one units of Yangzhou New City Centre Project to purchasers in the same period last year.

The Group's nine new lifestyle centres which have been 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 total GSP of RMB2,342.0 million (1H2020: RMB1,696.1 million), which contributed 25.0% (1H2020: 23.7%) of the Group's total GSP during the period under review.

During the six months ended 30 June 2021, concessionaire sales contributed to 77.0% (1H2020: 73.5%) of the Group's GSP, which increased by 37.6% year-on-year to RMB7,227.7 million from RMB5,252.8 million in the same period of 2020, while direct sales contributed to 16.7% (1H2020: 18.0%) of the Group's GSP, which increased by 21.7% year-on-year to RMB1,566.8 million, from RMB1,287.9 million in the same period of 2020. Rental income contributed to 5.6% (1H2020: 5.7%) of the Group's GSP, which increased by 28.7% year-on-year to RMB523.3 million in the first six months of 2021 from RMB406.7 million in the same period of 2020. Sales of properties contributed to 0.3% (1H2020: 2.2%) of the Group's GSP for the first six months of 2021, which decreased by 80.4% year-on-year to RMB31.3 million from RMB159.9 million in the first half of 2020. Other income accounted for the remaining 0.4% (1H2020: 0.6%) of the Group's GSP, which decreased by 11.8% year-on-year to RMB37.3 million for the first six months of 2021 from RMB42.3 million for the same period of 2020.

Commission rate from concessionaire sales remained stable at 16.8% while gross profit margin from direct sales increased to 14.5% (1H2020: 11.2%), resulting in an increase in the overall gross profit margin from concessionaire sales and direct sales to 16.4% (1H2020: 15.7%). The Group ceased its low profit margin automobile trading business since September 2020 which in turn improved the Group's gross profit margin from direct sales.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed to 39.1% (1H2020: 38.8%) of the GSP; sales of gold, jewellery and timepieces contributed to 20.3% (1H2020: 17.1%); sales of cosmetics contributed to 15.4% (1H2020: 16.0%); sales of outdoor, sports clothing and accessories contributed to 9.8% (1H2020: 10.5%), sales at the supermarket operation (including sales of tobacco and wine) contributed to 8.1% (1H2020: 9.5%) and the sales of other products such as electronics and appliances, household and handicrafts, children's wears and toys contributed the remaining 7.3% (1H2020: 8.1%) of the GSP. During the period under review, the Group's self-operated gourmet supermarket G·Mart generated RMB626.3 million GSP, which increased by 13.8% year-on-year from RMB550.5 million in the same period last year, the Group's 7-Eleven convenience stores generated RMB51.3 million GSP, which increased by 80.4% year-on-year from RMB28.5 million as compared to last year while the Group's online platform, GE Life (which was upgraded from Jinying.com), has recorded a significant growth of 52.6% in GMV (Gross Merchandise Value), which amounted to RMB332.9 million for the six months ended 30 June 2021.

As at 30 June 2021, the Group's completed properties for sale and properties under development for sale amounted to RMB904.6 million (31 December 2020: RMB918.2 million) and RMB1,281.4 million (31 December 2020: RMB1,225.7 million) respectively. Completed properties for sale comprised of the Group's Riverside Century Plaza Project with total saleable office and residential GFA of approximately 61,974.2 square meters as at 30 June 2021 (31 December 2020: 64,142.9 square meters), while properties under development for sale mainly comprised of the Group's Yangzhou New City Centre Project with an estimated total saleable commercial and residential GFA of approximately 97,036.3 square meters (31 December 2020: 97,617.8 square meters) and saleable car parking spaces with GFA of approximately 37,669.7 square meters as at 30 June 2021 (31 December 2020: 38,523.5 square meters).

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 year 2020, the Group has also commenced pre-sale of the units in phase one sub-sections one and two of Changchun Golden Eagle World Project, where phase one has three sub-sections. The project is expected to have five phases and will be developed in stages over the coming years. The construction work of phase one sub-sections one and two with salable residential, commercial and car parking spaces GFA of approximately 116,720.9 square meters is expected to be completed by the end of the year 2021 and the pre-sold units are expected to be delivered to purchasers at the end of the year 2021 and in the first half of 2022. As at 30 June 2021, properties with GFA of 39,628.0 square meters (31 December 2020: 39,628.0 square meters) had been pre-sold and deposits and prepayments in the aggregate amount of RMB326.9 million (31 December 2020: RMB324.7 million) have been received by the Group from the pre-sale of these properties.

Sales of properties amounted to RMB31.3 million (1H2020: RMB159.9 million) with a total GFA of 3,604.0 square meters (1H2020: 20,231.0 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 RMB8.9 million (1H2020: 112.6 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 RMB22.4 million (1H2020: RMB47.3 million). Gross profit margin of the sales of properties was 29.8% (1H2020: 35.6%). Sales of properties during the period under review were mainly contributed by the sales of car parking spaces which carried a lower gross profit margin than the sales of residential properties in the previous periods.

The Group's total revenue amounted to RMB3,021.4 million, representing an increase of 20.7% from the same period last year. The increase in revenue was generally in line with the increase in GSP.

***Other income, gains and losses***

| | **Six months ended 30 June** | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| Other income | 370,467 | 280,124 |
| Other gains and losses | 122,752 | (50,527) |
| | 493,219 | 229,507 |
| **Total operating income** | | |
| Revenue | 3,021,423 | 2,502,671 |
| Other income | 370,467 | 280,124 |
| | 3,391,890 | 2,782,795 |

Other income mainly comprised of various miscellaneous operating income received from retail tenants and customers, including overall administration and management fees from concessionaire and rental tenants and credit card handling fees from retail customers. During the period under review, other income increased by 32.3% or RMB90.3 million to RMB370.5 million. This was mainly attributable to the increase in overall administration and management fees income received from retail tenants since the Group adjusted its pricing policy in the second half of the year 2019. Total operating income, being the aggregate of the Group's revenue and other income, increased to RMB3,391.9 million, representing an increase of 21.9% or RMB609.1 million, whereas the 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 RMB3,353.0 million, representing an increase of 27.9% or RMB732.2 million.

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; and (iii) the changes in the fair value of the Group's investment properties.

The net amount of other gains and losses increased by RMB173.3 million to a net gain of RMB122.8 million for the six months ended 30 June 2021 from a net loss of RMB50.5 million in the same period of 2020. Such increase was primarily due to a change from net foreign exchange loss of RMB102.8 million recognised for the six months ended 30 June 2020 to net foreign exchange gain of RMB59.0 million for the six months ended 30 June 2021, representing a net foreign exchange difference of RMB161.8 million.

***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 RMB93.7 million or 8.4% year-on-year to RMB1,208.0 million for the six months ended 30 June 2021. 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 increased by RMB22.6 million or 15.5% year-on-year to RMB168.4 million for the six months ended 30 June 2021. Such increase was primarily attributable to the net effects of: (i) the increase in contributions to state-managed retirement benefits schemes by RMB15.1 million during the period under review as the government's pandemic relief measures expired at the end of 2020; (ii) the continuous efforts of the Group to streamline the roles and functions of its employees at all levels; and (iii) the continuous investment in human resources for the implementation and development of the Group's "comprehensive lifestyle concept" and "interactive retail platform".

Employee benefits expense as a percentage of GSP decreased by 0.3 percentage point to 2.0% from 2.3% in the same period last year.

***Depreciation and amortisation***

Depreciation and amortisation of property, plant and equipment, intangible asset and right-of-use assets increased by RMB7.1 million or 3.2% year-on-year to RMB230.3 million for the six months ended 30 June 2021.

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

***Rental expenses***

Rental expenses increased by RMB76.5 million or 60.3% year-on-year to RMB203.5 million for the six months ended 30 June 2021. The Group's rental arrangements were mainly pegged to the sales of the respective stores which were operated in leased properties. The increase in rental expenses is attributable to the increase in sales of these stores during the period under review and the cessation of rental concessions granted by some of the Group's landlords. The Group received rental concessions in the total sum of RMB10.2 million from some of its landlords during the six months ended 30 June 2020 and the amount was credited in the profit and loss in the same period.

Rental expenses as a percentage of GSP increased by 0.4 percentage point to 2.4% from 2.0% in the same period last year.

***Other expenses***

Other expenses increased by RMB93.0 million or 33.7% year-on-year to RMB369.2 million for the six months ended 30 June 2021. 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 increase was primarily attributable to the net effects of the management's consistent and disciplined approach towards cost control and the general increase in other expenses since the second quarter of the year 2020 amid the gradual stabilisation of the COVID-19 outbreak in China.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2021** | **2020** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* |
| **Other expenses** | | |
| Utilities expenses | 106,738 | 71,694 |
| Property management fees | 71,140 | 59,471 |
| Cleaning, repair and maintenance expenses | 54,741 | 36,034 |
| Advertising and promotion expenses | 24,228 | 22,466 |
| Other tax expenses | 47,225 | 36,536 |
| Subcontracting service charges | 5,683 | 4,688 |
| Others | 59,470 | 45,302 |
| | 369,225 | 276,191 |

Other expenses as a percentage of GSP increased by 0.1 percentage point to 4.4% from 4.3% in the same period last year.

***Share of profits (losses) of associates and joint ventures***

Share of profits (losses) of associates and joint ventures mainly represented the Group's share of financial results of its associate, Whittle School & Studios Holdings, Ltd. ("Whittle School"), which was disposed of during the second half of the year 2020. Whittle School is principally engaged in the development and operation of private schools worldwide for students in the 3-18 age group and has opened its first two campuses in September 2019. The net loss attributable to the Group from Whittle School during the six months ended 30 June 2020 amounted to RMB54.0 million. No such loss was recognised 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 decreased by RMB6.7 million or 22.8% year-on-year to RMB22.9 million for the six months ended 30 June 2021, which was mainly because of the decrease in interest income from loans to third parties by RMB6.5 million during the period under review.

***Finance costs***

Finance costs mainly comprised of interest expenses for the Group's bank borrowings and senior notes. Finance costs decreased by RMB47.6 million or 26.6% year-on-year to RMB131.7 million for the six months ended 30 June 2021, which was primarily due to the decrease in interest rates and the appreciation of RMB against USD and HK$ during the period under review.

***Income tax expense***

Income tax expense of the Group increased by RMB63.4 million or 22.4% year-on-year to RMB346.6 million. Effective tax rate for the period under review was 28.1% (1H2020: 44.6%). The year-on-year decrease of 16.5 percentage points in effective tax rate was mainly due to the increase in offshore non-deductible income, namely offshore net foreign exchange gain, and the decrease in offshore non-deductible expenses, namely share of losses of associates.

***Profit for the period***

Profit for the period under review increased by RMB532.5 million or 151.1% year-on-year to RMB885.0 million. Net profit margin, which represents net profit as a percentage of GSP, was 10.6% (1H2020: 5.5%) for the six months ended 30 June 2021.

Profit from operations (net profit before interest, tax and other gains and losses) increased by RMB316.1 million or 35.3% year-on-year to RMB1,212.4 million (1H2020: RMB896.3 million), while EBITDA increased by RMB323.2 million or 28.9% year-on-year to RMB1,442.7 million (1H2020: RMB1,119.5 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 RMB362.2 million or 33.8% year-on-year to RMB1,432.3 million (1H2020: RMB1,070.1 million).

During the period under review, the aggregate net operating losses generated by 3 (1H2020: 3) loss-making stores amounted to RMB9.7 million (1H2020: RMB12.7 million).

***Retail financial highlights as compared to the same period in 2019***

The Group's operating performance had been impacted by the COVID-19 outbreak since early 2020. Against the backdrop of the COVID-19 pandemic, the Group has adopted various measures to mitigate the impact of the pandemic while continued to refine its business operations, the Group demonstrated resilience in its recovery since the second quarter of the year 2020. For the period under review, the Group not only achieved a higher growth in its operating results when compared with the same period in 2020, the Group also achieved an encouraging growth in its retail operations when compared to the same period in 2019.

Retail GSP increased by RMB484.6 million or 5.5% year-on-year, retail revenue increased by RMB315.0 million or 11.8% year-on-year while total retail operating income increased by RMB432.0 million or 14.8% year-on-year (for simple reconciliation purpose, retail GSP, retail revenue and total retail operating income exclude the relevant GSP and revenue generated from property sales and hotel operations). Together with the management's consistent and disciplined approach towards cost control, Retail EBITDA recorded an outstanding increase by RMB232.2 million or 19.3% year-on-year when compared to the same period in the year of 2019 before the retail industry was struck by the COVID-19 pandemic in the year of 2020.

***Capital expenditure***

Capital expenditure of the Group for the six months ended 30 June 2021 amounted to RMB140.6 million (1H2020: RMB133.1 million). The amount mainly comprised of contractual payments made for 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 the shopping environment and the Group's competitiveness in the markets.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's cash and near cash (including bank balances and cash, restricted cash and structured bank deposits) amounted to RMB6,875.2 million (31 December 2020: RMB6,698.4 million) whereas the Group's total borrowings (including bank borrowings and senior notes) amounted to RMB6,282.6 million (31 December 2020: RMB6,245.3 million). For the six months ended 30 June 2021, the Group's net cash generated from operating activities amounted to RMB797.0 million (1H2020: RMB766.7 million); net cash used in investing activities amounted to RMB732.6 million (1H2020: RMB14.2 million); and net cash used in financing activities amounted to RMB610.0 million (1H2020: RMB561.7 million).

In April 2021, the Group arranged another dual-currency three-year syndicated loan in the principal amounts of USD420.0 million and HK$1,408.0 million to re-finance the matured syndicated loan in the outstanding amount of RMB3,786.6 million as at 31 December 2020. As at 30 June 2021, the Group's bank borrowings amounted to RMB3,846.1 million (31 December 2020: RMB3,786.6 million), which comprised of its dual-currency three-year syndicated loan to be due in April 2024 in the amount of RMB3,816.1 million (31 December 2020: RMB3,786.6 million) and short-term bank loan in the amount of RMB30.0 million (31 December 2020: Nil). Senior notes of the Group in the amount of RMB2,436.5 million (31 December 2020: RMB2,458.7 million) will be due in May 2023.

The total assets of the Group as at 30 June 2021 amounted to RMB24,025.3 million (31 December 2020: RMB24,083.1 million) whereas the total liabilities of the Group amounted to RMB15,912.7 million (31 December 2020: RMB16,291.7 million), resulting in a net assets position of RMB8,112.6 million (31 December 2020: RMB7,791.4 million). The gearing ratio, which is calculated by the Group's total borrowings divided by its total assets, increased to 26.1% as at 30 June 2021 (31 December 2020: 25.9%).

The capital commitments of the Group as at 30 June 2021 amounted to RMB1,773.7 million (31 December 2020: RMB1,122.7 million) in respect of:

| | **30 June 2021** *RMB'000* *(unaudited)* | **31 December 2020** *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 | 17,491 | 16,503 |
| Other commitments in respect of construction of properties under development for sale | 1,756,233 | 1,106,201 |

**CONTINGENT LIABILITIES**

| | **30 June 2021** *RMB'000* *(unaudited)* | **31 December 2020** *RMB'000* *(audited)* |
|---|---|---|
| Guarantee in respect of mortgage facilities for certain purchasers | 176,828 | 176,978 |

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 2021, the Group has pledged its equity interests of certain subsidiaries and created fixed and floating charges over the assets of certain subsidiaries to secure the obligations under the banking facilities granted to the Group. Assets with the following carrying amounts have been pledged to secure the banking facilities:

| | **30 June 2021** *RMB'000* *(unaudited)* | **31 December 2020** *RMB'000* *(audited)* |
|---|---|---|
| Equity instruments at FVTOCI | 48,098 | 48,892 |
| Restricted cash | 242,216 | 28,241 |
| Bank balances and cash | 90,036 | 184,643 |
| | 380,350 | 261,776 |

## FOREIGN EXCHANGE EXPOSURE

Certain bank balances and cash, equity investments, bank loans and senior notes 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 the period under review, the Group recorded a net foreign exchange gain of RMB59.0 million (1H2020: a net foreign exchange loss of RMB102.8 million). The Group's operating cash flows are not subject to any foreign exchange fluctuation.

## EMPLOYEES

As at 30 June 2021, the Group employed a total of 2,540 employees (31 December 2020: 2,810 employees) with remuneration in an aggregate amount of RMB168.4 million (1H2020: RMB145.8 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 (1H2020: RMB0.118) per share, which is expected to be paid on or before Thursday, 23 September 2021 to those shareholders of the Company whose names appear on the Register of Members of the Company at the close of business on Thursday, 9 September 2021.

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, 9 September 2021, which is also the record date for the interim dividend.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Directors are of the opinion that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") for the six months ended 30 June 2021, except for provision E.1.2. of the Code. Provision E.1.2. stipulates that the chairman of the Board should attend the annual general meeting. Mr. Wang Hung, Roger, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 27 May 2021 due to travel restrictions resulting from COVID-19.

## 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 during the six months ended 30 June 2021.

## 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 2021 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. The interim results of the Group for the six months ended 30 June 2021 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.

## 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 long-standing support. In the second half of the year, the Group will continue to work together to seize the new normal and new consumption opportunities, meet new challenges and business development opportunities, endeavour in innovation to enhance its value and achieve quality development, thereby bringing better returns to shareholders.

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

Hong Kong, 25 August 2021

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