



Interim Report 2008
中期報告

Our Mission

Adding value to our society
Enriching everyone's life

Our Value

Integrity, Passion, Innovation and Cooperation
We do better than we promise

Our Vision

Globalized with sustainable growth
To be the best in what we do

We do better than we promise!





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TO BE THE LEADING PREMIUM DEPARTMENT STORE CHAIN IN THE PRC

The Group is committed to the expansion and operation of middle to high end chain department stores. Since our first department store, Nanjing Xinjiekou Store commenced operation with our devoted efforts in the last 12 years, we have successfully opened ten self-owned stores and one management store as at the date of this report. These stores are situated in Jiangsu province, Shaanxi province, Yunnan province and Shanghai. The Group has successfully established itself as a leader of the industry in Jiangsu province, the major market of the Group. By the successful opening of Xi'an Guomao Store, Xian Gaoxin Store and Kunming Store, the Group successfully accumulated experience in cross-district expansion and operation management, laying solid foundation for achieving the Group's target.

OWNERSHIP OF MOST OF STORE PROPERTIES

The Group's department stores are situated at the prime shopping districts in their respective cities. At present, most of the Group's department stores are located in self-owned properties. The coverage scale of self-owned properties is about 82%, which enables the Group to largely avoid the adverse effects of future rental escalation. In order to seize opportunities for development, the Group also occupies quality properties through long-term leasing agreements, which can minimize the effect of rental increase on the operations of department stores. The target term of leasing agreements is above ten years.

VIP CUSTOMERS LOYALTY

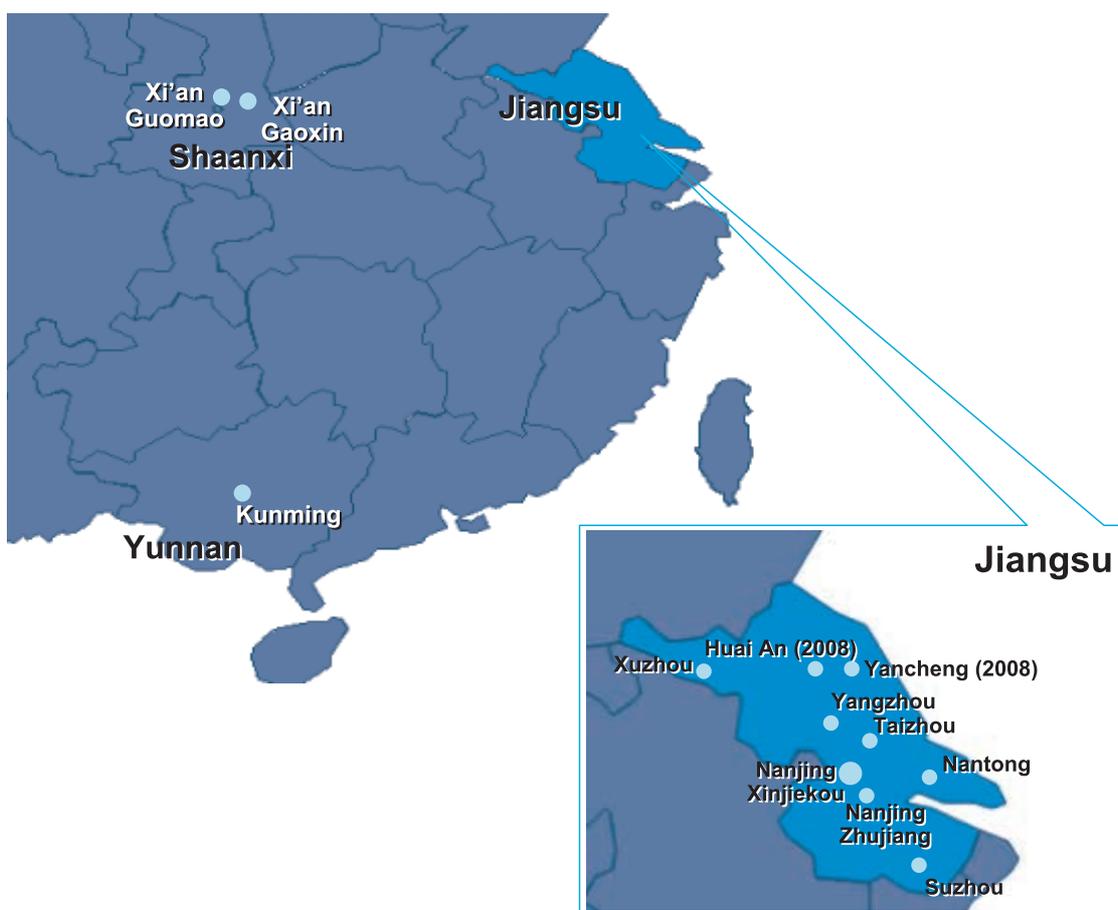
Through the provision of interactive customer services, and continuous improvements in the quantity and quality, the Group has secured a group of loyal customers which lays a good foundation for development in the long run. For the six months ended 30 June 2008, VIP customers' spending accounted for approximately 63.8% of the gross sales proceeds ("GSP") of the Group.

STANDARDIZED MANAGEMENT SYSTEM

The Group has achieved ISO9001 quality management system. The Group has successfully developed the ERP system for the centralized management of chain stores. The ERP system is also capable of providing management with operational, financial and human resources data in a timely fashion. The system currently in place have enabled the Group to formulate its development strategy in response to ever-changing market conditions and to facilitively monitor the operational status of the Group's department stores.

INTERNATIONALIZED MANAGEMENT VISION AND LOCALIZED OPERATIONAL STRATEGIES

The Group is highly respectable of the efforts and contribution made by its employees. It regularly organizes professional training sessions and overseas study trips for the management and employees in order to enhance their sustainable development capabilities and their internationalized management vision. The Group has implemented a localized system which is suitable for relevant markets. It recruits local talents who are familiar with the local market, organizes them into management teams that are responsible for management the department stores. As at 30 June 2008, the Group has over 2,700 employees.



Chain Store	Years into operation	Gross Floor Area (m ²)	Operating Area (m ²)
Nanjing Xinjiekou Store	12	33447	25034
Nantong Store	7.5	8795	5711
Yangzhou Store	6.5	41012	28609
Suzhou Store	5.5	14960	12089
Xuzhou Store	4.5	51266	37183
Xi'an Guomao Store	2.5	10029	6923
Xi'an Gaoxin Store	2	25476	20455
Taizhou Store	1.5	47327	24988
Kunming Store	1	33702	24158
Nanjing Zhujiang Store	0.5	24545	19145
Total		290560	204295

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Lau Shek Yau, John

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1 -1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor
Golden Eagle International Plaza
89 Hanzhong Road
Nanjing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 503
5th Floor
Tower 2
Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY

Mr. Fok Chi Tak CPA, ACA, ACCA, ACS, ACIS

QUALIFIED ACCOUNTANT

Mr. Fok Chi Tak CPA, ACA, ACCA, ACS, ACIS

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Mr. Fok Chi Tak

AUDIT COMMITTEE

Mr. Wong Chi Keung (*Chairman*)
Mr. Wang Yao
Mr. Lau Shek Yau, John

REMUNERATION COMMITTEE

Mr. Wang Hung, Roger (*Chairman*)
Mr. Wong Chi Keung
Mr. Lau Shek Yau, John

NOMINATION COMMITTEE

Mr. Wang Hung, Roger (*Chairman*)
Mr. Wong Chi Keung
Mr. Lau Shek Yau, John

PRINCIPAL BANKERS IN THE PRC

Bank of China
Agricultural Bank of China
China Merchants Bank
Industrial and Commercial Bank of China

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
ABN AMRO Bank

AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISORS

F. Zimmern & Co.
Suites 1501-1503, 15th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

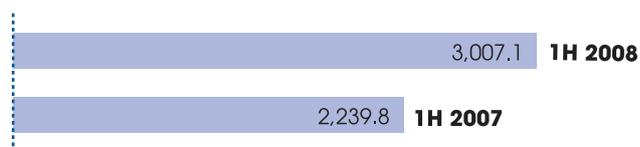
CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

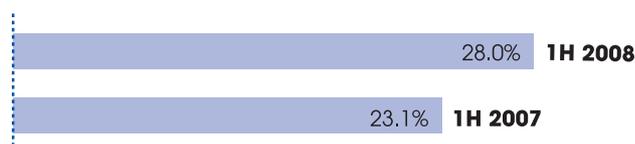
Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

GROSS SALES PROCEEDS (RMB MILLION)



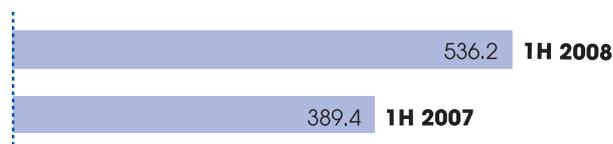
+34.3%

SAME STORE SALES GROWTH¹



+4.9%

GROSS PROFIT (RMB MILLION)



+37.7%

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS (RMB MILLION)



+95.0%

EARNINGS PER SHARE (RMB FEN)



+94.9%

⁽¹⁾ Same store sales growth represents change in total gross sales proceeds for department stores having operation throughout the comparable period.



Enrich life with styles!



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 for the six months ended 30 June 2008 of the Company and its subsidiaries (collectively the "Group"), together with unaudited comparative figures for the corresponding period in 2007. These interim financial statements have not been audited, but have been reviewed by the auditors, Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF GOLDEN EAGLE RETAIL GROUP LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 33 which comprises the condensed consolidated balance sheet of Golden Eagle Retail Group Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2008

Condensed Consolidated Income Statement

For the six Months ended 30 June 2008

	NOTES	Six months ended	
		30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Revenue	3	684,029	512,826
Cost of sales		(147,791)	(123,398)
Gross profit		536,238	389,428
Other income	5	124,843	59,782
Selling expenses		(133,808)	(95,713)
Administrative expenses		(78,287)	(70,372)
Finance costs	6	(40,058)	(39,512)
Changes in fair value of derivative financial instruments		64,982	25,167
Profit before tax		473,910	268,780
Income tax expense	7	(120,036)	(87,328)
Profit for the period, attributable to equity holders of the Company	8	353,874	181,452
Earnings per share			
— Basic (RMB fen per share)	10	19.47	9.99
— Diluted (RMB fen per share)	10	14.03	8.33

Condensed Consolidated Balance Sheet

At 30 June 2008

	NOTES	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	1,741,694	1,699,504
Land use rights – non-current portion	12	177,062	178,569
Deposits for acquisition of property, plant and equipment		75,221	49,338
Goodwill		26,035	26,035
Available-for-sale investments	13	43,669	76,864
Deferred tax assets	14	7,465	10,648
		<u>2,071,146</u>	<u>2,040,958</u>
Current assets			
Inventories		79,009	66,979
Trade and other receivables	15	52,990	63,782
Land use rights – current portion		4,817	4,794
Amounts due from fellow subsidiaries	16	4,001	2,157
Investments in interest bearing instruments	13	950,000	—
Bank balances and cash		860,873	1,747,906
		<u>1,951,690</u>	<u>1,885,618</u>
Current liabilities			
Trade and other payables	17	1,321,485	1,373,817
Amounts due to fellow subsidiaries	18	4,180	19,673
Amount due to a former minority investor of a subsidiary		—	2,000
Current tax liabilities		70,090	81,327
Derivative financial instruments	19	175,262	240,244
		<u>1,571,017</u>	<u>1,717,061</u>
Net current assets		<u>380,673</u>	<u>168,557</u>
Total assets less current liabilities		<u>2,451,819</u>	<u>2,209,515</u>
Non-current liabilities			
Convertible bonds	19	808,776	819,968
Deferred tax liabilities	14	48,398	53,068
		<u>857,174</u>	<u>873,036</u>
Net assets		<u>1,594,645</u>	<u>1,336,479</u>
Capital and reserves			
Share capital	20	187,116	187,063
Reserves	21	1,407,529	1,149,416
Total equity		<u>1,594,645</u>	<u>1,336,479</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital	Investment revaluation reserve	Share premium	Share options reserve	Special reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007 (audited)	187,029	2,635	258,254	5,405	217,228	52,349	225,883	948,783
Gains on fair value changes of available-for-sale investments	—	44,876	—	—	—	—	—	44,876
Deferred tax	—	(14,809)	—	—	—	—	—	(14,809)
Net income recognised directly in equity	—	30,067	—	—	—	—	—	30,067
Profit for the period	—	—	—	—	—	—	181,452	181,452
Total income recognised for the period	—	30,067	—	—	—	—	181,452	211,519
Exercise of share options	1	—	42	(9)	—	—	—	34
Dividends	—	—	—	—	—	—	(45,422)	(45,422)
Appropriation	—	—	—	—	—	28,089	(28,089)	—
Recognition of share-based payments	—	—	—	8,813	—	—	—	8,813
At 30 June 2007 (unaudited)	187,030	32,702	258,296	14,209	217,228	80,438	333,824	1,123,727
Loss on fair value changes of available-for-sales investments	—	(5,394)	—	—	—	—	—	(5,394)
Deferred tax	—	5,253	—	—	—	—	—	5,253
Net expense recognised directly in equity	—	(141)	—	—	—	—	—	(141)
Profit for the period	—	—	—	—	—	—	204,283	204,283
Total income (expenses) recognised for the period	—	(141)	—	—	—	—	204,283	204,142
Exercise of share options	33	—	1,893	(435)	—	—	—	1,491
Appropriation	—	—	—	—	—	1,405	(1,405)	—
Recognition of share-based payments	—	—	—	7,119	—	—	—	7,119
At 31 December 2007 (audited)	187,063	32,561	260,189	20,893	217,228	81,843	536,702	1,336,479

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital	Investment revaluation reserve	Share premium	Share options reserve	Special reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008 (audited)	187,063	32,561	260,189	20,893	217,228	81,843	536,702	1,336,479
Loss on fair value changes of available-for-sale investments	—	(32,971)	—	—	—	—	—	(32,971)
Deferred tax	—	8,243	—	—	—	—	—	8,243
Net expense recognised directly in equity	—	(24,728)	—	—	—	—	—	(24,728)
Profit for the period	—	—	—	—	—	—	353,874	353,874
Transfer to profit or loss on sales of available-for-sale investments	—	(165)	—	—	—	—	—	(165)
Deferred tax transfer to profit or loss	—	41	—	—	—	—	—	41
Total income (expenses) recognised for the period	—	(24,852)	—	—	—	—	353,874	329,022
Exercise of share options	53	—	3,151	(732)	—	—	—	2,472
Dividends	—	—	—	—	—	—	(78,150)	(78,150)
Appropriation	—	—	—	—	—	40,990	(40,990)	—
Recognition of share-based payments	—	—	—	4,822	—	—	—	4,822
At 30 June 2008 (unaudited)	187,116	7,709	263,340	24,983	217,228	122,833	771,436	1,594,645

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended	
	30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Net cash generated by operating activities	255,394	325,722
Investing activities:		
Interest received from bank deposit	6,666	16,313
Interest income from investments in interest bearing instruments	29,776	4,758
Proceeds from disposal of property, plant and equipment	1,449	416
Proceeds from disposal of available-for-sale investments	4,364	—
Repayment to a former minority investor on acquisition of additional interest in subsidiaries	(2,000)	(2,000)
Advances to fellow subsidiaries	(1,844)	(1,786)
Purchase of investments in interest bearing instruments	(950,000)	—
Purchase of available-for-sale investments	(4,140)	—
Payment for purchase of property, plant and equipment	(108,719)	(79,602)
Prepayment on lease rental of land use rights	(925)	(82,249)
Deposits for acquisition of property, plant and equipment	(25,883)	(13,440)
Deposits for acquisition of a subsidiary	—	(15,209)
Net cash used in investing activities	(1,051,256)	(172,799)
Financing activities:		
Repayments to fellow subsidiaries	(15,493)	(5,450)
Dividends paid to equity holders of the Company	(78,150)	(45,422)
Exercise of share options	2,472	34
Net cash used in financing activities	(91,171)	(50,838)
Net (decrease) increase in cash and cash equivalents	(887,033)	102,085
Cash and cash equivalents at 1 January	1,747,906	1,099,234
Cash and cash equivalents at 30 June	860,873	1,201,319
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	860,873	1,201,319

1. GENERAL AND BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

Golden Eagle Retail Group Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 20 September 2005. In the opinion of the directors, the Company's ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands.

The Company is an investment holding company of group entities which involve in the operation of department store chain in the People's Republic of China (the "PRC").

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2008 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, a number of new interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Revised)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations, except for HK(IFRIC) - Int 13, will have no material impact on the results and the financial position of the Group.

Under the Group's customer loyalty program, customers are entitled to convert their award credits into cash vouchers. According to the Group's current accounting policy, the Group accrues for the award credits granted to eligible customers. Upon the adoption of HK(IFRIC) - Int 13, when it is effective, the Group shall allocate some of the proceeds of the initial sale to the award credits (under its customer loyalty programmes) as liabilities. The Group shall recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations under the customer loyalty programmes. The directors are reviewing the customer loyalty programmes of the Group and considering necessary revision to the customer loyalty programmes taking into consideration of current business environment. The directors are monitoring and assessing the impact on the adoption of HK(IFRIC) - Int 13 on the results and financial position of the Group. Such impact will be disclosed in future consolidated financial statements of the Group upon completion of the assessment by the directors.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

3. REVENUE

	Six months ended	
	30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Revenue from department store operations		
— direct sales	188,501	150,966
— income from concessionaire sales	485,935	353,876
— rental income	9,593	7,984
	<u>684,029</u>	<u>512,826</u>

Revenue represents the Group's revenue from operations of department stores in the PRC.

Gross sales proceeds

	Six months ended	
	30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
From department store operations		
— direct sales	220,546	181,500
— concessionaire sales	2,776,375	2,049,854
— rental income	10,157	8,453
	<u>3,007,078</u>	<u>2,239,807</u>

Gross sales proceeds represents the gross amount of direct sales, concessionaire sales and rental income charged to customers.

4. SEGMENT INFORMATION

All of the Group's operations are located and substantially carried out in the PRC and the operations of the Group are regarded as a single segment of department store activities. Accordingly, no segment information by business and geographical segment is presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

5. OTHER INCOME

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange gains	49,631	20,236
Interest income from investments in interest bearing instruments	29,776	4,758
Income from suppliers	16,480	4,348
Changes in fair value of held-for-trading investments	11,915	—
Government grants*	5,092	11,785
Interest income from bank deposit	6,666	16,313
Compensation received	4,000	—
Income from karaoke operation	904	1,120
Investment revaluation reserve reversed to profit or loss on disposal of an available-for-sale investment	165	—
Others	214	1,222
	<u>124,843</u>	<u>59,782</u>

* The amounts represented incentive subsidies and grants granted by the PRC local authorities to the Group.

6. FINANCE COSTS

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Effective interest expense on convertible bonds (note 19)	40,058	39,512
	<u>40,058</u>	<u>39,512</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax	112,338	94,792
Under provision in previous year	901	—
	<hr/>	<hr/>
	113,239	94,792
Deferred tax:		
Current year	5,170	2,092
Attributable to change in tax rate	1,627	(9,556)
	<hr/>	<hr/>
	120,036	87,328
	<hr/> <hr/>	<hr/> <hr/>

During the period, Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2008 (six months ended 30 June 2007: nil). Subsidiaries located in the PRC are subject to PRC income tax rate of 25% (six months ended 30 June 2007: 33%) pursuant to the relevant PRC income tax laws, except for Kunming Golden Eagle International Shopping Centre Company Limited ("Kunming Golden Eagle") which was granted on 25 March 2008 a preferential income tax rate at 15% effective from 1 January 2007 for 4 years. The deferred tax balance of Kunming Golden Eagle has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the state income tax rate from those then applicable tax rates to 25% for enterprises in the PRC with effective from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

7. INCOME TAX EXPENSE (Continued)

The tax charge for the six months ended 30 June 2008 can be reconciled to the profit before tax as follows:

	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
Profit before tax	<u>473,910</u>	<u>268,780</u>
Tax at the applicable income tax rate of 25% (six months ended 30 June 2007: 33%)	118,477	88,698
Tax effect of expenses not deductible for tax purposes	15,307	27,768
Tax effect of income not taxable for tax purposes	(16,276)	(19,167)
Tax effect of tax losses not recognised	—	254
Changes in opening deferred tax balances resulting from a decrease in the applicable tax rate	1,627	(9,556)
Effect of different tax rates on deferred tax provided for the period	—	(669)
Under provision in previous year	<u>901</u>	<u>—</u>
Tax charge for the period	<u>120,036</u>	<u>87,328</u>

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	564	1,691
Depreciation of property, plant and equipment	33,624	25,594
Amortisation of prepaid lease payment on land use rights	2,409	1,436
Loss on disposal of property, plant and equipment	126	28
Impairment loss reversed in respect of other receivables	<u>(8)</u>	<u>(44)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB50,712,000 on the construction of its new department store buildings and approximately RMB18,533,000 on additions to its existing buildings and approximately RMB8,144,000 on additions to furniture, fixtures and equipment, leasehold improvements in the PRC, in order to upgrade its operating capabilities.

In addition, the Group disposed of/wrote down certain leasehold improvements, furniture, fixtures and equipment with an aggregate carrying amount of RMB1,575,000 for proceeds of RMB1,449,000, resulting in a loss on disposal of RMB126,000.

12. MOVEMENTS IN LAND USE RIGHTS

During the period, the Group spent approximately RMB925,000 to acquire land use rights in order to expand its department stores.

13. INVESTMENTS IN INTEREST BEARING INSTRUMENTS

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Investments in interest bearing instruments	950,000	—

At 30 June 2008, the amount represents the Group's investments in entrusted loans arranged by a bank. The investments are carried at amortised cost with effective interest rate at 7.47% per annum and redeemable within twelve months.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

14. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior periods:

	Accelerated depreciation allowances	Start up cost	Impairment loss recognised in respect of other receivables	Tax losses	Prepaid rental	Revaluation of investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007 (audited)	46,815	(3,955)	(17)	(2,594)	(831)	1,298	40,716
Charge (credit) to consolidated income statement for the period	3,409	371	11	(1,675)	(24)	—	2,092
Charge to equity for the period	—	—	—	—	—	14,809	14,809
Change in tax rate recognised in consolidated income statement	(11,349)	959	4	629	201	—	(9,556)
At 30 June 2007 (unaudited)	38,875	(2,625)	(2)	(3,640)	(654)	16,107	48,061
Charge (credit) to consolidated income statement for the period	3,339	213	—	(630)	(23)	—	2,899
Charge to equity for the period	—	—	—	—	—	(4,938)	(4,938)
Acquisition of subsidiaries	—	(3,196)	—	—	—	—	(3,196)
Change in tax rate recognised in consolidated income statement	—	—	—	(91)	—	—	(91)
Change in tax rate recognised in equity	—	—	—	—	—	(315)	(315)
At 31 December 2007 (audited)	42,214	(5,608)	(2)	(4,361)	(677)	10,854	42,420
Charge (credit) to consolidated income statement for the period	3,614	373	2	1,205	(24)	—	5,170
Charge to equity for the period	—	—	—	—	—	(8,284)	(8,284)
Change in tax rate recognised in consolidated income statement	—	1,172	—	455	—	—	1,627
At 30 June 2008 (unaudited)	45,828	(4,063)	—	(2,701)	(701)	2,570	40,933

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

14. DEFERRED TAXATION(Continued)

The following is the analysis of the deferred tax balances for financial reporting purpose:

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Deferred tax liabilities	48,398	53,068
Deferred tax assets	(7,465)	(10,648)
	<hr/>	<hr/>
	40,933	42,420
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

15. TRADE AND OTHER RECEIVABLES

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	28,708	27,772
Advance payments to suppliers	280	7,204
Rental deposits	1,217	8,367
Deposits made for purchase of goods	1,127	3,203
Other receivables	21,681	17,267
Less: accumulated impairment on other receivables	(23)	(31)
	52,990	63,782

Trading transactions are mainly on cash basis, either in cash, debit card or credit card payments. The Group does not have a defined fixed credit policy as its trade receivables arise from debit card and credit card sales. Trade receivables are all aged within 15 days from the respective balance sheet date and had been settled subsequent to the balance sheet date.

16. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
南京金鷹國際集團有限公司 ("Nanjing Golden Eagle International Group Co., Ltd.")	—	492
南通金鷹國際物業管理有限公司 ("Nantong Golden Eagle International Properties Management Co., Ltd.")	160	95
徐州金鷹國際物業管理有限公司 ("Xuzhou Golden Eagle International Properties Management Co., Ltd.")	—	1,431
上海金鷹國際購物中心有限公司 ("Shanghai Golden Eagle International Shopping Centre Co., Ltd.")	841	124
南京珠江壹號置業發展有限公司 ("Nanjing Zhujiang No. 1 Properties Development Limited")	3,000	—
Others	—	15
	4,001	2,157

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

17. TRADE AND OTHER PAYABLES

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	498,638	594,172
Consumers' deposits	664,144	572,955
Other tax payables	69,610	97,307
Purchase of property, plant and equipments	9,321	40,651
Suppliers' deposits	31,309	26,361
Payroll and welfare payables	12,075	10,541
Renovation retention	937	925
Other payables	35,451	30,905
	<hr/>	<hr/>
	1,321,485	1,373,817
	<hr/> <hr/>	<hr/> <hr/>

The following is an aged analysis of trade payables at the balance sheet date:

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 30 days	425,865	507,619
31 to 60 days	56,449	50,985
61 to 90 days	4,524	13,791
Over 90 days	11,800	21,777
	<hr/>	<hr/>
	498,638	594,172
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

18. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
南京金鷹國際集團裝飾工程有限公司 ("Nanjing Golden Eagle International Group Decoration Project Co., Ltd.")	2,247	16,765
南京金鷹國際物業管理有限公司 ("Nanjing Golden Eagle International Properties Management Co., Ltd.")	1,588	2,840
Others	345	68
	<hr/> 4,180 <hr/>	<hr/> 19,673 <hr/>

19. CONVERTIBLE BONDS

The Company issued a zero coupon convertible bonds due 2011 in the aggregate principal amount of Hong Kong Dollars ("HKD") 1,000,000,000 (the "Bonds") on 23 October 2006. The movement of the liability component and derivative components for the six months ended 30 June 2008 is set out as below:

	Liability component	Derivative components	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008 (audited)	819,968	240,244	1,060,212
Exchange realignment	(51,250)	—	(51,250)
Effective interest expense charged during the period (note 6)	40,058	—	40,058
Changes in fair value	—	(64,982)	(64,982)
	<hr/> 808,776 <hr/>	<hr/> 175,262 <hr/>	<hr/> 984,038 <hr/>
At 30 June 2008 (unaudited)	<u>808,776</u>	<u>175,262</u>	<u>984,038</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

20. SHARE CAPITAL

	Number of shares '000	Value HKD'000
Authorised:		
Ordinary shares of HKD0.10 each At 30 June 2008 and 31 December 2007	5,000,000	500,000
Issued and fully paid:		
Ordinary shares of HKD0.10 each At 1 January 2008	1,817,227	181,723
Exercise of share options	593	59
At 30 June 2008 (unaudited)	1,817,820	181,782
		RMB'000
Shown in the condensed consolidated financial statements:		
At 30 June 2008 (unaudited)		187,116
At 31 December 2007 (audited)		187,063

21. RESERVES

Special reserve

The Group's special reserve represents amounts arising from a group reorganisation to rationalise the structure of the Group in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, which was completed on 26 February 2006.

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as foreign investment enterprises (the "FIE Subsidiaries") and the Articles of Association of the FIE Subsidiaries, the FIE Subsidiaries are required to maintain a statutory surplus reserve fund, an enterprise expansion fund, and a staff welfare and bonus fund. Appropriations to these funds are made out of net profit after tax as reported in the PRC statutory financial statements (the "PRC Accounting Profit") of the FIE Subsidiaries.

The FIE Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the FIE Subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

Appropriation from the PRC Accounting Profit to the enterprise expansion fund is at the discretion of the FIE Subsidiaries at rates determined by the FIE Subsidiaries. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

Appropriation from the PRC Accounting Profit to the staff welfare and bonus fund is at the discretion of the FIE Subsidiaries at rates determined by the FIE Subsidiaries. However, in the HKFRS condensed consolidated financial statements, the amount, if any, appropriated to the staff welfare and bonus fund will be reversed from appropriation and adjusted in these HKFRS condensed consolidated financial statements as an expense as the staff welfare and bonus fund will be used to pay for staff benefits of the FIE Subsidiaries.

The FIE Subsidiaries did not resolve to appropriate any fund to the enterprise expansion fund and staff welfare and bonus fund since its establishment.

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as domestic enterprise (the "Domestic Subsidiaries"), the Domestic Subsidiaries are required to maintain a statutory surplus reserve. The Domestic Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve until the balance reaches 50% of the registered capital of the Domestic Subsidiaries. The statutory surplus reserve may be used to make up prior year losses incurred, and to increase capital.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

22. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme approved by the written resolutions of the then sole shareholder of the Company dated 26 February 2006 (the "Share Option Scheme"), the Company granted certain share options to its employees. Movements of the Share Option Scheme during the period and outstanding at 30 June 2008 are as follows:

	Number of share options			Outstanding at 30 June 2008 (unaudited)
	Outstanding at 1 January 2008 (audited)	Exercised during the period	Forfeited during the period	
Independent non-executive directors	300,000	—	—	300,000
Executive directors	1,000,000	—	—	1,000,000
Key management	5,390,000	(120,000)	(480,000)	4,790,000
Other employees	15,406,000	(473,000)	(832,000)	14,101,000
	<u>22,096,000</u>	<u>(593,000)</u>	<u>(1,312,000)</u>	<u>20,191,000</u>
Exercisable at period end				<u>4,773,000</u>

In respect of the share options exercised during the period, the weighted average closing price at the dates of exercise is HKD8.01 (six months ended 30 June 2007: HKD6.15).

The Group recognised the total expenses of RMB4,822,000 during the current period (six months ended 30 June 2007: RMB8,813,000) in relation to share options granted by the Company.

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group committed to make the following future minimum lease payments in respect of shops rented under non-cancellable operating leases which fall due as follows:

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	17,235	15,613
In the second to fifth year inclusive	51,787	51,698
Over five years	7,579	10,316
	<u>76,601</u>	<u>77,627</u>

Included in the balance were future minimum lease payments under non-cancellable operating leases payable to fellow subsidiaries of the Company, which fall due as follows:

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	7,123	3,663
In the second to fifth year inclusive	10,684	7,326
	<u>17,807</u>	<u>10,989</u>

Other than the above-mentioned minimum lease payment contracts, the Group also entered into a contingent lease contract with a fellow subsidiary of the Company, which stipulate the lease rental should be calculated at 5% of the gross sale proceeds of the lessee. Rental paid in respect of this contingent lease contract during the current period was RMB3,305,000 (six months ended 30 June 2007: nil).

Operating lease payments represent rentals payable by the Group for certain of its office/ department store properties. Leases are negotiated for terms ranged from one to twenty years with fixed or contingent rentals.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

23. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of properties rented out:

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	12,160	6,258
In the second to fifth year inclusive	21,581	12,185
Over five years	4,120	3,655
	37,861	22,098

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payment should be calculated based on a certain ratio of the tenants' monthly turnover or gross profit. Rental income received from these contingent lease contracts during the current period was RMB6,282,000 (six months ended 30 June 2007: RMB5,468,000).

Leases are generally negotiated for an average term of one to five years.

24. CAPITAL COMMITMENTS

	30.6.2008	31.12.2007
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	188,058	115,240

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

25. RELATED PARTY TRANSACTIONS

During the period, other than those information disclosed in notes 8, 16, 18, 22 and 23, the Group has the following significant transactions with related companies:

a) Transactions

Relationship with related parties	Nature of transactions	Six months ended	
		30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
南京金鷹國際集團高科技實業有限公司 ("Golden Eagle International Group Hi-tech Industry Co., Ltd."), a subsidiary of GEICO	Property rentals paid	2,239	1,150
Companies in which a director of the Company, Mr. Wang Hung, Roger, has significant beneficial interests	Decoration service fee paid	9,366	1,737
	Property management fee paid	9,592	5,846
	Property rentals paid	3,305	225
	Property rentals received	679	1,763
	Parking fee paid	2,140	2,620
	Project management fee paid	2,700	—
	Management service fee received	634	66
	Sales of merchandise	447	—
		<u>447</u>	<u>—</u>

b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Salaries and allowances	1,297	2,060
Retirement benefits scheme contributions	75	56
Share-based payments	1,637	2,913
	<u>1,637</u>	<u>2,913</u>
	<u>3,009</u>	<u>5,029</u>

BUSINESS REVIEW

Industry overview

2008 is an unusual year. In the first half of the year, the PRC was faced with unprecedented challenges. Disasters such as snowstorm and earthquake brought tremendous trauma and harm to the Chinese people and the country's economy. The global economy underwent profound changes and the PRC is experiencing the most daunting challenges.

At the same time, the Chinese economy is making its way forward under such challenges. In the first half of 2008, its gross domestic product ("GDP") recorded a year-on-year growth of 10.4%, a decrease of 1.8 percentage points compared to the same period last year. Despite a slowdown in economic growth, sales of the domestic market grew rapidly, with urban and rural spending both growing fast. In the first half of the year, the total retail sales of consumer goods recorded a year-on-year growth of 21.4%, an increase of 6.0 percentage points over the same period last year, setting a new growth record.

The GDP of Jiangsu province, the major market where the Group operates, recorded a year-on-year growth of 13.6% in the first half of 2008, and despite a slowdown in growth, still outperformed the average national growth. Total retail sales of consumer goods increased by 23.9%, which proved to be the main driving force of GDP growth; and total sales volume rank third in the country, recording a three year high in growth. In the first half of the year, the per capital disposable income of urban residents of the Jiangsu province increased by 13.8% over the same period last year; and per capital spending of urban families increased by 14.9% over the same period last year, which marked the first time that spending growth of residents of Jiangsu province has surpassed their income growth in recent years.

In spite of the impact brought by the change in the country's macro-economic environment, snowstorm and earthquake during the first half of the year, the department store sector, being a beneficiary of consumption upgrade, continued to perform satisfactorily, with intrinsic growth continued to maintain at a high level.

Business Operations

During the period under review, the Group's GSP continued its rapid and stable growth, reaching a GSP of about 3,007.1 million and a year-on-year growth of about 34.3%. By upgrading brand mix, we had increased our per ticket sales; by launching vibrant promotional activities, we had attracted more consumers and we use our retail space more effectively, pushing the Group's same store sales to a stunning growth of about 28%.

We continued to pay close attention to the expansion of VIP value added services and have stepped up our co-operation with Bank of China. We are also actively seeking more fashionable co-operation partners to increase the sense of respect and loyalty of VIP customers. As at 30 June 2008, the Group has approximately 460,000 VIP customers, and the purchase from such VIP customers accounted for about 63.8% of the Group's total GSP.

The Group has implemented unified corporate strategies tailored for important festivals and special events. Each chain store launched various lively and effective promotional activities based on local spending habits and culture. In particular, we launched the "Caring Month" campaign after the Sichuan earthquake in May and organized a series of charitable activities such as the Yellow Ribbon Campaign, Paper Crane Blessings, and Children's Drawings etc., to contribute our efforts for disaster relief.

By recruiting talents and job rotation, the organizational structure of the Group can be adapted to fit the Group's development needs, and service awareness can be enhanced at the same time. By optimizing and using innovative operation processes, management responsibilities can be further well defined, which can effectively optimize the use of talents and reduction in labour costs. We have implemented a company wide intelligent management with a focus on synergistic operation and procedural optimization in order to optimize and upgrade managing efforts.

Expansion of new stores

The Huai'an Store has entered the last stage of preparation. Merchandising, personnel training and decoration work of the department store are underway as planned, which guarantees the successfully opening of the Huai'an Store as scheduled.

The Yancheng Store is currently under construction. Merchandising, personnel recruitment and training are underway. It is expected that the Yancheng Store will be open by the end of 2008.

The internal and external re-decoration work of Shanghai Golden Eagle, our managed store, and its merchandising and personnel recruitment and training are all underway. The store is expected to re-open in the second quarter of 2009.

Outlook

As the focus of world attention, the 29th Olympic Games opened in Beijing on 8 August 2008. As a leading nation, the PRC welcomed its friends from all over the world and also displayed to the whole world the modern China. With the Chinese economy under the backdrop of the country's macro control, its spending would be bracing for the negative impact of a slow down of the macro economy. However, the Group can still hold a cautiously optimistic view that the PRC's domestic spending is relatively stable, with weaker cyclical performance. To cater for the upgrade in spending structure, the department store sector has been becoming a spokesman for fashionable spending, individualized spending and luxury goods spending, etc. Under the present inflationary environment, prices of our merchandise categories are relatively stable.

In order to further consolidate our leading position in Jiangsu province, in the second half of 2008 and the coming years, the Group will primarily focus on expanding to cities we have not set foot on. The group will also consider opening new stores in cities where we have already set up stores and established a branding presence. The Group always insists on developing a country-wide chain store network and will further expand chain store network and upgrade brand image in more affluent cities outside the Jiangsu province.

In the first half of 2008, the Group have achieved remarkable results through the joint efforts of our Board, management and staff, establishing a leading position in the industry. Looking forward, the Group will further enhance its operation standard and profitability in order to maintain a steady and healthy development, to maximize shareholder returns and to create a win-win situation for the Company, shareholders and employees.

FINANCIAL REVIEW

Analysis of profit excluding impact of the Bonds

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
As reported	353,874	181,452
Add: Interest expenses on convertible bonds	40,058	39,512
Less: Fair value changes in embedded financial derivatives	64,982	25,167
	<u>328,950</u>	<u>195,797</u>

Excluding the impact of the Bonds, profits attributable to the shareholders of the Company was approximately RMB328.9 million for the six months ended 30 June 2008, a growth of approximately 68.0%, or RMB133.1 million from that of the same period last year. The growth was mainly contributed by the growth in both the GSP and revenue of the Group which are analyzed as below.

GSP and revenue

The GSP of the Group grew to approximately RMB3,007.1 million for the six months ended 30 June 2008, representing a growth of approximately 34.3%, or RMB767.3 million from that of the same period last year. The growth was mainly contributed by the same store sales growth of approximately 28.0% (2007: 23.1%) and the Kunming Store and Nanjing Zhujiang Store (the "New Stores") which were opened in August and December 2007 respectively. By enhancing the brand management and merchandise mix and strengthening of promotion activities during the six months ended 30 June 2008, the Group enjoyed an impressive growth in terms of GSP.

Regarding the contribution to GSP by the stores, Nanjing Xinjiekou Store remained the highest contributor and contributed about 44.1%, or RMB1,326.6 million of the Group's total GSP during the six months ended 30 June 2008. Yangzhou Store and Xuzhou Store contributed about 15.5% and 15.8% of the Group's total GSP respectively. As a result of the increased contributions by Xi'an Gaoxin Store, Taizhou Store and the New Stores, the contribution to GSP by Nanjing Xinjiekou Store as a percentage of the GSP decreased from about 48.3% during the six months ended 30 June 2007 to about 44.1% for the same period in 2008.

During the six months ended 30 June 2008, concessionaries sales contributed about 92.3% (2007: about 91.5%) of the Group's GSP and direct sales contributed about 7.3% (2007: about 8.1%) of the Group's GSP.

The commission rate for concessionaires increased slightly to about 20.5% for the six months ended 30 June 2008 (2007: about 20.2%). The profit margin from direct sales increased from approximately 17.8% for the six months ended 30 June 2007 to approximately 21.6% for the same period in 2008. The management will regularly review the existing terms of concessionaires in order to maintain such commission rate, and also grant favourable terms of concessionaires to targeted brands to enhance and strengthen merchandise mix, in order to provide a pleasant shopping experience to our customers.

Revenue increased by about RMB171.2 million, or 33.4%, to about RMB684.0 million in the six months ended 30 June 2008 from the same period in 2007. The increase in revenue was generally in line with the GSP growth. The revenue to cost of sales ratio increased to approximately 78.4% for the six months ended 30 June 2008 (2007: about 75.9%).

Cost of sales

Cost of sales represented the cost of goods sold under the direct sales method. It increased by about RMB24.4 million, or 19.8% from the six months ended 30 June 2007 to about RMB147.8 million for the same period in 2008. The increase was generally in line with the increase in direct sales for the six months ended 30 June 2008.

Selling and administrative expenses

Selling and administrative expenses increased by about RMB46.0 million, or 27.7%, from the six months ended 30 June 2007 to about RMB212.1 million for the same period in 2008. The increase was mainly due to the opening of the New Stores. Excluding the expenses incurred by the New Stores, selling and administrative expenses increased by about 7.3%. The selling and administrative expenses as a percentage of GSP also decreased from 7.4% for the same period last year to 7.1%.

Other operating income

Other operating income increased by about RMB65.0 million, or 108.8% from the six months ended 30 June 2007 to about RMB124.8 million for the same period in 2008. The increase was mainly due to increase in foreign exchange gains of about RMB29.4 million, increase in interest income of about RMB15.4 million and changes in fair value of held for trading investments of about RMB11.9 million.

Finance cost

The interest expenses was about RMB40.1 million for the six months ended 30 June 2008. The interest expenses mainly came from the effective interest expense (for accounting purposes only) of the Bonds which is similar to the effective interest expense of the Bonds in the same period of 2007. Other than the interest expense relating to the Bonds, no interest expense was paid during the six months ended 30 June 2008.

Taxation

The increase in taxation charged for the six months ended 30 June 2008 was mainly due to the increase in profit before taxation of the Company. The applicable income tax rate for the Group during the year was 25%. The applicable income tax rate for the same period last year was 33%.

Profit for the period

The profits attributable to the shareholders of the Company grew to about RMB353.9 million for the six months ended 30 June 2008, a growth of about 95.0% or RMB172.4 million from that of the same period last year.

Net current assets

The net current assets increased by about RMB212.0 million from about RMB168.6 million as at 31 December 2007 to about RMB380.7 million as at 30 June 2008. The improvement was mainly due to the operating cash flow generated in the first half of 2008.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of HK\$0.10 each of the Company

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Wang Hung, Roger ("Mr. Wang") (Note)	Interest in controlled corporations	1,321,284,000	72.70%

Note : These 1,321,284,000 Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Mr. Wang is deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,321,284,000 Shares under the SFO.

Long position in underlying Shares

On 26 May 2006, options to subscribe for 250,000 Shares were granted under the share option scheme of the Company (the "Scheme") to Mr. Han Xiang Li at the exercise price of HK\$4.35 per Share exercisable from 28 April 2007 to 27 April 2012. On 20 November 2006, options to subscribe for 750,000 Shares were further granted under the Scheme to Mr. Han Xiang Li at the exercise price of HK\$4.80 per Share exercisable from 20 October 2007 to 19 October 2012. On 20 November 2006, options to subscribe for a total of 400,000 Shares were granted under the Scheme to the independent non-executive Directors at the exercise price of HK\$4.80 per Share exercisable from 20 October 2007 to 20 March 2009. Details of the options are as follows :

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Han Xiang Li	1,000,000	0.06%
Wong Chi Keung	200,000	0.01%
Lau Shek Yau, John	100,000	0.01%

Save as disclosed above, as at 30 June 2008, none of the Directors of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2008, so far as is known to the Directors, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in shares of the Company

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited (<i>Note 1</i>)	Interest in controlled corporation	1,321,284,000	72.70%
Golden Eagle International Retail Group Limited (<i>Note 1</i>)	Beneficial owner	1,321,284,000	72.70%

Notes :

1. These Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang.

Save as disclosed above, as at the 30 June 2008, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Pursuant to the Scheme, the Company's board of directors (the "Board") may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Board has or had made contribution to the Group to subscribe for shares in the Company for a consideration of HKD1 for each lot of share options granted. The Scheme will remain valid for a period of ten years commencing on 26 February 2006.

The purpose of the Scheme is to enable the Company to grant options to the above eligible participants as incentives and rewards for their contribution to the Company or such subsidiaries. There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of listing of shares of the Company, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue are at the date grant, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director or his/her/its associates in the 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HKD1.00 per each lot of option. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share.

For the period ended 30 June 2008, no share options were granted, 1,312,000 share options were forfeited and 593,000 share options were exercised. Accordingly, there were a total of 20,191,000 shares available for issue under the Scheme, representing about 1.1 per cent. of the issued share capital of the Company as at the date of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme, at no time during the period under review was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2008, the investment in interest bearing instruments, bank balances and cash in hand were about RMB1,810.9 million (31 December 2007: RMB1,747.9 million) whereas the Bonds were about RMB808.8 million (31 December 2007: RMB820.0 million). The Group's source of funding was mainly cash generated from operating activities.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2008, no property, plant and equipment of the Group were pledged to secure general banking facilities of the Group (2007: Nil).

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at the head office in Nanjing. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuation in interest rates and foreign currency exchange rates.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's revenues and operating costs were denominated in RMB. As the proceeds from the listing of the shares of the Company and the issuing of the Bonds were received in Hong Kong Dollars, the Group is exposed to foreign exchange risks. For the six months ended 30 June 2008, the Group has recorded a net exchange gain of about RMB49.6 million. The Group's operating cash flow or liquidity is not subject to any exchange fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 30 June 2008.

SEGMENT INFORMATION

The Group engages in the development and operation of a stylish premium department store chain in the PRC and hence no geographical segment information is presented.

EMPLOYEES

As at 30 June 2008, the Company had about 2,700 employees. Staff remuneration is paid in accordance with relevant policies in Hong Kong and the PRC. Other related benefits include MPF (Mandatory Provident Fund) contribution, social insurance, share options scheme, pension, unemployment insurance, housing fund, etc.

GEARING RATIO

As at 30 June 2008, the total assets of the Group amounted to about RMB4,022.8 million (31 December 2007: RMB3,926.6 million) whereas the Bonds amounted to about RMB808.8 million (31 December 2007: RMB820.0 million). The gearing ratio (calculated by total bank loans plus total convertible bonds and then divided by total assets) of the Group as at 30 June 2008 was about 20.1%, which shown a slightly decrease from about 20.9% as at 31 December 2007.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

There was no purchase, sale or redemption of any of the listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Group's results for the six months ended 30 June 2008 has been reviewed by the Audit Committee and the Company's auditors. As at the date of this report, the Audit Committee comprised three independent non-executive Directors.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has been established by the Company to consider the remuneration of the directors and senior management of the Company. The Remuneration Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the chairman of the Remuneration Committee.

ACKNOWLEDGEMENT

I would like to thank the Board, management and all our staff for their hard work and dedication, as well as our shareholders and customers for their support to the Group.

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

Hong Kong, 26 August 2008