金鷹 GOLDEN EAGLE

金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

Incorporated in the Cayman Islands with limited liability

Stock code:3308

Enriching everyone's life.

Interim Report 2009

二零零九年 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!

Contents

DEVELOP A STORE CHAIN NETWORK SPANNING NATIONWIDE WITH A STRONG FOOTHOLD IN JIANGSU PROVINCE

Since the opening of Nanjing Xinjiekou Store, our first department store, the Group has, with its devoted efforts in the past 13 years, successfully opened 15 self-owned stores and 1 management store as at the date of this report. These stores spanned across three provinces in the PRC namely Jiangsu Province, Shaanxi Province and Yunnan Province, covering eleven cities, namely Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Xi'an and Kunming, with a total gross floor area of approximately 500,000 square meters and a total operating area of approximately 310,000 square meters.

The Group has successfully established a leading position in Jiangsu Province, the major market of the Group. The Group has accumulated valuable experiences in cross-province expansion and operation management through the opening of Xi'an Guomao Store, Xi'an Gaoxin Store, Kunming Store and Shanghai Store, establishing a solid foundation for achieving the target of building a nationwide chain store network.

INSIST ON THE STRATEGY OF DEVELOPING AT SELF-OWNED PROPERTIES WITH ESTABLISHMENT OF LONG TERM LEASES AS ALTERNATIVE

The Group's department stores are situated at the prime shopping locations in their respective cities. Except for Suzhou Store, Xi'an Guomao Store, Nanjing Zhujiang Store, Yangzhou Jinghua Store, Shanghai Store and Nanjing Hanzhong Store, all the Group's department stores are located in self-owned properties, with its proportion reaching 73.9%. The strategy of developing at self-owned properties enables the Group to be immune from rental increase in the future and to enjoy long-term property appreciation. In order to capture development opportunities, the Group also occupies high quality properties by entering into long-term leasing agreements, which can minimize the impact of rental increase on the operations of department stores. The target term of leasing agreements is above ten years.

FOCUS ON VIP CUSTOMER EXPANSION PLAN TO ATTRACT LOYAL VIP CUSTOMERS

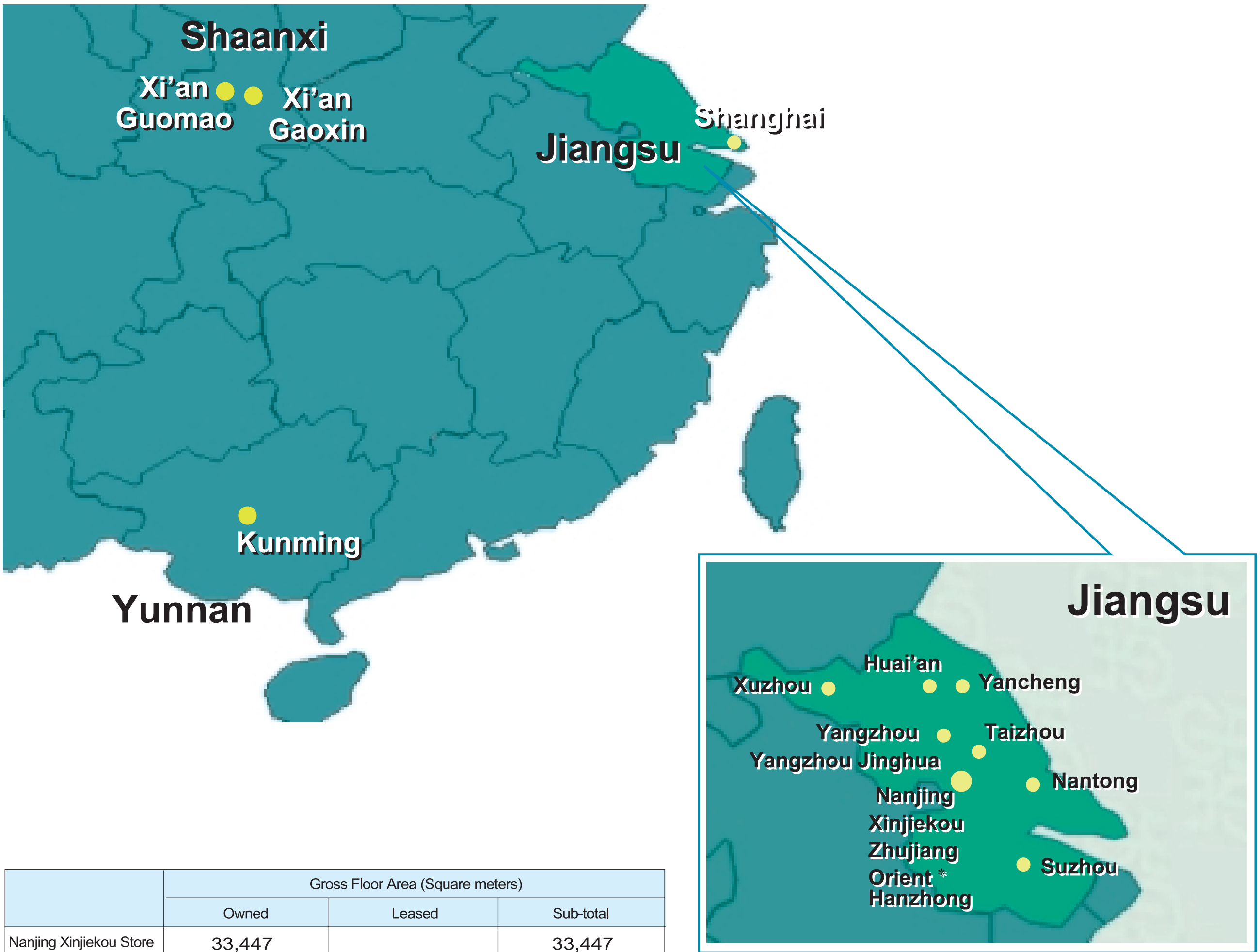
Through the provision of value-added services exclusively for VIPs and continuous improvement in the quantity and quality of our services, the Group has successfully secured over 616,000 loyal VIP customers as at the date of this report, which further strengthened the Group's foundation for long-term development and expansion. As at 30 June 2009, VIP customers' spending accounted for approximately 62.7% of the gross sales proceeds ("GSP") of the Group.

ADOPT STANDARDIZED MANAGEMENT SYSTEM AND LEADING ERP MANAGEMENT SYSTEM IN THE INDUSTRY

The Group has obtained ISO9001 quality management system recognition and manages every department store with a standardized management system. In order to centralize the management of all chain stores, the Group has successfully developed an ERP management system, which provides timely operational, financial and human resources data to the headquarter and the management. The ERP system enables the Group to monitor the operational status of the Group's chain stores effectively and formulate its development strategy in response to the ever-changing market conditions.

INSIGHT FOR INTERNATIONAL MANAGEMENT AND LOCALIZED OPERATING STRATEGIES

The Group highly respects the efforts and contributions of its employees. The Group organizes regular professional training sessions and overseas study trips for the management and employees, so as to enhance their sustainable development capabilities and their insights for international management. The Group also implements a localized management system which is suitable for the relevant local markets. The Group recruits local talents who are familiar with the local market to form its own management team for the relevant department stores. As at 30 June 2009, the Group had approximately 3,700 employees.



* **Management Store**

	Gross Floor Area (Square meters)		
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	33,447		33,447
Nantong Store	8,795		8,795
Yangzhou Store	37,562	3,450	41,012
Suzhou Store		14,960	14,960
Xuzhou Store	51,266		51,266
Xi'an Guomao Store		10,029	10,029
Xi'an Gaoxin Store	25,476		25,476
Taizhou Store	47,327		47,327
Kunming Store	33,702		33,702
Nanjing Zhujiang Store		30,823	30,823
Huai'an Store	48,000		48,000
Yancheng Store	62,000		62,000
Yangzhou Jinghua Store		29,598	29,598
Shanghai Store		21,306	21,306
Nanjing Hanzhong Store		12,462	12,462
Total	347,575	122,628	470,203
Percentage	73.9%	26.1%	100%

Note: Gross Floor Area as at 19 August 2009.

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Ms. Zheng Shu Yun

NON-EXECUTIVE DIRECTOR

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 KYI -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. FCCA, ACS, ACIS

QUALIFIED ACCOUNTANT

Mr. Fok Chi Tak CPA, ACA. FCCA, 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

AUDITOR

Deloitte Touche Tohmatsu
35th Floor 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

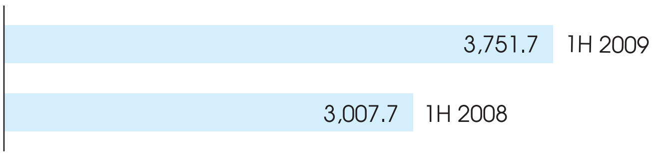
CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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)

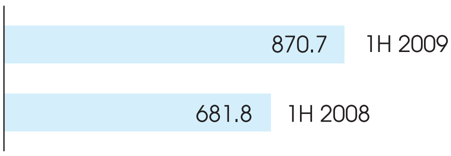
Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

GROSS SALES PROCEEDS (RMB MILLION)



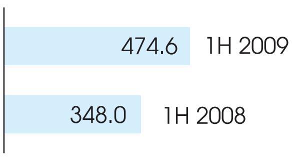
+24.7%

REVENUE (RMB MILLION)



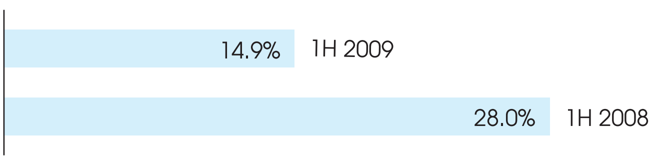
+27.7%

PROFIT FROM OPERATIONS (RMB MILLION)



+36.4%

SAME STORE SALES GROWTH [1]



(1) Same store sales growth represents change in the total gross sales proceeds for department stores having operations 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 of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009, together with the unaudited comparative figures for the corresponding period in 2008. The unaudited consolidated interim results have not been audited, but have been reviewed by the auditor, Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

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 41 which comprises the condensed consolidated statement of financial position of Golden Eagle Retail Group Limited and its subsidiaries as of 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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
19 August 2009

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	NOTES	Six months ended 30.6.2009 RMB'000 (unaudited)	30.6.2008 RMB'000 (unaudited & restated)
Revenue	3	**870,690**	681,788
Other operating income	5	**69,953**	29,564
Changes in inventories of merchandise		**(191,515)**	(147,791)
Employee benefits expense		**(76,087)**	(64,523)
Depreciation and amortisation of property, plant and equipment		**(45,600)**	(33,624)
Release of prepaid lease payments on land use rights		**(2,414)**	(2,409)
Other operating expenses		**(150,426)**	(115,047)
Profit from operations		**474,601**	347,958
Finance income	6	**28,372**	36,442
Finance costs	7	**(42,926)**	(40,058)
Changes in fair value of derivative financial instruments		**(263,639)**	64,982
Other gains and losses	8	**14,768**	61,711
Profit before tax		**211,176**	471,035
Income tax expense	9	**(135,936)**	(119,317)
Profit for the period, attributable to owners of the Company	10	**75,240**	351,718
Earnings per share			
– Basic (RMB per share)	12	**0.043**	0.194
– Diluted (RMB per share)	12	**0.042**	0.139

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Profit for the period	**75,240**	351,718
Other comprehensive income		
Gain (loss) on fair value changes of available-for-sale investments	**22,541**	(32,971)
Transferred to profit or loss on disposal of available-for-sale investments	**(15,243)**	(165)
Income tax relating to components of other comprehensive income	**(1,808)**	8,284
Other comprehensive income (expense) for the period (net of tax)	**5,490**	(24,852)
Total comprehensive income for the period, attributable to owners of the Company	**80,730**	326,866

At 30 June 2009

	NOTES	**30.6.2009 RMB'000 (unaudited)**	31.12.2008 RMB'000 (audited & restated)
Non-current assets			
Property, plant and equipment	13	**2,357,244**	2,259,626
Land use rights – non-current portion		**172,221**	174,635
Deposits for acquisition of land use rights		**25,000**	—
Deposits for acquisition of subsidiaries	14	**26,715**	—
Goodwill		**26,035**	26,035
Available-for-sale investments		**10,420**	26,348
Deferred tax assets		**23,576**	24,249
		2,641,211	2,510,893
Current assets			
Inventories		**107,579**	97,405
Trade and other receivables	15	**100,084**	78,761
Land use rights – current portion		**4,829**	4,829
Amounts due from related companies	16	**2,940**	162
Investments in interest bearing instruments	17	**600,000**	—
Structured bank deposit	17	**—**	50,000
Bank balances and cash	17	**1,161,574**	2,040,574
		1,977,006	2,271,731
Current liabilities			
Trade and other payables	18	**1,878,159**	1,931,667
Amounts due to related companies	19	**31,404**	26,186
Tax liabilities		**77,837**	46,412
Convertible bonds	20	**871,206**	852,806
Derivative financial instruments	20	**418,207**	166,173
Deferred revenue		**51,315**	47,797
		3,328,128	3,071,041
Net current liabilities		**(1,351,122)**	(799,310)
Total assets less current liabilities		**1,290,089**	1,711,583

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	NOTE	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited & restated)
Non-current liability			
Deferred tax liabilities		**63,316**	53,686
Net assets		**1,226,773**	1,657,897
Capital and reserves			
Share capital	21	**182,911**	182,661
Reserves		**1,043,862**	1,475,236
Total equity		**1,226,773**	1,657,897

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital RMB'000 (note 21)	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2008 (audited)	187,063	260,189	—	217,228	32,561	20,893	81,843	536,702	1,336,479
Effect of change in the accounting of customer loyalty program (note 2)	—	—	—	—	—	—	—	(31,511)	(31,511)
As restated	187,063	260,189	—	217,228	32,561	20,893	81,843	505,191	1,304,968
Profit for the period (note 2)	—	—	—	—	—	—	—	351,718	351,718
Loss on fair value changes of available-for-sale investments	—	—	—	—	(32,971)	—	—	—	(32,971)
Transferred to profit or loss on disposal of available-for -sale investments	—	—	—	—	(165)	—	—	—	(165)
Income tax relating to components of other comprehensive income	—	—	—	—	8,284	—	—	—	8,284
Total comprehensive income for the period	—	—	—	—	(24,852)	—	—	351,718	326,866
Exercise of share options	53	3,151	—	—	—	(732)	—	—	2,472
Recognition of equity-settled share-based payments	—	—	—	—	—	4,822	—	—	4,822
Appropriation	—	—	—	—	—	—	40,990	(40,990)	—
Dividends recognised as distribution	—	—	—	—	—	—	—	(78,150)	(78,150)
At 30 June 2008 (unaudited)	187,116	263,340	—	217,228	7,709	24,983	122,833	737,769	1,560,978

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital RMB'000 (note 21)	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2009 (audited)	182,661	108,786	4,464	217,228	(2,314)	29,296	210,723	942,901	1,693,745
Effect of change in the accounting of customer loyalty program (note 2)	—	—	—	—	—	—	—	(35,848)	(35,848)
As restated	182,661	108,786	4,464	217,228	(2,314)	29,296	210,723	907,053	1,657,897
Profit for the period	—	—	—	—	—	—	—	75,240	75,240
Gain on fair value changes of available-for-sale investments	—	—	—	—	22,541	—	—	—	22,541
Transferred to profit or loss on disposal of available-for -sale investments	—	—	—	—	(15,243)	—	—	—	(15,243)
Income tax relating to components of other comprehensive income	—	—	—	—	(1,808)	—	—	—	(1,808)
Total comprehensive income for the period	—	—	—	—	5,490	—	—	75,240	80,730
Shares repurchased and cancelled	(584)	(29,041)	584	—	—	—	—	(584)	(29,625)
Exercise of share options	437	26,851	—	—	—	(6,987)	—	—	20,301
Conversion of convertible bonds	397	35,349	—	—	—	—	—	—	35,746
Recognition of equity-settled share-based payments	—	—	—	—	—	6,614	—	—	6,614
Appropriation	—	—	—	—	—	—	(1,355)	1,355	—
Dividends recognised as distribution	—	—	—	—	—	—	—	(544,890)	(544,890)
At 30 June 2009 (unaudited)	182,911	141,945	5,048	217,228	3,176	28,923	209,368	438,174	1,226,773

For the six months ended 30 June 2009

	NOTE	Six months ended 30.6.2009 RMB'000 (unaudited)	Six months ended 30.6.2008 RMB'000 (unaudited)
Net cash from operating activities		**336,215**	238,057
Investing activities:			
Investments in interest bearing instruments		**(1,200,000)**	(950,000)
Acquisition of assets in a subsidiary	22	**(74,000)**	—
Purchase of property, plant and equipment		**(52,237)**	(108,719)
Deposits paid for acquisition of subsidiaries		**(26,715)**	—
Deposits paid for acquisition of land use rights		**(25,000)**	—
Purchase of available-for-sale investments		**(786)**	(4,140)
Deposits paid for acquisition of property, plant and equipment		**—**	(25,883)
Redemption of investments in interest bearing instruments		**600,000**	—
Redemption of structured bank deposit		**50,000**	—
Proceeds from disposal of available-for-sale investments		**39,258**	4,364
Income received from investments in interest bearing instruments		**19,919**	29,776
Interest received from bank deposits		**7,448**	6,666
Income received from structured bank deposit		**1,005**	—
Other investing cash flows		**107**	(1,476)
Net cash used in investing activities		**(661,001)**	(1,049,412)
Financing activities:			
Dividends paid to equity holders of the Company		**(544,890)**	(78,150)
Repurchase of own shares		**(29,625)**	—
Proceeds on exercise of share options		**20,301**	2,472
Net cash used in financing activities		**(554,214)**	(75,678)
Net decrease in cash and cash equivalents		**(879,000)**	(887,033)
Cash and cash equivalents at 1 January		**2,040,574**	1,747,906
Cash and cash equivalents at 30 June, representing bank balances and cash		**1,161,574**	860,873

1. GENERAL AND BASIS OF PREPARATION FOR INTERIM CONDENSED FINANCIAL STATEMENTS

Golden Eagle Retail Group Limited (the "Company") is a public limited company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in the People's Republic of China (the "PRC"). The Company and its subsidiaries are collectively referred to as the "Group".

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 and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT 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.

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

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, no segment information was presented, as the Group had only one single business and geographical segment respectively. The application of HKFRS 8 has resulted in presentation of the Group's operating segment information for the first time (see note 4).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 1 (revised 2007) Presentation of Financial Statements

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure.

During the period, the Group chose to present its condensed consolidated income statement with expenses analyzed by nature. In opinion of the Directors, presentation of income and expenses by nature gives more relevant information on the Group's performance, taking into consideration of the nature of the Group's operations. Prior period figures have been represented to conform with the new presentation.

Except for the application of HK(IFRIC)-Int 13 "Customer Loyalty Programmes", the adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current and prior accounting periods.

HK(IFRIC)-Int 13 Customer Loyalty Programmes

The adoption of HK(IFRIC)-Int 13 has resulted in a change to the Group's accounting policy for its customer loyalty program. Under the Group's customer loyalty program, customers are entitled to convert their awarded credits into cash vouchers upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program. HK(IFRIC)-Int 13 requires such transactions to be accounted for as 'multiple element revenue transactions' and that the consideration received in the initial sales transaction should be allocated between the sale of merchandise and the discount entitlements that are earned by the customers. The Group has applied HK(IFRIC)-Int 13 retrospectively where the Group allocated a portion of the proceeds derived from initial sale to the awarded credits (under its customer loyalty program) as deferred revenue. The adoption of HK(IFRIC)-Int 13 has resulted in a decrease in the Group's retained profits as at 1 January 2008 by RMB31,511,000, a decrease in the Group's retained profits as at 1 January 2009 by RMB35,848,000, an increase in the Group's deferred tax assets as at 31 December 2008 by RMB11,949,000, an increase in the Group's deferred revenue as at 31 December 2008 by RMB47,797,000 and a decrease in the Group's revenue and profit for the six months ended 30 June 2008 by RMB2,875,000 and RMB2,156,000 respectively. During the six months ended 30 June 2009, the Group's revenue and profit for the period decreased by RMB3,518,000 and RMB2,638,000 respectively.

3. REVENUE

The Group's revenue generates from the department store operations in the PRC represents the net amount received and receivable for goods sold, less returns and allowances, income from concessionaire sales, rental income and management service fees. An analysis of the Group's revenue for the six months ended 30 June 2009 is as follows:

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Revenue from department store operations		
– direct sales	**238,264**	188,501
– income from concessionaire sales	**616,105**	483,060
– rental income	**13,987**	9,593
– management service fees	**2,334**	634
	870,690	681,788

The Group reclassified RMB634,000 management service fees revenue for the six months ended 30 June 2008 from other income to revenue to conform with the current period presentation.

Gross sales proceeds represent the gross amount of direct sales, concessionaire sales, rental income and management service fees charged to customers.

Gross sales proceeds

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
From department store operations		
– direct sales	**278,809**	220,546
– concessionaire sales	**3,455,725**	2,776,375
– rental income	**14,809**	10,157
– management service fees	**2,334**	634
	3,751,677	3,007,712

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. For the purposes of the application of HKFRS 8, the Group's executive directors are considered as chief operation decision makers. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In prior years, all of the Group's operations are located and substantially carried out in the PRC and the Group's department store operation was regarded as one single business segment. Accordingly, no segment information by business and geographical segments were presented. Following the adoption of HKFRS 8, the identification of the Group's reportable segments have changed.

Information reported to the Group's executive directors for the purposes of resources allocation and assessment of performance focuses more specifically on the locations of the respective department stores in the PRC. The Group's reportable segments under HKFRS 8 are therefore as follows:

— Southern Jiangsu Province
— Northern Jiangsu Province
— Western region of PRC
— Others

4. SEGMENT INFORMATION (Continued)

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

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of PRC RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2009					
Gross sales proceeds	1,646,593	1,671,898	394,878	38,308	3,751,677
Revenue	422,215	358,970	71,936	17,569	870,690
Segment results	291,923	184,990	20,517	528	497,958
Central administration and Directors' salaries					(23,357)
Finance income					28,372
Finance costs					(42,926)
Changes in fair value of derivative financial instruments					(263,639)
Other gains and losses					14,768
Profit before tax					211,176
Income tax expense					(135,936)
Profit for the period					75,240

4. SEGMENT INFORMATION (Continued)

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of PRC RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2008					
Gross sales proceeds	1,512,000	1,229,029	261,158	5,525	3,007,712
Revenue	380,910	248,983	49,131	2,764	681,788
Segment results	243,910	129,437	(4,230)	2,612	371,729
Central administration and Directors' salaries					(23,771)
Finance income					36,442
Finance costs					(40,058)
Changes in fair value of derivative financial instruments					64,982
Other gains and losses					61,711
Profit before tax					471,035
Income tax expense					(119,317)
Profit for the period					351,718

4. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets by operating segment.

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of PRC RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 30 June 2009					
Segment assets	**756,641**	**1,930,292**	**777,505**	**139,574**	**3,604,012**
Unallocated corporate assets					**1,014,205**
Consolidated total assets (unaudited)					**4,618,217**
At 31 December 2008					
Segment assets	764,058	1,754,482	773,083	35,368	3,326,991
Unallocated corporate assets					1,455,633
Consolidated total assets (audited and restated)					4,782,624

5. OTHER OPERATING INCOME

	Six months ended	
	30.6.2009 RMB'000 (unaudited)	30.6.2008 RMB'000 (unaudited & restated)
Income from suppliers and customers	**49,849**	19,354
Government grants	**19,241**	5,092
Compensation received	**—**	4,000
Others	**863**	1,118
	69,953	29,564

6. FINANCE INCOME

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from investments in interest bearing instruments	**19,919**	29,776
Income from structured bank deposit	**1,005**	—
Interest income on bank deposits	**7,448**	6,666
	28,372	36,442

7. FINANCE COSTS

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Effective interest expense on convertible bonds (note 20)	**42,926**	40,058

8. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange (losses) gains	**(475)**	49,631
Changes in fair value of held-for-trading investments	**—**	11,915
Investment revaluation reserve transferred to profit or loss on disposal of available-for-sale investments	**15,243**	165
	14,768	61,711

9. INCOME TAX EXPENSE

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
PRC Enterprise Income Tax:		
Current period	**124,428**	112,338
Underprovision in prior periods	**3,015**	901
	127,443	113,239
Deferred tax charge:		
Current period	**8,008**	4,451
Attributable to change in tax rate	**485**	1,627
	8,493	6,078
	135,936	119,317

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 2009 (six months ended 30 June 2008: nil).

Subsidiaries of the Company located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (six months ended 30 June 2008: 25%) pursuant to the relevant PRC Enterprise Income Tax laws, except for Kunming Golden Eagle International Shopping Centre Co., Ltd. ("Kunming Golden Eagle") which was granted on 25 March 2008 a preferential income tax rate of 15% effective from 1 January 2007 for 4 years and Xi'an Golden Eagle International Shopping Centre Co., Ltd. ("Xi'an Golden Eagle Gaoxin") which was granted on 30 April 2009 a preferential income tax rate of 15% effective from 1 January 2008 for 3 years and subject to review on an annual basis. The deferred tax balance of both Kunming Golden Eagle and Xi'an Golden Eagle Gaoxin 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.

10. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Loss on disposal of property, plant and equipment	**11**	126
Impairment loss reversed in respect of other receivables	**(23)**	(8)

11. DIVIDENDS

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend for the year ended 31 December 2008 of RMB0.308 (year ended 31 December 2007: RMB0.043) per share	**544,890**	78,150

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the period and profit for the period to assume conversion of all dilutive potential ordinary shares, including the share options and convertible bonds, of the Company.

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

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	**75,240**	351,718
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments	**—**	(64,982)
Effective interest expense on convertible bonds	**—**	40,058
Exchange realignment on convertible bonds	**—**	(51,250)
Earnings for the purpose of diluted earnings per share	**75,240**	275,544

12. EARNINGS PER SHARE (Continued)

	Six months ended	
	30.6.2009	30.6.2008
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,769,402**	1,817,403
Effects of dilutive potential ordinary shares:		
Share options	**4,093**	6,274
Convertible bonds	**—**	155,763
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,773,495**	1,979,440

The computation of diluted earnings per share for the six months ended 30 June 2009 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB98,900,000 (six months ended 30 June 2008: RMB49,260,000) on construction and renovation of its new department stores and approximately RMB44,435,000 (six months ended 30 June 2008: RMB28,129,000) on construction, renovation and expansion of its existing stores in order to expand and/or 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 RMB118,000 (six months ended 30 June 2008: RMB1,575,000) for proceeds of RMB107,000 (six months ended 30 June 2008: RMB1,449,000), resulting in a loss on disposal of RMB11,000 (six months ended 30 June 2008: RMB126,000).

14. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

In June 2009, the Group entered into two agreements with independent third parties for acquisition of 100% equity interests in two companies. Each of the companies owns a piece of land in Jiangsu Province.

As at the end of the reporting period, the Group paid an aggregate amount of RMB26,715,000 as deposits for the acquisitions, which are expected to be completed before 31 December 2009. The Group intends to develop department stores on those pieces of land.

15. TRADE AND OTHER RECEIVABLES

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Trade receivables	21,564	33,545
Trade prepayments to suppliers	13	834
Deposits (Note)	45,085	19,222
Deposits paid for purchases of goods	1,292	1,396
Other receivables	32,130	23,787
	100,084	78,784
Less: allowance for doubtful debts on other receivables	—	(23)
	100,084	78,761

Note: Of the balance, RMB13,958,000 (31 December 2008: RMB13,000,000) represent rental deposits paid in respect of leasing of properties for department store operations from fellow subsidiaries of the Company, in which a Director of the Company, Mr. Wang Hung, Roger ("Mr. Wang"), has beneficial interests.

The Group's trade customers mainly settled their debts by cash payments, either in the form of cash or debit cards, or credit card payments. The Group currently does not have a defined fixed credit policy as its trade receivables mainly arise from credit card sales. Trade receivables are all aged within 15 days from the respective reporting dates and had been fully settled subsequent to end of the reporting period.

16. AMOUNTS DUE FROM RELATED COMPANIES

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 1)	2,550	—
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.) (Note 2)	390	162
	2,940	162

Note 1: A related company, in which a Director of the Company, Mr. Wang, has significant influence.

Note 2: A fellow subsidiary of the Company, in which a Director of the Company, Mr. Wang, has beneficial interests.

17. INVESTMENTS IN INTEREST BEARING INSTRUMENTS, STRUCTURED BANK DEPOSIT AND BANK BALANCES AND CASH

	30.6.2009	31.12.2008
	RMB'000	RMB'000
	(unaudited)	(audited)
Investments in interest bearing instruments (Note 1)	**600,000**	—
Structured bank deposit (Note 2)	**—**	50,000
Bank balances and cash (Note 3)	**1,161,574**	2,040,574
	1,761,574	2,090,574

Note 1: Investments in interest bearing instruments represent the Group's investments in entrusted RMB funds arranged by a bank in the PRC. The investments carry at amortised cost with effective interest of 4.51% per annum for a term of one year and are redeemable during the investment period of twelve months.

Note 2: Structured bank deposit represents a RMB LIBOR-linked structured bank deposit (the "LSBD") placed by the Group which was matured on 16 March 2009. Pursuant to the underlying agreement, the LSBD carried interest at variable rates (at a minimum rate of 3% per annum) with reference to USD London Interbank Offered Rate (LIBOR) and its principal sum is guaranteed upon maturity.

Note 3: Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods ranging from 1 to 3 months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

As at the end of the reporting period, a portion of the above balance was denominated in RMB, which are not freely convertible into other currencies. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

18. TRADE AND OTHER PAYABLES

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Trade payables	627,802	728,981
Advance payments from customers	994,888	902,240
Other taxes payable	54,670	120,885
Purchase of property, plant and equipment	91,824	74,725
Suppliers' deposits	44,223	34,703
Accrued salaries and welfare expenses	8,165	16,944
Other payables	56,587	53,189
	1,878,159	1,931,667

The following is an aged analysis of trade payables at the end of the reporting date:

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
0 to 30 days	457,196	615,245
31 to 60 days	94,049	70,466
61 to 90 days	28,888	16,402
Over 90 days	47,669	26,868
	627,802	728,981

19. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 1)	**6,232**	—
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.) (Note 2)	**17,425**	18,662
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 2)	**3,005**	5,465
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.) (Note 2)	**2,541**	1,359
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 2)	**1,132**	—
Others	**1,069**	700
	31,404	26,186

Note 1: A related company, in which a Director of the Company, Mr. Wang, has significant influence.

Note 2: Fellow subsidiaries of the Company, in which a Director of the Company, Mr. Wang, has beneficial interests.

20. CONVERTIBLE BONDS

The Company issued zero coupon convertible bonds due 2011 with the aggregate principal amount of Hong Kong Dollar ("HKD") 1,000,000,000 (the "Bonds") on 23 October 2006. Each Bond will, at the option of the bondholder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 30 October 2006 up to and including 16 October 2011 into fully paid ordinary shares with a par value of HKD0.10 each of the Company at an initial conversion price of HKD6.42 per share (subject to adjustments). Pursuant to the Company's announcement on 2 June 2009, the conversion price is adjusted from HKD6.42 per share to HKD5.99 per share effective from 15 June 2009.

The movements of the liability component and derivative component of the Bonds for the six months ended 30 June 2009 are set out below:

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2009 (audited)	852,806	166,173	1,018,979
Exchange realignment	(385)	—	(385)
Effective interest expense charged during the period (note 7)	42,926	—	42,926
Changes in fair value	—	263,639	263,639
Conversion during the period	(24,141)	(11,605)	(35,746)
At 30 June 2009 (unaudited)	871,206	418,207	1,289,413

During the six months ended 30 June 2009, principal amount of HKD27,000,000 of the Bonds had been converted into 4,507,512 ordinary shares of HKD0.10 each of the Company.

21. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2009 and 30 June 2009	**5,000,000,000**	**500,000**
Issued and fully paid:		
At 1 January 2009 (audited)	**1,774,555,000**	**177,456**
Shares repurchased and cancelled	**(6,629,000)**	**(663)**
Exercise of share options	**4,962,000**	**496**
Conversion of convertible bonds	**4,507,512**	**451**
At 30 June 2009 (unaudited)	**1,777,395,512**	**177,740**
		RMB'000
Shown in the condensed consolidated financial statements:		
At 30 June 2009 (unaudited)		**182,911**
At 31 December 2008 (audited)		182,661

21. SHARE CAPITAL (Continued)

During the six months ended 30 June 2009, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HKD	HKD	HKD'000
January 2009	6,629,000	5.48	4.09	32,673

The repurchased shares were subsequently cancelled and accordingly the issued share capital of the Company was diminished by the nominal value thereof. The nominal value of approximately HKD663,000 (equivalent to approximately RMB584,000) of all the shares cancelled during the period was credited to capital redemption reserve account, and the premium paid or payable and the related costs incurred for the repurchase of approximately HKD32,952,000 (equivalent to approximately RMB29,041,000) was charged against the share premium account of the Company.

In addition, during the six months ended 30 June 2009, a total of 4,962,000 ordinary shares of HKD0.10 each of the Company were issued upon exercise of share options and a total of 4,507,512 ordinary shares of HKD0.10 each of the Company were issued upon the conversion of a total principal amount of HKD27,000,000 of the Bonds at a conversion price of HKD5.99 per share. These shares issued during the period rank pari passu in all respects with the then existing shares.

22. ACQUISITION OF ASSETS IN A SUBSIDIARY

In June 2009, the Group acquired 100% equity interests in 泰州金信投資管理有限公司 (Taizhou Jinxin Investment Management Co., Ltd.) ("Taizhou Jinxin") and assumed the shareholder's loan at an amount of RMB11,483,000 from a fellow subsidiary of the Company, in which a Director of the Company, Mr. Wang, has beneficial interest, at an aggregation consideration of RMB74 million. Details of the transaction are set out in the announcement of the Company dated 5 June 2009.

On the date of acquisition, Taizhou Jinxin owns a vacant property and has not commenced operations. The property will be used for the Group's department store operation. In the opinion of the Directors, the acquisition does not constitute a business combination in accordance with HKFRS 3 "Business Combination" and as such, the acquisition has been accounted for as acquisition of assets and liabilities.

Net assets acquired in the transaction are as follows:

	RMB'000
Property, plant and equipment (note)	74,000
Amount due to a shareholder	(11,483)
Consideration	62,517
Consideration for assumption of the shareholder's loan	11,483
Total consideration paid	74,000

Note: The amount includes land use rights, of which the lease payments cannot be allocated reliably between the land and building elements. The entire lease is treated as a finance lease and accounted for as property, plant and equipment.

23. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme approved by written resolutions of the sole shareholder of the Company on 26 February 2006, the Company granted share options to its employees. Movements of the Company's share options held by Directors and employees during the period and outstanding at 30 June 2009 are as follows:

	Number of share options				
	Outstanding at 1 January 2009 (audited)	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2009 (unaudited)
Executive Directors	1,000,000	(50,000)	(340,000)	—	**610,000**
Non-executive Director	—	1,000,000	(60,000)	—	**940,000**
Independent non-executive Directors	300,000	—	—	(300,000)	**—**
Key management	4,980,000	(800,000)	(1,246,000)	—	**2,934,000**
Other employees	31,668,000	(150,000)	(3,316,000)	(878,000)	**27,324,000**
	37,948,000	—	(4,962,000)	(1,178,000)	**31,808,000**
Exercisable at 30 June 2009					**3,344,000**

The weighted average share price at the time of exercise was HKD7.19 per share.

The Group recognised total expenses of RMB6,614,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB4,822,000) in relation to share options granted by the Company.

24. OPERATING LEASE ARRANGEMENTS

The Group as leasee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of certain office and department store properties rented under non-cancellable operating leases which fall due as follows:

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Within one year	**34,718**	19,524
In the second to fifth year inclusive	**92,925**	45,402
Over five years	**44,025**	4,842
	171,668	69,768

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

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Within one year	**15,123**	7,123
In the second to fifth year inclusive	**43,561**	7,123
Over five years	**40,000**	—
	98,684	14,246

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain landlords, which include fellow subsidiaries of the Company, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the six months ended 30 June 2009 amounted to approximately RMB7,958,000 (six months ended 30 June 2008: RMB3,305,000).

Operating lease payments represent rentals payable by the Group for certain office and department store properties. Leases are negotiated for terms ranging from 1 to 20 years with fixed and/or contingent rents.

24. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of department store properties:

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Within one year	17,609	9,141
In the second to fifth year inclusive	45,518	19,471
Over five years	16,196	2,449
	79,323	31,061

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on the tenants' monthly gross sales or gross profit. Rental income received from these contingent lease contracts during the six months ended 30 June 2009 was RMB11,107,000 (six months ended 30 June 2008: RMB6,282,000).

Leases are generally negotiated for terms ranging from 1 to 15 years.

25. CAPITAL COMMITMENTS

	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of land use rights	27,200	—
– acquisition of subsidiaries	166,860	—
	194,060	—

26. RELATED PARTY TRANSACTIONS

During the period, other than those disclosed in notes 15, 16, 19, 22 and 24, the Group had the following significant transactions with related companies:

a) Transactions

Relationship with related parties	Nature of transactions	Six months ended 30.6.2009 RMB'000 (unaudited)	Six months ended 30.6.2008 RMB'000 (unaudited)
Fellow subsidiaries of the Company in which a Director of the Company, Mr. Wang, is deemed to have beneficial interests	Decoration service fee paid	**6,416**	9,366
	Property management fee paid	**11,459**	9,592
	Property rentals paid	**10,889**	5,544
	Property rentals received	**25**	679
	Parking management fee paid	**2,376**	2,140
	Project management fee paid	**700**	2,700
	Management service fee received	**—**	634
	Sales of merchandise	**799**	447
	Proceeds from sales of available-for-sale investments	**34,499**	—
A related company, in which a Director of the Company, Mr. Wang, has significant influence	Management service fee received	**2,334**	—

26. RELATED PARTY TRANSACTIONS (Continued)

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	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and allowances	**2,231**	1,297
Retirement benefits schemes contributions	**91**	75
Equity-settled share-based payments	**913**	1,637
	3,235	3,009

27. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to 30 June 2009, principal amount of HKD429.0 million of the Bonds (equivalent to approximately RMB378.2 million) had been converted into ordinary shares of the Company and the principal amount outstanding as at the date of the report is HKD544.0 million (equivalent to approximately RMB479.6 million).

BUSINESS REVIEW

Industry Overview

The PRC economy has followed the declining trend carried forward from last year and reached an unprecedented setback in the first quarter of 2009. In the second quarter of the year, different economic figures began to pick up, reflecting gradual recovery of the economy, macro and microeconomic indicators, which indicate the overall industry profitability, showed a significant rebound. Total retail sales of consumer goods in the PRC started climbing up at a remarkable pace in April 2009. Such positive trend is also reflected in a series of statistical indicators, such as consumer confidence index.

In the first half of 2009, the gross domestic product ("GDP") of the PRC recorded a year-on-year increase of 7.1%. Retail sales in the domestic market have increased steadily despite a slowdown in economic growth. During the first half of the year, total retail sales of consumer goods recorded a year-on-year increase of 15.0%. After excluding the factor of inflation, the actual growth was 16.6%, representing an increment of 3.7 percentage points as compared to that of last year.

The GDP of Jiangsu Province, where the Group has established a leading market position, recorded a year-on-year increase of 11.0% in the first half of 2009. The growth rate had slowed down but was still above the average level across the nation. In the first half of the year, total retail sales of consumer goods in Jiangsu Province posted a year-on-year increase of 17.2%. After excluding the factor of inflation, the actual growth was 18.6%, representing an increment of 1.9 percentage points as compared to that of last year. The disposable income per capita of urban residents of Jiangsu Province also increased by 11.5% in the first half of the year.

Company Business

The global financial crisis affected the PRC economy and weakened consumer confidence. In order to increase traffic and transaction volume, each of the Group's chain stores proactively responded to the ever-changing market by analyzing the changing consumption psychologies and the needs of our target customers, adjusting and upgrading brand and merchandise mix to enhance attractiveness to our target customers, and organizing various distinctive and innovative promotion activities during festivals and public holidays. With the efforts of the entire team, the Group's GSP maintained a rapid and stable year-on-year growth of 24.7%, reaching RMB3,751.7 million.

The Group continued to focus on expanding the value-added services of VIP customers by collaborating with various banks to share the resources of quality customers. In addition, the Group launched VIP salon activities and increased the number of fashionable partners, so as to enhance customer satisfaction, reinforce their sense of prestige and loyalty. As at 30 June 2009, the Group had over 616,000 VIP customers and the amount of sales attributable to VIP customers contributed approximately 62,7% of the Group's total GSP.

Each chain store of the Group adjusted its own brand and merchandise mix with reference to the performance of brands and changes in local customers' demand. Nanjing Xinjiekou Store has successfully introduced various well-known international brands, including COACH, AGNES. B and GIORGIO ARMANI while Xuzhou Store has successfully introduced SWAROVSKI and LANCOME.

The department store sector was full of challenges in the first half of 2009. The decline in target customers' spending appetites and the change in consumption demands brought new challenges to department store operators. Innovative and successful promotional campaigns became the critical factors for achieving sales growth. Each of the Group's chain stores carried out various successful promotional campaigns to cater for different characteristics of individual market and changes in customer demand, which resulted in tremendous sales growth. Nanjing Xinjiekou Store recorded a GSP of RMB 33.93 million on its anniversary date on 18 April 2009, which was a new record in single day sales of the store and an increase of 35.9% as compared to the last anniversary. Xuzhou Store recorded a GSP of RMB12.85 million on 8 March 2009, the International Women's Day, representing an increase of 37.4% as compared to that of the same day last year, which was also a new record in single day sales of the store in the first half of the year.

The Group believes that innovation and execution are the core factors of success. The Group encourages its staff to learn from daily operation and achieve innovative breakthrough. Through target management, inventory control, sales channel exploration and standardized management, the Group is dedicated to further enhance its management standards.

Expansion of New Stores

Nanjing Orient Department Store has become the Group's management store since January 2009. Located at the core business circle of Nanjing Xinjiekou, Nanjing Orient Store is positioned as a mid-to-high end department store, and has successfully introduced various well-known international brands, including GUCCI, EMPORIO ARMANI, FENDI, CELINE and GIVENCHY.

Yangzhou Jinghua Store, the second store in Yangzhou, was located at Yangzhou New Area and commenced business in April 2009. The performance of Yangzhou Jinghua Store was in line with the management's expectation. It has successfully created synergies with Yangzhou Wenchang Store and further strengthened the Group's market share in Yangzhou city.

Shanghai Store commenced its business in May 2009. The image and shopping environment of the store were effectively improved by brand new exterior facade and interior design. In addition, the introduction of GUCCI's China flagship store and other well-known international brands enhanced the growth prospects of Shanghai Store.

Nanjing Hanzhong Store commenced its business in July 2009 and positioned itself as a retail outlet. Its market positioning is different from those of Nanjing Xinjiekou Store and Nanjing Zhujiang Store which captures opportunities from different market segment. The performance of Nanjing Hanzhong Store was in line with the management's expectation.

In June 2009, the Group entered into a sale and purchase agreement to acquire a property adjacent to Taizhou Store for expansion of the existing Taizhou Store. The additional portion of Taizhou Store is expected to commence business in October 2009. The gross floor area of Taizhou Store will increase by 23.3% to approximately 58,374 square meters, which will provide additional space for enrichment of its product and brand mix.

The Group will continue to seek expansion opportunities which commensurate with its development strategies and capital return requirements. During the period under review, the Group has entered into several cooperation agreements and/or identified locations for opening new stores in Suqian, Lianyungang and Liyang in Jiangsu Province and Huaibei in Anhui Province. It is expected that the gross floor area of the Group will increase by not less than 160,000 square meters by the end of 2010.

Outlook

The PRC economy began to recover in the first half of 2009, and real estate and automobile industries have been the major driving force in fuelling domestic consumption. The buoyant stock market reflects investors' expectation and recognition of economic recovery. With the implementation of various policies to stimulate economic growth by the PRC government, the increase of private investments and the recovery of the global economy, the management are of the view that the PRC economy will continue to improve in the second half of the year.

In view of the positive outlook of the PRC economy, the Group will further strengthen its leading position in Jiangsu Province by increasing the number of chain stores in Nanjing and other cities in Jiangsu Province. The Group will continue to expand its store network by strengthening its coverage in neighboring provinces such as Anhui and Shandong Provinces. In addition, the Group will further expand its network in Northwest China leveraging on its strong foothold in Xi'an and keep a close eye on other provincial capital cities which has huge economic potentials and less competition.

The Group will continue to stay abreast with the macro-economic development and the consumption needs of its target customers. With its continuous efforts in brand and merchandise adjustments, innovative promotional campaigns and effective staff trainings, the Group's overall execution abilities and profitability will be further enhanced. The Group is confident of its future prospect and believes that it will be able to achieve rapid and steady growth alongside the economic recovery.

FINANCIAL REVIEW

Analysis of profit, excluding the impact of the Bonds, attributable to shareholders

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
As reported	**75,240**	351,718
Excluding the effects of:		
Changes in fair value of derivative financial instruments	**263,639**	(64,982)
Effective interest expense on Bonds	**42,926**	40,058
Exchange realignment on Bonds	**(384)**	(51,250)
As adjusted	**381,421**	275,544
Adjusted basic earnings per share (RMB per share)	**0.216**	0.152

Excluding the impact of the Bonds, profit attributable to shareholders of the Company was approximately RMB381.4 million for the six months ended 30 June 2009, representing a year-on-year growth of approximately 38.4% or RMB105.9 million as compared with that of the same period last year. The growth was mainly driven by the growth in revenue and other operating income of the Group which are analyzed below.

GSP and revenue

GSP of the Group grew to approximately RMB3,751.7 million for the six months ended 30 June 2009, representing a year-on-year growth of approximately 24.7% or RMB744.0 million as compared with that of the same period last year. The growth was mainly contributed by the increase in the same store sales growth of approximately 14.9%, the inclusion of the full six months sales performance of Huai'an Store and Yancheng Store, which were opened in the second half of 2008, and the sales performance of the new stores opened during the period under review.

Despite the various challenges and obstacles faced by the chain stores of the Group during the period under review, Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store all maintained satisfactory same store sales growth of approximately 4.9%, 12.3% and 16.1% respectively for the six months ended 30 June 2009. In addition, younger stores like Xi'an Gaoxin Store, Taizhou Store, Kunming Store and Nanjing Zhujiang Store have became the new driving force of the Group's sales growth with strong same store sales growth of approximately 60.0%, 39.0%, 64.8% and 53.3% respectively for the six months ended 30 June 2009.

Contribution to GSP by different stores

In light of the contribution to GSP from stores with less than 36 months of operation increased from approximately 14.8% of the same period last year to 25.8% for the six months ended 30 June 2009, the contribution to GSP by Nanjing Xinjiekou Store as a percentage of the GSP decreased from approximately 44.1% of the same period last year to 37.1% while the aggregate contribution to GSP from Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store decreased from approximately 75.4% of the same period last year to 65.8% for the six months ended 30 June 2009.

During the six months ended 30 June 2009, concessionaries sales contributed approximately 92.1% (2008: 92.3%) of the Group's GSP, which increased from RMB2,776.4 million for the same period last year to RMB3,455.7 million. Direct sales contributed approximately 7.4% (2008: 7.3%) of the Group's GSP, which increased from RMB220.5 million to RMB278.8 million.

The commission rate for concessionaires increased slightly to approximately 20.9% of the Group's GSP for the six months ended 30 June 2009 (2008: 20.4%). The Directors intend to maintain stability of commission rate by conducting periodic review and enhancing the merchandise mix according to the changing consumption demands. The profit margin from direct sales decreased from approximately 21.6% of the same period last year to 19.6% for the six months ended 30 June 2009 as the result of increase in promotion activities.

Percentage to GSP by merchandise categories

In terms of percentage to GSP by merchandise categories, apparel and accessories contributed approximately 57.8% of the GSP, merchandises in gold, jewellery and timepieces contributed approximately 15.1%, cosmetics contributed approximately 7.2% and the other categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 19.9%. The contribution proportion of GSP by categories is similar to the same period last year.

The Group's total revenue increased to approximately RMB870.7 million or 27.7% from the same period of last year. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income increased by approximately RMB40.4 million or 136.6% to approximately RMB70.0 million for the six months ended 30 June 2009. The increase was mainly due to the increase in income from suppliers and customers by approximately RMB30.5 million or 157.6% as more revenue was generated and increase in government grants by approximately RMB14.1 million or 277.9%.

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. The changes in inventories of merchandise increased by approximately RMB43.7 million or 29.6% as compared with that of the same period last year to approximately RMB191.5 million for the six months ended 30 June 2009. The increase was generally in line with the increase in direct sales for the period under review.

Employee benefits expense

Employee benefits expense increased by approximately RMB11.6 million or 17.9% to approximately RMB76.1 million for the six months ended 30 June 2009. The increase was mainly attributable to the inclusion of the full period employee benefits expense for stores opened in 2008 and the employee benefits expense incurred for new stores opened during the period under review. Employee benefits expense as a percentage to GSP decreased to approximately 2.4%, representing a decrease of 0.1 percentage point as compared to 2.5% for the same period last year.

Excluding the expenses incurred by stores opened since 2008, the employee benefits expense actually decreased by approximately RMB1.9 million or 3.0% as compared with that of the same period last year, from RMB64.5 million to RMB62.6 million.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and release of prepaid lease payments on land use rights increased by approximately RMB12.0 million or 33.3% as compared with that of the same period last year to approximately RMB48.0 million for the six months ended 30 June 2009. The increase was primarily due to the additional depreciation and amortization charged for construction, renovation and expansion of the Group's existing stores during the period under review, the inclusion of the full period depreciation and amortization for stores opened in 2008 and the depreciation and amortization charges recognised for new stores opened during the period under review. Depreciation and amortization expenses as a percentage to GSP increased to approximately 1.5%, representing an increase of 0.1 percentage point as compared to 1.4% for the same period last year.

Other operating expenses

Other operating expenses increased by approximately RMB35.4 million or 30.8% as compared with that of the same period last year to approximately RMB150.4 million for the six months ended 30 June 2009. The increase was mainly due to the inclusion of the full period operating expenses for stores opened in 2008 and the other operating expenses incurred for new stores opened during the period under review.

Excluding the operating expenses incurred by stores opened since 2008, the other operating expenses actually increased by approximately RMB4.3 million or 3.7% as compared with that of the same period last year , from RMB114.9 million to RMB119.2 million.

Profit from operations

Profit from operations, which is the earnings before interest and taxes, increased by approximately RMB126.6 million or 36.4% as compared with that of the same period last year to approximately RMB474.6 million for the six months ended 30 June 2009. Profit from operations as a percentage to GSP increased to approximately 14.8%, representing an increase of 1.3 percentage points as compared to 13.5% for the same period last year. The Group continues to enjoy increase in operating margin through operating synergies.

Finance income

Finance income comprised of income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group with banks when the Group has excessive capital. Finance income for the six months ended 30 June 2009 decreased by approximately RMB8.1 million or 22.1% as compared with that of the same period last year which was primarily due to the decrease in average effective interest rates during the period under review.

Finance costs

Finance costs represent the effective interest expense (for accounting purposes only) of the Bonds which was approximately RMB42.9 million for the six months ended 30 June 2009. Other than the effective interest expense relating to the Bonds, no other interest expense was paid by the Group during the period under review.

Changes in fair value of derivative financial instruments

Changes in fair value of derivative financial instruments represent the fair value changes of the derivative components (for accounting purposes only) of the Bonds. The derivative components represent the conversion and redemption options attached to the Bonds. The loss for the period under review was approximately RMB263.6 million as compared to approximately RMB65.0 million gain for the same period last year. Other than the derivative components relating to the Bonds, the Group has no other derivative financial instruments during the period under review.

Other gains and losses

Other gains and losses mainly comprised of the net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB during the period under review and the gains and losses arising from the Group's securities investments. Other gains and losses for the six months ended 30 June 2009 decreased by approximately RMB46.9 million or 76.1% as compared with that of the same period last year to approximately RMB14.8 million, which was primarily due to the decrease in net foreign exchange gains by approximately RMB50.1 million or 101% as compared with that of the same period last year to approximately RMB0.5 million losses as RMB was slightly depreciated during the period under review as opposed to the strong appreciation during same period last year.

Income tax expense

The income tax expense of the Group increased by approximately RMB16.6 million or 13.9% as compared with that of the same period last year to approximately RMB135.9 million, which was due to the increase in profit before income tax and the 5% withholding tax provided for the anticipated dividend distribution to the Company by its subsidiaries established in the PRC.

Profit for the period

Profit attributable to shareholders of the Company was approximately RMB75.2 million for the six months ended 30 June 2009, representing a decline of approximately 78.6% or RMB276.5 million as compared with that of the same period last year. The decrease was mainly due to the loss arising from changes in fair value of derivative component of the Bonds of approximately RMB263.6 million for the six months ended 30 June 2009, which outweighted the increase of the Group's profit from operations of approximately RMB126.6 million.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and 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 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 recorded in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of 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 ("Shares")

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Wang Hung, Roger ("Mr. Wang")(Note)	Interest in controlled corporations	1,323,844,000	74.48%

Note : These 1,323,844,000 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 1,323,844,000 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 each of Ms. Zheng Shu Yun and 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 each of Ms. Zheng Shu Yun and 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, of which options to subscribe for 100,000 Shares held by Mr. Wang Yao were exercised in 2007, options to subscribe for 200,000 Shares held by Mr. Wong Chi Keung were forfeited in March 2009 and options to subscribe for 100,000 Shares held by Mr. Lau Shek Yau, John were forfeited in March 2009. Details of the remaining options are as follows:

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Zheng Shu Yun	610,000	0.03%
Han Xiang Li	940,000	0.05%

Save as disclosed above, as at 30 June 2009, none of the Directors, chief executive nor their associates had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

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

As at 30 June 2009, the register of substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executive of the Company, the following shareholders had notified the Company of their relevant interests and short positions in the shares and underlying shares of the Company:

Long position in Shares

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited *(Note)*	Interest in controlled corporation	1,323,844,000	74.48%
Golden Eagle International Retail Group Limited *(Note)*	Beneficial owner	1,323,844,000	74.48%

Note : 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 30 June 2009, the Company has not been notified of any other relevant interests or short positions in the issued share capital 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 directors, 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, have contributed to the Group to subscribe for Shares in the Company for a consideration of HKD1.00 for each lot of share options granted for the primary purpose of providing incentives to directors and eligible employees, consultants and advisors. The Scheme will remain effective for a period of ten years commencing from 26 February 2006.

During the six months ended 30 June 2009, no share options were granted, 4,962,000 share options were exercised and 1,178,000 share options were forfeited. There were a total of 31,808,000 Shares available for issue pursuant to options that were granted under the Scheme, representing about 1.72 per cent of the entire issued share capital of the Company as at the date of this report.

Movements of the Company's share options during the period and outstanding at 30 June 2009 are as follows:

	Number of share options									
	Outstanding at 1 January 2009 (audited)	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2009 (unaudited)	Date of grant	Exercise period (Note 1)	Exercise price HKD	Price of the Company's share immediately before the grant date HKD	Price of the Company's shares on the date immediately before the exercise date (Note 2) HKD
Executive Directors	250,000	(50,000)	(100,000)	–	**100,000**	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	7.46
	750,000	–	(240,000)	–	**510,000**	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	8.26
Non-executive Director	–	250,000	(60,000)	–	**190,000**	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	8.25
	–	750,000	–	–	**750,000**	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	N/A
Independent non-executive Directors	300,000	–	–	(300,000)	**–**	20 November 2006	20 October 2007 to 20 March 2009	4.80	4.70	N/A
Key management	1,130,000	(200,000)	(510,000)	–	**420,000**	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	6.77
	3,850,000	(600,000)	(736,000)	–	**2,514,000**	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	7.36
Other employees	2,403,000	–	(1,069,000)	(224,000)	**1,110,000**	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	7.63
	11,265,000	(150,000)	(2,247,000)	(654,000)	**8,214,000**	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	7.54
	18,000,000	–	–	–	**18,000,000**	05 December 2008	05 December 2009 to 04 December 2014	4.20	4.19	N/A
	37,948,000	–	(4,962,000)	(1,178,000)	**31,808,000**					
Exercisable at 30 June 2009					**3,344,000**					

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The prices of the Company's shares on the dates immediately before the exercise dates are the weighted average of the closing prices as quoted on the Stock Exchange immediately before the dates on which the share options were exercised.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme as disclosed above, at no time during the period under review was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors 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

The Group relies principally on cash flows generated from its operating activities as the primary source of liquidity. As at 30 June 2009, the Group's bank balances, cash on hand and near cash instruments (including bank balances and cash, structured bank deposits and investments in interest bearing instruments) were approximately RMB1,761.6 million (31 December 2008: RMB2,090.6 million) whereas Bonds amounted to approximately RMB871.2 million as at 30 June 2009 (31 December 2008: RMB852.8 million). The Group had no bank borrowings as at 30 June 2009.

The total assets of the Group as at 30 June 2009 amounted to approximately RMB4,618.2 million (31 December 2008: RMB4,782.6 million) whereas the total liabilities amounted to approximately RMB3,391.4 million (31 December 2008: RMB3,124.7 million), resulting in a net assets position of approximately RMB1,226.8 million (31 December 2008: RMB1,657.9 million). The decrease was mainly attributable to the net effects of the net profit generated during the period under review and the payment of final dividends for the year 2008. The gearing ratio, calculated by total bank borrowings and convertible bonds over total assets of the Group, was increased to approximately 18.9% at 30 June 2009 (31 December 2008: 17.8%).

As at 30 June 2009, the liability component of the Bonds had been classified as current liabilities in accordance with the requirements of HKAS 1 "Presentation of Financial Statements", as the bondholders may exercise their early redemption option on 23 October 2009 to redeem the Bonds at 115.8% of the principal amount. The remaining unredeemed amounts will be reclassified to non-current liabilities subsequent to 23 October 2009 and on the subsequent balance sheet date as of 31 December 2009. Management had carefully considered the liquidity of the Group and consider that the Group has sufficient liquid assets generated from its operations to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future after taking into consideration the cash inflows to be generated from its operations, bank balances, cash on hand, near cash instruments and the available unutilised banking facilities and reserved borrowing facilities.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no material contingent liabilities (31 December 2008: nil).

PLEDGE OF ASSETS

As at 30 June 2009, no property, plant and equipment of the Group was pledged to secure general banking facilities of the Group (31 December 2008: nil).

FOREIGN EXCHANGE EXPOSURE

Certain bank balances and cash and the Bonds of the Group are denominated in Hong Kong dollars which exposed the Group to foreign exchange risks. For the period under review, the Group recorded net foreign exchange losses of approximately RMB0.5 million while RMB49.6 million of net foreign exchange gains were recorded during the same period last year.

The Group has not entered into any foreign exchange hedging arrangements as at 30 June 2009 and the Group's operating cash flows is not subject to any exchange fluctuation.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the period under review, the Company repurchased 6,629,000 ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK$32.7 million (equivalent to approximately RMB28.8 million). The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase.

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 Listing Rules for the six months ended 30 June 2009, except for code provision A.2.1. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Chairman of the Board takes a leading role and is responsible for the effective functioning of the Board. With the support of the senior management of the Company, the Chairman is also responsible for overall strategic development of the Company. Ms. Zheng Shu Yun, one of the executive Directors, is the chief operating officer ("COO") of the Company and Ms. Tai Ping, Patricia, one of the members of senior management, is the chief financial officer ("CFO") of the Company. The COO and CFO are responsible for the implementation of business strategy and management of the day-to-day operations of the Company's business. Having considered the current business operation and the aforesaid organization structure, the Directors consider that it is not necessary to appoint a chief executive officer.

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 2009.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting processes and internal control procedures of the Group. The Group's results for the six months ended 30 June 2009 have been reviewed by the Audit Committee and the Company's auditor. As at the date of this report, the Audit Committee comprised three independent non-executive Directors.

ACKNOWLEDGEMENT

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

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

Hong Kong, 19 August 2009