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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 2022

HIGHLIGHTS OF INTERIM RESULTS

- Total gross sales proceeds ("GSP") amounted to RMB7,881.5 million, representing a year-on-year decrease of 16.0%.
- Same-store sales[1] ("SSS") decreased by 17.6% year-on-year.
- Revenue amounted to RMB2,786.2 million, representing a year-on-year decrease of 7.8%.
- Profit from operations before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other gains and losses) ("EBITDA") amounted to RMB1,336.6 million, representing a year-on-year decrease of 7.4%.
- Profit attributable to owners of the Company was RMB460.8 million, representing a year-on-year decrease of 48.1%.
- Earnings per share for the period under review was RMB0.278, representing a year-on-year decrease of 48.0%.
- The Board have resolved not to declare any interim dividend for the six months ended 30 June 2022.

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 2022 ("1H2022"), together with unaudited comparative figures for the corresponding period in 2021 ("1H2021"). The unaudited condensed consolidated interim results have not been audited, but have been reviewed by the auditor, Messrs. Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	NOTES	**2022**	**2021**
		RMB'000	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	*3*	2,786,224	3,021,423
Other income, gains and losses	*5*	138,934	493,219
Changes in inventories of merchandise		(1,042,890)	(1,187,398)
Cost of properties sold		(99,252)	(20,636)
Employee benefits expense		(162,955)	(168,381)
Depreciation and amortisation of property, plant and equipment and intangible asset		(191,733)	(191,948)
Depreciation of right-of-use assets		(37,642)	(38,351)
Rental expenses		(197,291)	(203,527)
Other expenses		(316,158)	(369,225)
Share of profit of associates		6,726	5,806
Share of loss of joint ventures		(198)	(538)
Finance income	*6*	56,351	22,863
Finance costs	*7*	(149,879)	(131,718)
Profit before tax		790,237	1,231,589
Income tax expense	*8*	(319,971)	(346,630)
Profit for the period	*9*	470,266	884,959
Profit (loss) for the period attributable to:			
Owners of the Company		460,816	887,561
Non-controlling interests		9,450	(2,602)
		470,266	884,959
Earnings per share			
– Basic (RMB per share)	*11*	0.278	0.535

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period	470,266	884,959
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Share of exchange difference of associates	(3,341)	(2,141)
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	(3,925)	17,798
Income tax expense relating to item that will not be reclassified to profit or loss	761	(2,127)
	(3,164)	15,671
Other comprehensive (expense) income for the period, net of tax	(6,505)	13,530
Total comprehensive income for the period	463,761	898,489
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	454,311	901,091
Non-controlling interests	9,450	(2,602)
	463,761	898,489

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	NOTES	**30 June 2022** *RMB'000* *(unaudited)*	**31 December 2021** *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		8,121,298	8,308,714
Right-of-use assets		2,453,487	2,541,874
Investment properties		2,495,350	2,506,671
Intangible asset		10,254	10,587
Goodwill		17,664	17,664
Interests in associates		158,376	154,991
Interests in joint ventures		13,018	14,211
Other receivables	*12*	59,804	58,265
Equity instruments at fair value through other comprehensive income ("FVTOCI")	*13*	169,574	55,557
Financial assets at fair value through profit or loss ("FVTPL")	*13*	233,899	204,513
Deferred tax assets		38,378	43,143
		13,771,102	13,916,190
Current assets			
Inventories		351,341	369,370
Properties under development for sale		1,594,633	1,551,987
Completed properties for sale		632,724	635,288
Trade and other receivables	*12*	756,971	624,410
Amounts due from fellow subsidiaries		52,012	49,922
Tax assets		43,127	46,580
Financial assets at FVTPL	*13*	610,490	90,927
Restricted cash		34,605	26,121
Bank balances and cash		7,286,981	7,651,382
		11,362,884	11,045,987

	NOTES	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Current liabilities			
Trade and other payables	*14*	3,571,888	4,116,750
Amounts due to fellow subsidiaries		182,097	167,726
Lease liabilities		28,486	30,646
Tax liabilities		543,794	577,075
Prepayments from customers		3,414,381	3,383,151
Contract liabilities	*15*	198,238	307,674
Bank loans		142,278	103,918
Senior notes	*16*	2,535,249	–
		10,616,411	8,686,940
Net current assets		746,473	2,359,047
Total assets less current liabilities		14,517,575	16,275,237
Non-current liabilities			
Bank loans		3,863,170	3,673,788
Senior notes	*16*	–	2,406,167
Other payables	*14*	105,102	138,494
Lease liabilities		512,562	519,496
Deferred tax liabilities		936,432	900,744
		5,417,266	7,638,689
Net assets		9,100,309	8,636,548
Capital and reserves			
Share capital		175,146	175,146
Reserves		8,827,324	8,373,013
Equity attributable to owners of the Company		9,002,470	8,548,159
Non-controlling interests		97,839	88,389
Total equity		9,100,309	8,636,548

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

The Company is an investment holding company and its subsidiaries are principally engaged in the 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 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2021.

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 Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of 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 2022 is as follows:

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Commission income from concessionaire sales	891,781	1,077,067
Direct sales	1,208,954	1,386,608
Sales of properties	138,421	29,377
Management fees	19,308	23,948
Hotel operations	8,950	9,501
Automobile services fees	–	1,468
Revenue from contracts with customers	2,267,414	2,527,969
Rental income	518,810	493,454
Total revenue	2,786,224	3,021,423
Timing of revenue recognition under HKFRS 15		
A point in time	2,239,156	2,494,520
Over time	28,258	33,449
Total	2,267,414	2,527,969

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	
	2022	**2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Concessionaire sales	5,797,334	7,227,656
Direct sales	1,365,668	1,566,826
Sales of properties	137,996	31,332
Management fees	20,552	25,496
Hotel operations	9,510	10,107
Automobile services fees	–	1,659
Gross sales proceeds from contracts with customers	7,331,060	8,863,076
Rental income	550,471	523,314
Total gross sales proceeds	7,881,531	9,386,390

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 ("CEO"), being the chief operating decision makers (the "CODM"), in order to allocate resources to the segments and to assess their performance.

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

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

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

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

	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 2022							
Gross sales proceeds	2,870,043	4,069,394	760,077	7,699,514	165,414	16,603	7,881,531
Segment revenue	1,254,394	1,117,979	231,962	2,604,335	164,439	17,450	2,786,224
Segment results	465,877	566,432	84,958	1,117,267	35,889	(14,996)	1,138,160
Central administration costs and Directors' salaries							(30,933)
Other gains and losses							(229,990)
Share of profit of associates							6,726
Share of loss of joint ventures							(198)
Finance income							56,351
Finance costs							(149,879)
Profit before tax							790,237
Income tax expense							(319,971)
Profit for the period							470,266

	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

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022 *RMB'000* *(unaudited)*	**2021** *RMB'000* *(unaudited)*
Other income		
Income from suppliers, tenants and customers	362,326	361,747
Government grants	2,108	8,247
Others	4,490	473
	368,924	370,467
Other gains and losses		
Net foreign exchange (loss) gain	(312,026)	59,049
Dividend income from equity investments	1,828	247
Investment income from structured bank deposits	51,027	70,370
Fair value change of investment properties	(4,343)	–
Fair value change of equity investments at FVTPL	3,333	(3,308)
Fair value change of unquoted fund investment	29,386	(358)
Gain on deemed disposal of an associate	–	507
Gain on disposal of a joint venture	805	–
Impairment loss in relation to store suspension	–	(3,755)
	(229,990)	122,752
	138,934	493,219

6. FINANCE INCOME

	Six months ended 30 June 2022 *RMB'000* *(unaudited)*	2021 *RMB'000* *(unaudited)*
Interest income from bank deposits	44,711	14,265
Interest income from loan to a third party	10,083	7,115
Interest income from refundable rental deposits paid	1,557	1,483
	56,351	22,863

7. FINANCE COSTS

	Six months ended 30 June 2022 *RMB'000* *(unaudited)*	2021 *RMB'000* *(unaudited)*
Interest expenses on:		
Bank loans	85,527	69,832
Senior notes	58,507	58,370
Proceeds from pre-sale of properties	4,881	8,748
Refundable rental deposits received	3,107	3,847
Lease liabilities	2,738	3,669
	154,760	144,466
Less: amounts capitalised in the cost of qualifying assets		
Properties under development for sale	(4,881)	(12,748)
	149,879	131,718

Finance costs capitalised during the six months ended 30 June 2022 are calculated by applying a weighted average capitalisation rate of 4.5% (six months ended 30 June 2021: 4.2%) per annum.

8. INCOME TAX EXPENSE

	Six months ended 30 June 2022 *RMB'000* *(unaudited)*	2021 *RMB'000* *(unaudited)*
PRC Enterprise Income Tax ("EIT"):		
Current period	270,905	286,938
Land Appreciation Tax ("LAT")	7,088	2,133
Under (over) provision in prior periods	764	(3,655)
	278,757	285,416
Deferred tax charge:		
Current period	41,214	61,214
	319,971	346,630

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 2021: 25%) pursuant to the relevant PRC EIT laws. On 2 December 2020, Nanjing Golden Eagle Information Service Co., Ltd. was qualified as a High and New Technology Enterprise under the relevant PRC tax laws and regulations. Accordingly, the entity is entitled to a preferential income tax rate of 15% from 2020 to 2022. Kunming Golden Eagle Shopping Centre Co., Ltd. and Xi'an Golden Eagle International Shopping Centre Co., Ltd. are entitled to a preferential income tax rate of 15% because of their locations in western part of the PRC.

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	
	2022	**2021**
	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	191,733	191,948
Depreciation of right-of-use assets	37,642	39,418
Less: amounts capitalised	–	(1,067)
	37,642	38,351
Loss on disposal of property, plant and equipment	2,520	234
COVID-19-related rent concessions	(1,276)	–

10. DIVIDENDS

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Dividends recognised as distribution during the period:		
2020 Final dividend of RMB0.350 per share (2021 Final dividend: nil)	–	577,243

Subsequent to the end of the interim period, the Directors have resolved not to declare any interim dividend for the six months ended 30 June 2022.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	460,816	887,561

	Six months ended 30 June	
	2022	**2021**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,660,205	1,660,205

No diluted earnings per share was presented during both periods as there were no potential ordinary shares in issue for the relevant period.

12. TRADE AND OTHER RECEIVABLES

	30 June 2022	**31 December 2021**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	75,073	89,036
Advances to suppliers	79,909	103,488
Rental deposits	60,365	59,265
Other deposits	21,452	16,376
Other taxes recoverable	119,569	113,642
Loans to third parties	283,039	121,575
Other receivables and prepayments	177,368	179,293
	816,775	682,675
Presented as:		
Non-current assets	59,804	58,265
Current assets	756,971	624,410
	816,775	682,675

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 RMB71,329,000 (unaudited) (31 December 2021: RMB84,846,000 (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 2022 *RMB'000* *(unaudited)*	**31 December 2021** *RMB'000* *(audited)*
Equity instruments at FVTOCI		
Listed equity investments	169,574	55,557
Financial assets at FVTPL		
Non-current		
Unquoted fund investment	233,899	204,513
Current		
Structured bank deposits	514,319	–
Listed equity investments	96,171	90,927
	610,490	90,927

14. TRADE AND OTHER PAYABLES

	30 June 2022 *RMB'000* *(unaudited)*	**31 December 2021** *RMB'000* *(audited)*
Trade payables	1,900,401	2,280,048
Payables for purchase of property, plant and equipment	406,421	481,787
Rental deposits	275,549	290,121
Suppliers' deposits	179,541	188,029
Accrued expenses	155,191	169,821
Accrued salaries and welfare expenses	24,164	58,524
Advance lease payments	12,461	18,886
Interest payable	13,711	13,484
Other taxes payable	70,750	118,274
Other payables	638,801	636,270
	3,676,990	4,255,244
Presented as:		
Non-current liabilities	105,102	138,494
Current liabilities	3,571,888	4,116,750
	3,676,990	4,255,244

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 2022 *RMB'000* *(unaudited)*	**31 December 2021** *RMB'000* *(audited)*
0 to 30 days	1,401,230	1,732,255
31 to 60 days	108,165	185,671
61 to 90 days	35,475	64,461
Over 90 days	355,531	297,661
	1,900,401	2,280,048

15. CONTRACT LIABILITIES

	30 June 2022 *RMB'000* *(unaudited)*	**31 December 2021** *RMB'000* *(audited)*
Deposits and prepayments received from pre-sale of properties	168,393	302,431
Deferred revenue arising from the Group's customer loyalty programme	29,845	5,243
	198,238	307,674

16. SENIOR NOTES

The senior notes denominated in United States dollar ("USD") in the aggregate outstanding principal amount of USD378.5 million, raised by the Group in May 2013, will be due for full repayment in May 2023, and therefore the notes have been reclassified under current liability as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail industry overview

In the first half of 2022, amid the unprecedented global changes and a once-in-a-century coronavirus ("COVID-19") pandemic, geopolitical tensions and domestic epidemic rebound fueled complexity, severity and uncertainty to the economy. Unforeseen factors made a blow to China's economy and increased development risks and challenges. In the first half of 2022, China's gross domestic product ("GDP") was RMB56.3 trillion, with year-on-year ("YOY") growth slowing to just 2.5% from 12.7% in the same period in 2021. Meanwhile, total retail sales of consumer goods dropped by 0.7% in the first half of 2022, standing in stark contrast to the 23.0% increase in the first half of 2021. The COVID-19 outbreak in Shanghai that began in March 2022 has triggered a series of "butterfly effects", which brought a severe challenge to the production, everyday life and economic development of the whole country, especially the Yangtze River Delta region. In the first half of the year, the economy of Jiangsu Province, which is located near Shanghai and where the Group is based, echoed national slowdown. The regional GDP reached RMB5.7 trillion, a YOY increase of only 1.6%. However, under the strong leadership of the Central Government, the country has effectively coordinated the efforts of pandemic prevention and control the economic and social development, and achieved positive results. In the first half of the year, the Jiangsu government successively implemented policy packages, such as the 40-measure package and 22-measure package to support enterprises and stabilise the economy. With the improvement of the pandemic situation in Shanghai in June 2022, coupled with initial results of the policies of Jiangsu Province, the economic growth of Jiangsu Province is expected to further improve in the second half of the year.

China has now entered into a new phase of economic development. Although the consumption growth has declined, its role in economic development has gradually strengthened, and the economic growth momentum is gradually shifting from investment and export-driven to consumption-driven. The retail industry has also recalibrated strategies in various aspects in response to the new normal: from the service point of view, brands are creating emotional connections with consumers and launching more emotionally resonant marketing campaigns to build consumer confidence and enhance customer loyalty. From the perspective of consumption trends, consumer shopping channels and consumption habits have undergone significant changes. Consumers are more willing to spend for shopping experience in physical stores, and pursue high-quality products more than ever. In the retail industry where opportunities and challenges coexist, retailers must grasp the core of the consumers' actual needs, swiftly adjust merchandise portfolio, iteratively refresh brands, and improve the overall appearance and atmosphere of its stores, so as to achieve positive interactions between consumers, suppliers, and retailers, and continuously create new business growth.

Operation Management and Corporate Development

In the first half of 2022, consumption recovery was dampened by the normalisation of the pandemic, and the channel competition remained intense, which put substantial pressure on the physical retail industry. In response to the changes in consumption trends, the Group continuously improved its merchandise portfolio and optimised retail environment, actively explore new market developments, launched more interesting and influential marketing campaigns, deepened the experience and integration of member services, and implemented rejuvenating and emotional marketing strategies to drive customer engagement.

Through the endeavors of the Group and its staff, the Group's customer traffic reached 80.18 million visits[2], GSP reached RMB7.88 billion, while EBITDA amounted to RMB1.34 billion in the first half of 2022, representing a YOY decrease of 18.8%, 16.0% and 7.4% from the same period in 2021, respectively. Due to the pandemic in Shanghai and Jiangsu Province, some of the Group's stores were temporarily closed and/or shortened operating hours, resulting in a significant drop in customer traffic and retail sales in March and April 2022. As the pandemic situation gradually showed signs of easing in May 2022, retail sales gradually picked up. In light of this, the Group carried out merchandising adjustments in an orderly manner, and continued to strengthen cooperation with various brands to make their debuts in the region and with benchmark brands for flagship store openings, and optimise retail environment. In the first half of the year, the Group adjusted and upgraded a total of approximately 70,000 square metres of its counter area, involving 542 brands and accounting for 6.7% of the total counter area of the Group, and the overall occupancy rate was 90.0%.

The normalisation of the pandemic has brought about completely different consumption impacts on consumer groups with different income levels. The consumption shift of the Group's high-quality target customers has become more indicative and consumer demand has become more diversified. The Group seized the consumption trends in the post-pandemic era, and gained insight into the preferences and interests of high-quality customers. The Group focused on revitalising its retail space, continued to introduce brands to make their debuts in the region and optimised the merchandise portfolio. While giving full play to its scale advantage, the Group's Nanjing Golden Eagle World Store continued to optimise its merchandise portfolio, introduced sports brands such as DESCENTE, FILA FUSION and SAUCONY, made ANTA Champion debut in Jiangsu, and explored emerging outdoor recreation and camping trends to meet the new concept of quality life of target customers. In addition, the Group continued to solidify the leading brand portfolio in Nanjing Xinjiekou Store. While refurbishing and upgrading a number of international renowned watch brands, the Nanjing Xinjiekou Store also catered to the needs of young customers, by introducing trending categories such as talk-of-the town catering brands Red Lanterns, Moutai Ice Cream, and Beimo Coffee. Xuzhou Store introduced store debuts of Vivienne Westwood in Jiangsu, Chopard in Northern Jiangsu and ELLASSAY WEEKEND, KOREANO, DR. MARTENS, and COSMOS, etc. in the city to enhance customer experience, further expand the portfolio of the Store's exclusive brands and maintain its leading position in the local market.

With the upgraded consumer demands, customers are now paying more attention to customer experience in retail environments. The Group monitored the market trends, built an IP economy, cooperated with various brands and service providers from different businesses, strengthened emotional connections with consumers, and organised a number of rejuvenating, fun and innovative marketing campaigns to drive customer traffic and sales growth. Among them, under the pressure of the pandemic and the economic downturn, customer traffic during the Spring Festival of the Year of the Tiger in January 2022 increased by 7.2% YOY as compared with the same period in 2021, and generated GSP in the aggregate amount of RMB1.16 billion. In celebration of its 30th anniversary, the Group collaborated with the 50th anniversary of Smiley IP to organise a nearly three-month marketing campaign since May 2022 and partnered with its 30 retail stores and high-quality brands, providing new experiences for the customers, which gained more than 21 million times of online exposures since then. The ten-metre-high Smiley face, Smiley figure displays, Smiley carnival and other popular photogenic spots attracted a large crowd, creating emotional resonant customer experience to radiate the positive energy of Smiley.

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

The Group actively organised public welfare activities to demonstrate corporate social responsibility and its care for the society, and create emotional resonance with consumers. During the first half of 2022, the Group continuously cooperated with high-quality brands, media and government agencies to organise ESG and public welfare promotion activities. On 20 January 2022, the Group and the local government jointly launched a "Thank you for not going home (謝謝不回家的你)" campaign to give G•Mart (金鷹超市) Spring Festival gift hampers to the staff of the cultural tourism industry who stayed at their job position during the Spring Festival; on 8 March 2022, the Group partnered with Jiangsu Women and Children's Welfare Foundation to organise a public welfare campaign to care for women; on 22 April 2022 Earth Day, the Group collaborated with L'Occitane to organise a series of environmental protection activities. In March and April 2022, when the pandemic broke out in many places across the country, the Group arranged store operations in an orderly manner to protect the rights and interests of employees and ensure the supply of daily necessities. At the same time, the Group adhered to the concept of mutual assistance, mutual trust, and win-win cooperation with the society. Facing the outbreak of the pandemic, the Group and its business partners have overcome the difficulties together with the implementation of a series of policies to support merchants and business partners, including granting 50% rental and property fees concessions, and allowing payments by instalments. The Group has assisted more than 2,000 merchants and business partners in an aggregate monetary amount of RMB49.0 million.

In the first half of 2022, the Group's 7-Eleven convenience store operation expanded rapidly and debuted its market presence in Huai'an, Changzhou and Zhenjiang. The number of the Group's convenience stores increased from 61 as at the end of 2021 to 87 as at 30 June 2022, covering seven cities. GSP generated during the period amounted to RMB88.89 million, representing a YOY increase of 73.2%. Among the 87 convenience stores, 23 are self-owned stores and 64 are franchised stores. On 18 June 2022, ten 7-Eleven convenience stores opened on the same day in six cities, and the single-day sales of all stores in Jiangsu Province exceeded RMB1.5 million. Since the commencement of franchising arrangement, the Group has opened 60 stores during the past one year and target to bring the number of stores to 100 in Jiangsu on 18 August 2022. The Group aims to open 7-Eleven convenience stores in lower-tier cities in Jiangsu to create a "15-minute convenience circle", increase the proportion of differentiated products, optimise and introduce advanced logistics systems, ensuring product safety, speeding up product circulation, and enhancing the competitiveness of 7-Eleven's specialty fresh food products.

The Group will continue to enhance members' privileges and optimise service experience. While promoting member digitisation, the Group will increase the proportion of member sales through precision marketing, shift its emphasis from Gross Merchandise Value ("GMV") to member Life Time Value ("LTV"), extend the life cycle of members, enhance customer stickiness, boost the sales-per-ticket and the repurchase rate, and ultimately enhance the value of the platform. Utilising the one-stop lifestyle service platform "GE Life" (金鷹生活) as the carrier, the Group provides a full range of services along the industry chain for members and brands, and creates online and offline interactions through flexible and interesting marketing approaches, thereby channeling customers to physical stores. In the first half of 2022, GE Life introduced 396,000 new members to the Group, accounting for 61.9% of the total number of new members of the Group for the period. In addition, the Group continued to integrate membership database across the Group's businesses to achieve mutual referral of members. The Group also added trending products for VIP member point redemption to enrich member choices, so as to create better member experience and extend the life cycle of members. The Group has a total of 2.89 million loyal VIP members, and the aggregate spending by those members accounted for 66.3% of the Group's total GSP, representing a YOY increase of 2.0% compared to the end of 2021.

Outlook

In the second half of 2022, China's dynamic zero-COVID policy, coupled with the ongoing geopolitical conflicts, will continue to put pressure on domestic economic growth. In response to the slowing economy, the Central Government has quickly adopted supporting fiscal policies such as tax reduction and exemption to assist the future development of enterprises. With the rollout of corresponding policies, the Central and local governments will eliminate consumption constraints that restrict economic growth, give full play to traditional consumption, strengthen the influence of new forms of consumption, encourage market entities to speed up innovation, boost domestic demand, and reinforce the momentum of economic recovery. In the second half of the year, economic work should follow the general principle of pursuing progress while ensuring stability, fully satisfying the requirements for effective COVID-19 prevention, economic stability, and safe development, and solidifying the positive trend of economic recovery. The Group will continue to be customer-oriented, strive to improve omni-channel operations and digital supply chain, pay attention to consumer experience and services, keep abreast of the market's latest development, and seize opportunities from the new retail wave to create more diversified business content and achieve greater value growth.

In the next few years, the Group's Golden Eagle World projects in Nantong, Changzhou, and Changchun, as well as the Kunshan Phase II, Xuzhou Metro Commercial, and Yangzhou Jiangdu Phase II projects will be gradually launched in leased or self-owned properties, and the Liyang Store will be reopened after upgrading. Upon the launch of all these new stores, the Group will operate 35 retail chain stores with a total gross floor area ("GFA") of 3.4 million square metres. The Group will continue to build its competitive strengths with its capabilities of designing and planning large-scale commercial complexes, saving energy and reducing carbon dioxide emissions in smart buildings, configuring merchandise portfolio and refining operational management to scale up its business of commercial property operation and boost its operating revenue.

FINANCIAL REVIEW

GSP and revenue

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

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

In response to the outbreak and resurgence of pandemic since 2020, the Group implemented 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 to concessionaire and rental tenants in the total amounts of approximately RMB80.0 million and RMB49.0 million, respectively, during each of the first six months of 2020 and 2022. These subsidies and concessions will be recognised in the income statement over the term of the relevant contracts and tenant leases which usually range from 1 to 3 years, and the amount recognised in 1H2022 amounted to RMB22.9 million (1H2021: RMB10.7 million).

During the period under review, against the backdrop of the pandemic, GSP of the Group decreased to RMB7,881.5 million, representing a YOY decrease of 16.0% or RMB1,504.9 million. The decrease was mainly attributable to the net effects of (i) a YOY decrease of 17.6% in retail SSS amid the resurgence of regional outbreaks in various cities of China which resulted in the decrease in customer traffic and weakened consumer sentiment; and (ii) the increase in sales of properties by RMB106.7 million or 3.4 times to RMB138.0 million, which represented the delivery of a portion of the pre-sold units in phase one sub-sections one and two of Changchun Golden Eagle World Project to purchasers during 1H2022.

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 Store, together generated GSP in a total of RMB1,926.2 million (1H2021: RMB2,342.0 million), which contributed 24.4% (1H2021: 25.0%) of the Group's total GSP during 1H2022. Nantong Lifestyle Centre, Kunshan Store, Ma'anshan Store and Suzhou Gaoxin Lifestyle Centre were temporarily closed for one week, six weeks, one week and four weeks in 1H2022, respectively.

During 1H2022, concessionaire sales contributed to 73.6% (1H2021: 77.0%) of the Group's GSP, which decreased by 19.8% YOY to RMB5,797.3 million from RMB7,227.7 million in 1H2021, while direct sales contributed to 17.3% (1H2021: 16.7%) of the Group's GSP, which decreased by 12.8% to RMB1,365.7 million from RMB1,566.8 million in 1H2021. Rental income contributed to 7.0% (1H2021: 5.6%) of the Group's GSP, which increased by 5.2% YOY to RMB550.5 million in 1H2022 from RMB523.3 million in 1H2021. Sales of properties contributed to 1.7% (1H2021: 0.3%) of the Group's GSP for 1H2022, which increased by 3.4 times YOY to RMB138.0 million from RMB31.3 million in 1H2021. Other income accounted for the remaining 0.4% (1H2021: 0.4%) of the Group's GSP, which decreased by 19.3% YOY to RMB30.0 million in 1H2022 from RMB37.3 million in 1H2021.

Commission rate from concessionaire sales increased to 17.4% (1H2021: 16.8%) while gross profit margin from direct sales decreased to 13.8% (1H2021: 14.5%), resulting in an increase in the overall gross profit margin from concessionaire sales and direct sales to 16.7% (1H2021: 16.4%). This was mainly due to the net effects of (i) the overall improvement in commission rate from concessionaire sales due to the change of merchandise sales mix, such as the increase in sales of apparel and accessories which carry a higher commission rate, and the decrease in sales of gold, jewellery and timepieces which carry a lower commission rate; and (ii) approximately 0.5% dilution on the direct sales gross profit margin due to the increase in sales of goods to the Group's 7-Eleven franchisees at procurement costs (which was in line with the Group's pricing policy) and such sales increased by 5.5 times YOY to RMB49.5 million for 1H2022 as a result of the continuous expansion of the Group's 7-Eleven franchise chain.

A breakdown of GSP from concessionaire sales and direct sales by category shows that sales of apparel and accessories contributed to 39.9% (1H2021: 39.1%) of the GSP; sales of gold, jewellery and timepieces contributed to 18.1% (1H2021: 20.3%); sales of cosmetics contributed to 16.2% (1H2021: 15.4%); sales of outdoor, sports clothing and accessories contributed to 10.4% (1H2021: 9.8%); sales at the supermarket operation (including sales of tobacco, wine and liquor) contributed to 8.2% (1H2021: 8.1%) and sales of other products such as electronics and appliances, household and handicrafts, children's wear and toys contributed the remaining 7.2% (1H2021: 7.3%) of the GSP.

During the period under review, the Group's 7-Eleven convenience stores generated RMB88.9 million GSP, which increased by 73.2% YOY from RMB51.3 million as compared to 1H2021. The number of 7-Eleven convenience stores increased from 61 (with a total GFA of 6,562 square metres) as at 31 December 2021 to 87 (with a total GFA of 8,151 square metres) as at 30 June 2022. Out of which, 23 stores (31 December 2021: 25 stores) are self-operated stores and 64 stores (31 December 2021: 36 stores) are franchised, spanning across the cities of Nanjing, Taizhou, Nantong, Yangzhou, Huai'an, Changzhou and Zhenjiang. Meanwhile, the Group's self-operated gourmet supermarket, G•Mart, has generated RMB487.3 million GSP, which decreased by 22.2% YOY from RMB626.3 million in 1H2021. The decrease was mainly caused by a decline in wine, liquor and nourishing sales during the period under review.

As at 30 June 2022, the Group's completed properties for sale and properties under development for sale amounted to RMB632.7 million (31 December 2021: RMB635.3 million) and RMB1,594.6 million (31 December 2021: RMB1,552.0 million), respectively. Completed properties for sale comprised of the Group's Riverside Century Plaza Project (in Wuhu Anhui Province, being one of the projects acquired by the Group in the year 2015) with total salable office and residential GFA of approximately 25,100.7 square metres as at 30 June 2022 (31 December 2021: 25,898.0 square metres). Properties under development for sale mainly comprised of the Group's (i) remaining portion of the Yangzhou New City Centre Project, mainly phase two sub-section two, with an estimated total salable residential and commercial GFA of approximately 96,622.7 square metres (31 December 2021: 96,765.7 square metres) and salable car parking spaces with GFA of approximately 36,106.4 square metres (31 December 2021: 37,082.8 square metres); and (ii) Changchun Golden Eagle World Project phase one sub-sections one and two with an estimated total salable residential, commercial and car parking spaces GFA of approximately 93,524.5 square metres (31 December 2021: 108,758.7 square metres) as at 30 June 2022.

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. These units were completed and delivered to purchasers at the end of 2019 and in the first half of 2020. Phase two is the last phase of Yangzhou New City Centre Project which comprises two sub-sections, while sub-section two is yet to be developed.

The Group had also commenced pre-sale of the units in phase one sub-sections one and two of Changchun Golden Eagle World Project during the year 2020, where phase one comprises 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 total salable residential, commercial and car parking spaces GFA of approximately 116,720.9 square metres is expected to be completed in phases from the end of 2021 to the end of 2022. The respective pre-sold units are expected to be delivered to purchasers at the end of 2021 and in the year of 2022. As at 31 December 2020, properties with GFA of 39,628.0 square metres had been pre-sold and deposits and prepayments in the aggregate amount of RMB324.7 million had been received by the Group. A portion of these pre-sold units with GFA of 15,234.2 square metres were completed and delivered to purchasers during 1H2022 and the remaining pre-sold units with GFA of 15,750.5 square metres are expected to be delivered to purchasers in 2H2022. The Group will commence sales of the remaining units of phase one sub-sections one and two in accordance with the local market environment in 2H2022.

Sales of properties amounted to RMB138.0 million (1H2021: RMB31.3 million) with an aggregate GFA of 17,150.9 square metres (1H2021: 3,604.0 square metres) being sold during 1H2022. The sales were mainly contributed by the sales of properties at the Group's (i) Changchun Golden Eagle World Project which amounted to RMB126.0 million (1H2021: nil); (ii) Yangzhou New City Centre Project which amounted to RMB4.7 million (1H2021: RMB8.9 million); and (iii) Riverside Century Plaza Project which amounted to RMB7.3 million (1H2021: RMB22.4 million). Gross profit margin of sales of properties was 28.3% (1H2021: 29.8%).

The Group's total revenue amounted to RMB2,786.2 million, representing a decrease of 7.8% from 1H2021. The decrease in revenue was generally in line with the decrease in GSP.

Other income, gains and losses

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Other income	368,924	370,467
Other gains and losses	(229,990)	122,752
	138,934	493,219
Total operating income		
Revenue	2,786,224	3,021,423
Other income	368,924	370,467
	3,155,148	3,391,890

Other income mainly comprised of various miscellaneous operating income received from retail tenants and customers, including overall administration and management fees from concessionaires and rental tenants and credit card handling fees from retail customers. Other income remained stable. Total operating income, being the aggregate of the Group's revenue and other income, decreased to RMB3,155.1 million, representing a decrease of 7.0% or RMB236.7 million. The total retail operating income, being the total operating income excluding the operating income from property sales and hotel operations (for simple reconciliation purpose), decreased to RMB3,007.8 million, representing a decrease of 10.3% or RMB345.2 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; (iii) the changes in the fair value of the Group's investment properties; and (iv) other one-off or non-recurring gains and losses.

The net amount of other gains and losses decreased by RMB352.7 million to a net loss of RMB230.0 million for 1H2022, from a net gain of RMB122.7 million in 1H2021. Such decrease was primarily due to (i) a change from a net foreign exchange gain of RMB59.0 million recognised in 1H2021 to a net foreign exchange loss of RMB312.0 million in 1H2022, representing a net foreign exchange difference of RMB371.0 million; and (ii) a fair value change of the Group's unquoted fund investment at FVTPL from a loss of RMB0.3 million recognised in 1H2021 to a gain of RMB29.4 million in 1H2022, representing a net difference of RMB29.7 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 direct sales business model and the cost of properties sold. Changes in inventories of merchandise and cost of properties sold decreased by RMB65.9 million or 5.5% YOY to RMB1,142.1 million for 1H2022. Such decrease was generally in line with the net decrease in direct sales and increase in sales of properties.

Employee benefits expense

Employee benefits expense decreased by RMB5.4 million or 3.2% YOY to RMB163.0 million for 1H2022. Such decrease was primarily attributable to the net effects of (i) the continuous efforts of the Group to streamline the roles and functions of its employees at all levels; and (ii) the continuous investment in human resources for the implementation and development of the Group's "comprehensive lifestyle concept" and "interactive retail platform".

Employee benefits expense as a percentage of GSP increased by 0.3 percentage point to 2.3% from 2.0% in 1H2021.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment, intangible asset and right-of-use assets decreased by RMB0.9 million or 0.4% YOY to RMB229.4 million for 1H2022.

Depreciation and amortisation expenses as a percentage of GSP increased by 0.5 percentage point to 3.3% from 2.8% in 1H2021.

Rental expenses

Rental expenses decreased by RMB6.2 million or 3.1% YOY to RMB197.3 million for 1H2022. The Group's rental arrangements were mainly pegged to the sales and rental income generated by respective stores which operated in leased properties. The decrease in rental expenses is attributable to the net effects of the decrease in retail sales and increase in rental income of these stores during 1H2022.

Rental expenses as a percentage of GSP increased by 0.4 percentage point to 2.8% from 2.4% in 1H2021.

Other expenses

Other expenses decreased by RMB53.1 million or 14.4% YOY to RMB316.2 million for 1H2022. Other expenses mainly included expenses for utilities, expenditure on advertising and promotional activities, costs for cleaning, repair and maintenance, fees for property management and other tax expenses. The decrease was primarily attributable to the net effects of (i) the management's consistent and disciplined approach towards cost control; (ii) the increase in utilities costs by RMB2.1 million due to the increase in utility unit costs despite the decrease in utility consumptions as a result of the decrease in customer traffic and shortening of the opening hours or temporary closing of certain of the Group's stores during 1H2022. The Group continues to take advantage of the intelligent property management measures in place in order to utilise utility resources effectively and efficiently; and (iii) the decrease in other tax expenses by RMB33.7 million as a result of the government's pandemic relief measures granted during 1H2022.

	Six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Other expenses		
Utilities expenses	108,808	106,738
Property management fees	71,725	71,140
Cleaning, repair and maintenance expenses	48,680	54,741
Advertising and promotion expenses	16,605	24,228
Other tax expenses	13,525	47,225
Subcontracting service charges	4,870	5,683
Others	51,945	59,470
	316,158	369,225

Other expenses as a percentage of GSP increased by 0.1 percentage point to 4.5% from 4.4% in 1H2021.

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 RMB33.5 million or 1.5 times YOY to RMB56.4 million in 1H2022 which was mainly because of (i) the increase in interest income from bank deposits by RMB30.4 million as more capital had been deployed in bank deposits following the steady increase in the Group's operating cashflows; and (ii) the increase in interest income from loan to a third party by RMB3.0 million during 1H2022.

Finance costs

Finance costs mainly comprised of interest expenses for the Group's bank borrowings and senior notes. Finance costs increased by RMB18.2 million or 13.8% YOY to RMB149.9 million which was primarily due to the increase in London and Hong Kong Interbank Offer Rates, which the Group's floating rate syndicated loan is referenced, and the depreciation of RMB against USD and Hong Kong dollar ("HK$") during 1H2022.

Income tax expense

Income tax expense of the Group decreased by RMB26.7 million or 7.7% YOY to RMB320.0 million. Effective tax rate for 1H2022 was 40.5% (1H2021: 28.1%). The YOY increase of 12.4 percentage points in effective tax rate was mainly due to the increase in offshore non-deductible expenses, namely offshore net foreign exchange loss.

Profit for the period

Profit for the period decreased by RMB414.7 million or 46.9% YOY to RMB470.3 million. Net profit margin, which represents net profit as a percentage of GSP, was 6.7% (1H2021: 10.6%) for 1H2022.

Profit from operations (net profit before interest, tax and other gains and losses) decreased by RMB105.2 million or 8.7% YOY to RMB1,107.2 million (1H2021: RMB1,212.4 million), while EBITDA decreased by RMB106.1 million or 7.4% YOY to RMB1,336.6 million (1H2021: RMB1,442.7 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) decreased by RMB138.6 million or 9.7% YOY to RMB1,293.7 million (1H2021: RMB1,432.3 million).

During the period under review, the aggregate net operating losses generated by 3 (1H2021: 3) loss-making stores amounted to RMB9.7 million (1H2021: RMB9.7 million).

Capital expenditure

Capital expenditure of the Group for 1H2022 amounted to RMB116.7 million (1H2021: RMB140.6 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 shopping environment and the Group's competitiveness in the markets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's cash and near cash (including bank balances and cash, restricted cash and structured bank deposits) amounted to RMB7,835.9 million (31 December 2021: RMB7,677.5 million) whereas the Group's total borrowings (including bank borrowings and senior notes) amounted to RMB6,540.7 million (31 December 2021: RMB6,183.9 million). For 1H2022, the Group's net cash generated from operating activities amounted to RMB553.0 million (1H2021: RMB797.0 million); net cash used in investing activities amounted to RMB797.9 million (1H2021: RMB732.6 million); and net cash used in financing activities amounted to RMB119.5 million (1H2021: RMB610.0 million).

As at 30 June 2022, bank borrowings of the Group amounted to RMB4,005.4 million (31 December 2021: RMB3,777.7 million), which represented its three-year dual-currency syndicated loan to be due in full in April 2024. Senior notes of the Group in the amount of RMB2,535.3 million (31 December 2021: RMB2,406.2 million) will be due in May 2023 and accordingly, the amount has been reclassified as current liability in the current period.

The total assets of the Group as at 30 June 2022 amounted to RMB25,134.0 million (31 December 2021: RMB24,962.1 million) whereas the total liabilities of the Group amounted to RMB16,033.7 million (31 December 2021: RMB16,325.6 million), resulting in a net assets position of RMB9,110.3 million (31 December 2021: RMB8,636.5 million). The gearing ratio, which is calculated by the Group's total borrowings divided by its total assets, increased to 26.0% as at 30 June 2022 (31 December 2021: 24.8%).

The capital commitments of the Group as at 30 June 2022 amounted to RMB1,454.5 million (31 December 2021: RMB1,501.9 million):

	30 June 2022 *RMB'000* *(unaudited)*	31 December 2021 *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	22,246	24,205
Other commitments in respect of construction of properties under development for sale	1,432,218	1,477,722

CONTINGENT LIABILITIES

	30 June 2022 *RMB'000* *(unaudited)*	31 December 2021 *RMB'000* *(audited)*
Financial guarantee in respect of mortgage loan facilities for certain purchasers	68,300	134,048

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

PLEDGE OF ASSETS

As at 30 June 2022, the Group has pledged its equity interests of certain subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the repayment obligations under the syndicated loan facilities granted to the Group. Assets with the following carrying amounts have been pledged to secure the syndicated loan facilities:

	30 June 2022 *RMB'000* *(unaudited)*	31 December 2021 *RMB'000* *(audited)*
Equity instruments at FVTOCI	157,827	40,791
Restricted cash	34,605	26,121
Bank balances	96,101	195,212
	288,533	262,124

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 1H2022, the Group recorded a net foreign exchange loss of RMB312.0 million (1H2021: a net foreign exchange gain of RMB59.0 million). The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 30 June 2022, the Group employed a total of 2,145 employees (31 December 2021: 2,590 employees) with remuneration in an aggregate amount of RMB163.0 million (1H2021: RMB168.4 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During 1H2022, 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 1H2022, except for provision C.2.1. of the Code. Provision C.2.1. stipulates that the roles of chairman and CEO should be separate and should not be performed by the same individual.

During the period under review, Mr. Wang acted as both the chairman of the Board and the CEO of the Company. Mr. Wang is responsible for the overall strategic development of the Group, including the acceleration of the Group's digitalisation and business transformation. The Group's senior management team are responsible for assisting Mr. Wang in the implementation of business strategies and management of the day-to-day operations of the Group's business. Subsequent to the end of the interim period, Mr. Tan Jianlin (談建林) has been appointed as an executive Director and the CEO of the Company on 18 August 2022 and therefore, as of the date of this announcement, provision C.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 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 1H2022.

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 1H2022 have been reviewed by the Audit Committee. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan.

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

This announcement will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.geretail.com). An interim report of the Company for 1H2022 containing all the information required by Appendix 16 to the Listing Rules will also be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt gratitude to all 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 2022, the Group will grasp opportunities arising from the new normal and new consumption patterns, embrace new challenges and business development opportunities, strive for innovation and breakthrough as a cohesive force, achieve high-quality development to bring better returns for shareholders.

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

Hong Kong, 18 August 2022

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