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 2010

二零一零年 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 14 years, successfully opened 16 self-owned stores and 1 management store as at the date of this report. These stores spanned across three provinces namely Jiangsu Province, Shaanxi Province and Yunnan Province, and covering eleven cities, including Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Xi'an and Kunming, with a total gross floor area exceeding 539,000 square meters and a total operating area of approximately 360,000 square meters.

The Group has successfully established a leading position in Jiangsu Province, the market in which the Group enjoys competitive advantages. The Group has accumulated valuable experiences in cross-region expansion and operation 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 prime shopping districts in their respective cities. The proportion of self-owned properties reaches approximately 71% of the total gross floor area. In order to capture development opportunities, the Group also occupies high quality properties by entering into long-term leases, which can minimize the impact of rental increase on the operations of department stores. The target term of lease 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 more than 697,000 loyal VIP customers as at 30 June 2010, which further strengthened the Group's foundation for long-term development and expansion. During the reporting period, VIP customers' spending accounted for approximately 62% of the gross sales proceeds of the Group.

STANDARDIZED MANAGEMENT SYSTEM AND LEADING ERP MANAGEMENT SYSTEM IN THE INDUSTRY

The Group has achieved ISO9001 quality management system 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 operational, financial and human resources data to the headquarter and the management in an efficient and timely manner. The ERP system enables the Group to monitor the operational status of its chain stores effectively and formulate its development strategy in response to the ever-changing market conditions.

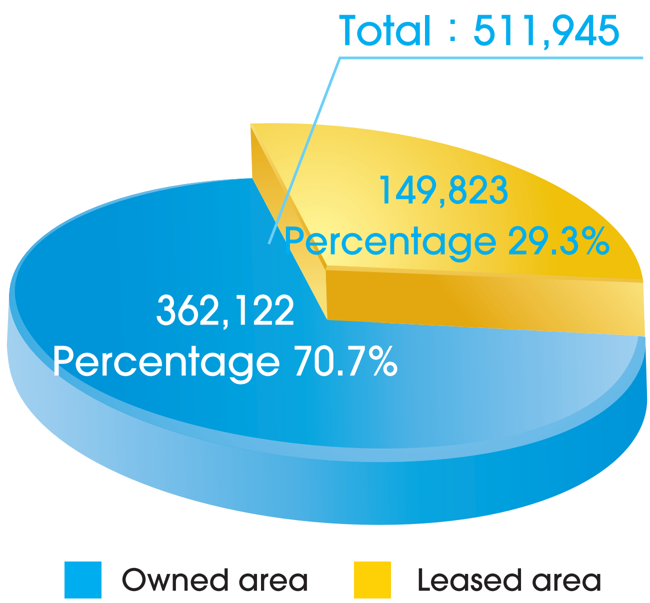
INSIGHT FOR INTERNATIONALIZED MANAGEMENT AND LOCALIZED OPERATING STRATEGIES

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 employees' sustainable development capabilities and their insights for internationalized management. Meanwhile, the Group has implemented 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 2010, the Group had approximately 4,000 employees.

Golden Eagle In China

Gross floor area of chain stores Unit: square metres

Nanjing Xinjiekou Store	Nanjing Zhujiang Store	Nanjing Hanzhong Store	Nanjing Xianlin Store
Owned 33,447	Leased 33,578	Leased 12,462	Leased 24,440
Nantong Store	**Yangzhou Store**	**Suzhou Store**	**Xuzhou Store**
Owned 8,795	41,012 (Leased: 3,450)	Leased 14,960	Owned 51,266
Xi'an Guomao Store	**Xi'an Gaoxin Store**	**Taizhou Store**	**Kunming Store**
Leased 10,029	Owned 27,287	Owned 58,374	Owned 33,702
Huai'an Store	**Yancheng Store**	**Yangzhou Jinghua Store**	**Shanghai Store**
Owned 49,689	Owned 62,000	Leased 29,598	Leased 21,306



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)
The Royal Bank of Scotland

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

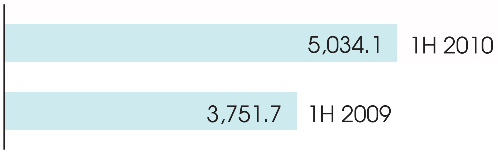
CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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)

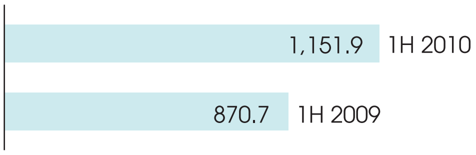
Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

GROSS SALES PROCEEDS (RMB MILLION)



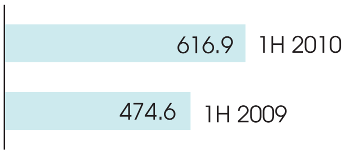
+34.2%

REVENUE (RMB MILLION)



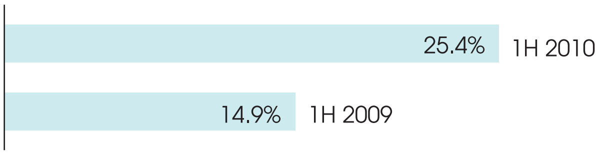
+32.3%

PROFIT FROM OPERATIONS (RMB MILLION)



+30.0%

SAME STORE SALES GROWTH [1]



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

Enrich life with styles!

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 2010, together with unaudited comparative figures for the corresponding period in 2009. The unaudited condensed consolidated interim financial information have not been audited, but have been reviewed by the auditor, Messrs. Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

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 38 which comprises the condensed consolidated statement of financial position of Golden Eagle Retail Group Limited and its subsidiaries as of 30 June 2010 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
17 August 2010

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	NOTES	Six months ended 30.6.2010 RMB'000 (unaudited)	30.6.2009 RMB'000 (unaudited)
Revenue	3	**1,151,929**	870,690
Other operating income	5	**50,385**	69,953
Changes in inventories of merchandise		**(233,783)**	(191,515)
Employee benefits expense		**(88,780)**	(76,087)
Depreciation and amortisation of property, plant and equipment		**(56,422)**	(45,600)
Release of prepaid lease payments on land use rights		**(3,482)**	(2,414)
Rental expenses		**(40,892)**	(19,266)
Other operating expenses		**(162,014)**	(131,160)
Profit from operations		**616,941**	474,601
Finance income	6	**13,617**	28,372
Finance costs	7	**(1,576)**	(42,926)
Changes in fair value of derivative financial instruments		**—**	(263,639)
Other gains and losses	8	**(1,832)**	14,768
Profit before tax		**627,150**	211,176
Income tax expense	9	**(165,157)**	(135,936)
Profit for the period, attributable to owners of the Company	10	**461,993**	75,240
Earnings per share			
– Basic (RMB per share)	12	**0.238**	0.043
– Diluted (RMB per share)	12	**0.236**	0.042

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**461,993**	75,240
Other comprehensive expense and income		
(Loss) gain on fair value changes of available-for-sale investments	**(36,358)**	22,541
Reclassified to profit or loss on disposal of available-for-sale investments	**(1,795)**	(15,243)
Income tax relating to components of other comprehensive expense and income	**10,246**	(1,808)
Other comprehensive expense and income for the period (net of tax)	**(27,907)**	5,490
Total comprehensive income for the period, attributable to owners of the Company	**434,086**	80,730

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	NOTES	30.6.2010	31.12.2009
		RMB'000	RMB'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	13	**2,343,288**	2,378,087
Land use rights – non-current portion	13	**836,196**	478,845
Deposits	14	**642,944**	493,694
Goodwill		**26,035**	26,035
Available-for-sale investments	15	**266,718**	11,594
Deferred tax assets		**31,189**	26,976
		4,146,370	3,415,231
Current assets			
Inventories		**135,257**	156,332
Trade and other receivables	16	**103,125**	107,185
Land use rights – current portion		**6,963**	6,963
Amounts due from related companies	17	**12,557**	7,716
Investment in interest bearing instrument	18	**400,000**	—
Structured bank deposit	18	**232,750**	—
Pledged bank deposit	18	**269,033**	269,033
Bank balances and cash	18	**1,056,342**	2,020,917
		2,216,027	2,568,146
Current liabilities			
Trade and other payables	19	**1,018,791**	1,293,289
Amounts due to related companies	20	**31,098**	25,569
Short-term bank loans	21	**477,323**	269,033
Tax liabilities		**43,613**	51,581
Deferred revenue	22	**1,569,332**	1,355,394
		3,140,157	2,994,866
Net current liabilities		**(924,130)**	(426,720)
Total assets less current liabilities		**3,222,240**	2,988,511

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	NOTE	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Non-current liability			
Deferred tax liabilities		**81,793**	69,960
Net assets		**3,140,447**	2,918,551
Capital and reserves			
Share capital	23	**197,373**	197,415
Reserves		**2,943,074**	2,721,136
Total equity		**3,140,447**	2,918,551

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital RMB'000 (note 23)	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	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
Reclassified 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 (note 11)	—	—	—	—	—	—	—	(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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital RMB'000 (note 23)	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 2010 (audited)	197,415	1,640,094	5,048	217,228	3,748	31,806	323,824	499,388	2,918,551
Profit for the period	–	–	–	–	–	–	–	461,993	461,993
Loss on fair value changes of available-for-sale investments	–	–	–	–	(36,358)	–	–	–	(36,358)
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	–	(1,795)	–	–	–	(1,795)
Income tax relating to components of other comprehensive expense and income	–	–	–	–	10,246	–	–	–	10,246
Total comprehensive expense and income for the period	–	–	–	–	(27,907)	–	–	461,993	434,086
Shares repurchased and cancelled	(67)	(8,094)	67	–	–	–	–	(67)	(8,161)
Exercise of share options	25	1,613	–	–	–	(459)	–	–	1,179
Recognition of equity-settled share-based payments	–	–	–	–	–	3,082	–	–	3,082
Appropriation	–	–	–	–	–	–	1,309	(1,309)	–
Dividends recognised as distribution (note 11)	–	–	–	–	–	–	–	(208,290)	(208,290)
At 30 June 2010 (unaudited)	197,373	1,633,613	5,115	217,228	(24,159)	34,429	325,133	751,715	3,140,447

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**505,061**	336,215
Investing activities:		
Investments in interest bearing instruments	**(400,000)**	(1,200,000)
Purchase of available-for-sale investments	**(293,231)**	(786)
Deposits paid for acquisition of property, plant and equipment	**(258,000)**	—
Deposits paid for acquisition of land use rights	**(250,000)**	(25,000)
Investment in structured bank deposit	**(232,750)**	—
Additions to property, plant and equipment	**(41,961)**	(52,237)
Payments on lease payments of land use rights	**(2,083)**	—
Interest received from bank deposits	**10,805**	7,448
Income received from investments in interest bearing instruments	**2,205**	19,919
Proceeds from disposal of available-for-sale investments	**1,749**	39,258
Income received from structured bank deposit	**607**	1,005
Other investing cash flows	**5**	107
Acquisition of assets in a subsidiary	**—**	(74,000)
Deposits paid for acquisition of subsidiaries	**—**	(26,715)
Redemption of investments in interest bearing instruments	**—**	600,000
Redemption of structured bank deposit	**—**	50,000
Net cash used in investing activities	**(1,462,654)**	(661,001)
Financing activities:		
Dividends paid to owners of the Company	**(208,290)**	(544,890)
Repurchase of own shares	**(8,161)**	(29,625)
New short-term bank loan raised	**208,290**	—
Proceeds on exercise of share options	**1,179**	20,301
Net cash used in financing activities	**(6,982)**	(554,214)
Net decrease in cash and cash equivalents	**(964,575)**	(879,000)
Cash and cash equivalents at 1 January	**2,020,917**	2,040,574
Cash and cash equivalents at 30 June, representing bank balances and cash	**1,056,342**	1,161,574

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

Golden Eagle Retail Group Limited 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 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 (the "Listing Rules") and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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 2009.

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.

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. This change in policy has had no material effect of the condensed consolidated financial statements of the Group.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective, which the Directors of the Company anticipate that the future application of these other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group except for the future application of HKFRS 9 "Financial Instruments".

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 2010 is as follows:

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from department store operations		
– direct sales	**299,446**	238,264
– income from concessionaire sales	**830,539**	616,105
– rental income	**18,484**	13,987
– management service fees	**3,460**	2,334
	1,151,929	870,690

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	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
From department store operations		
– direct sales	**350,352**	278,809
– concessionaire sales	**4,660,152**	3,455,725
– rental income	**19,518**	14,809
– management service fees	**4,070**	2,334
	5,034,092	3,751,677

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to chief operating decision makers, the Group's executive directors, for the purposes of resource allocation and performance assessment are as follows:

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

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

	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 2010					
Gross sales proceeds	2,010,829	2,215,442	552,972	254,849	5,034,092
Segment revenue	515,548	462,470	105,562	68,349	1,151,929
Segment results	331,636	262,943	37,491	9,550	641,620
Central administration costs and Directors' salaries					(24,679)
Finance income					13,617
Finance costs					(1,576)
Other gains and losses					(1,832)
Profit before tax					627,150
Income tax expense					(165,157)
Profit for the period					461,993

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 2009					
Gross sales proceeds	1,646,593	1,671,898	394,878	38,308	3,751,677
Segment revenue	422,215	358,970	71,936	17,569	870,690
Segment results	291,923	184,990	20,517	528	497,958
Central administration costs 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

5. OTHER OPERATING INCOME

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from suppliers	**37,103**	30,811
Income from customers	**7,605**	19,038
Government grants	**4,568**	19,241
Others	**1,109**	863
	50,385	69,953

6. FINANCE INCOME

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from investments in interest bearing instruments	**2,205**	19,919
Income from structured bank deposit	**607**	1,005
Interest income on bank deposits	**10,805**	7,448
	13,617	28,372

7. FINANCE COSTS

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on short-term bank loans	**1,576**	—
Effective interest expense on convertible bonds	**—**	42,926
	1,576	42,926

8. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**1,795**	15,243
Net foreign exchange losses	**(3,627)**	(475)
	(1,832)	14,768

9. INCOME TAX EXPENSE

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Current period	**145,376**	124,428
Underprovision in prior periods	**1,915**	3,015
	147,291	127,443
Deferred tax charge:		
Current period	**17,866**	8,008
Attributable to change in tax rate	**—**	485
	17,866	8,493
	165,157	135,936

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 2010 (six months ended 30 June 2009: nil).

Subsidiaries of the Group located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (six months ended 30 June 2009: 25%) pursuant to the relevant PRC Enterprise Income Tax laws, except for Kunming Golden Eagle International Shopping Centre Co., Ltd. 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. 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.

10. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2010	30.6.2009
	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	**104**	11
Impairment loss reversed in respect of other receivables	**—**	(23)

11. DIVIDENDS

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend for the year ended 31 December 2009 of RMB0.108 (year ended 31 December 2008: RMB0.308) per share	**208,290**	544,890

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners 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 owners of the Company is based on the following data:

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**461,993**	75,240

	Six months ended	
	30.6.2010	30.6.2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,941,447**	1,769,402
Effect of dilutive potential ordinary shares attributable to share options	**18,303**	4,093
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,959,750**	1,773,495

The computation of diluted earnings per share for the six months ended 30 June 2009 excludes the effect arising from convertible bonds which will result in an increase in earnings per share.

12. EARNINGS PER SHARE (Continued)

Adjusted earnings per share:

	Six months ended	
	30.6.2010	30.6.2009
	RMB	RMB
	(unaudited)	(unaudited)
Adjusted earnings per share		
– Basic	**0.238**	0.216
– Diluted	**0.236**	0.215

Adjusted basic and diluted earnings per share have also been disclosed to present the Group's adjusted basic and diluted earnings per share after the exclusion of the related effects on convertible bonds which had been charged to profit or loss during the period.

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**461,993**	75,240
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments	**—**	263,639
Effective interest expense on convertible bonds	**—**	42,926
Exchange realignment on convertible bonds	**—**	(385)
Earnings for the purposes of adjusted earnings per share	**461,993**	381,420

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

During the period, the Group spent approximately RMB6,875,000 (six months ended 30 June 2009: RMB98,900,000) on construction and renovation of its new department stores and approximately RMB14,857,000 (six months ended 30 June 2009: RMB44,435,000) on construction, renovation and expansion of its existing stores in order to expand and/or upgrade its operating capabilities.

In addition, approximately RMB358,750,000 (six months ended 30 June 2009: nil) of the deposits for acquisition of land use rights had been transferred to land use rights account upon the full payment of the considerations.

14. DEPOSITS

	30.6.2010	31.12.2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Deposits for acquisition of property, plant and equipment (Note)	**520,500**	262,500
Deposits for acquisition of land use rights	**110,444**	219,194
Deposit for acquisition of a subsidiary	**12,000**	12,000
	642,944	493,694

Note: Of the balance, RMB437,500,000 (31 December 2009: RMB262,500,000) represents deposit paid to a fellow subsidiary of the Company, 南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Limited), in which a Director of the Company, Mr. Wang Hung, Roger ("Mr. Wang") has beneficial interest, for the acquisition of land and building to be erected in Nanjing, Jiangsu Province. Details of the transaction are set out in the announcement of the Company dated 11 November 2009.

15. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2010	31.12.2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Equity securities listed in the PRC		
– stated at fair value	**266,718**	11,594

Fair values of equity securities listed in the PRC are derived from quoted prices in active market.

16. TRADE AND OTHER RECEIVABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Trade receivables	**17,578**	36,176
Trade prepayments to suppliers	**8,416**	735
Deposits (note)	**42,618**	27,631
Deposits paid for purchases of goods	**1,583**	1,770
Other receivables	**32,930**	40,873
	103,125	107,185

Note: Of the balance, RMB16,458,000 (31 December 2009: RMB16,458,000) 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, 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 are mainly arose 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.

17. AMOUNTS DUE FROM RELATED COMPANIES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 1)	**11,217**	7,273
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.) (Note 2)	**453**	200
Others	**887**	243
	12,557	7,716

Notes:

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

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

18. INVESTMENT IN INTEREST BEARING INSTRUMENT, STRUCTURED BANK DEPOSIT, PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

	30.6.2010	31.12.2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Investment in interest bearing instrument (Note 1)	400,000	—
Structured bank deposit (Note 2)	232,750	—
Pledged bank deposit (Note 3)	269,033	269,033
Bank balances and cash (Note 4)	1,056,342	2,020,917
	1,958,125	2,289,950

Notes:

1. Investment in interest bearing instrument represents the Group's investment in an entrusted RMB loan arranged by a bank in the PRC. The investment is principal guaranteed which carries at amortised cost with effective interest of 4.0% per annum for a term of one year and is redeemable during the investment period of twelve months.

2. Structured bank deposit represents an Euro ("EUR") / United States dollar ("USD") currency linked structured bank deposit ("CSBD") placed by the Group for a term of one year. Pursuant to the underlying agreement, the CSBD carries interest at variable rates from 1.8% to 4.0% per annum with reference to the exchange rate performance of EUR/USD at the date of maturity and its principal sum is guaranteed.

3. Pledged bank deposit represents a deposit pledged to a bank in the PRC for a short-term bank loan denominated in USD granted to the Group as set out in note 21. The pledged bank deposit carries a fixed interest rate of 2.25% (31 December 2009: 2.25%) per annum and will be released after the settlement of the relevant short-term bank loan.

4. 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.

19. TRADE AND OTHER PAYABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Trade payables	**783,945**	995,729
Other taxes payable	**41,027**	85,155
Purchase of property, plant and equipment	**48,043**	68,272
Suppliers' deposits	**54,996**	48,029
Accrued salaries and welfare expenses	**9,397**	19,835
Other payables	**81,383**	76,269
	1,018,791	1,293,289

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
0 to 30 days	**594,514**	836,845
31 to 60 days	**91,862**	105,887
61 to 90 days	**34,317**	15,812
Over 90 days	**63,252**	37,185
	783,945	995,729

20. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 1)	11,914	981
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Limited) (Note 2)	12,352	16,100
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 2)	3,168	3,879
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.) (Note 2)	1,593	1,673
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 2)	1,276	1,159
Others	795	1,777
	31,098	25,569

Notes:

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

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

21. SHORT-TERM BANK LOANS

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Secured	269,033	269,033
Unsecured	208,290	—
	477,323	269,033

The secured short-term bank loan is denominated in USD, fully repayable within one year and carries interest at an effective interest rate of 1.18% per annum. The loan is secured by a bank deposit of RMB269,033,000 as set out in note 18(3). The Group had entered into foreign currency forward contracts to hedge against the foreign currency risk of the short-term bank loan.

The unsecured short-term bank loan is denominated in Hong Kong dollars, fully repayable within one year and carries interest at Hong Kong Interbank Offered Rate plus 1.7% per annum.

22. DEFERRED REVENUE

	30.6.2010	31.12.2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Prepayments from customers	**1,523,409**	1,288,093
Deferred revenue arising from the Group's customer loyalty programme	**45,923**	67,301
	1,569,332	1,355,394

23. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2010 and 30 June 2010	**5,000,000,000**	**500,000**
Issued and fully paid:		
At 1 January 2010 (audited)	**1,941,966,866**	**194,197**
Shares repurchased and cancelled	**(762,000)**	**(76)**
Exercise of share options	**290,000**	**29**
At 30 June 2010 (unaudited)	**1,941,494,866**	**194,150**

	RMB'000
Shown in the condensed consolidated financial statements:	
At 30 June 2010 (unaudited)	**197,373**
At 31 December 2009 (audited)	197,415

23. SHARE CAPITAL (Continued)

During the six months ended 30 June 2010, 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
February 2010	762,000	13.00	12.84	9,870

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 HKD76,000 (equivalent to approximately RMB67,000) of 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 HKD9,830,000 (equivalent to approximately RMB8,094,000) was charged against the share premium account of the Company.

In addition, during the six months ended 30 June 2010, a total of 290,000 ordinary shares of HKD0.10 each of the Company were issued upon exercise of share options. These shares issued rank pari passu in all respects with the then existing shares.

24. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme (the "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 2010 are as follows:

	Number of share options				
	Outstanding at 1 January 2010 (audited)	**Reclassification**	**Exercised during the period**	**Forfeited during the period**	**Outstanding at 30 June 2010 (unaudited)**
Executive Directors	570,000	—	—	—	**570,000**
Non-executive Directors	610,000	—	—	—	**610,000**
Key management	3,384,000	80,000	—	—	**3,464,000**
Other employees	24,116,000	(80,000)	(290,000)	(150,000)	**23,596,000**
	28,680,000	—	(290,000)	(150,000)	**28,240,000**
Exercisable at 30 June 2010					**4,324,000**

The weighted average share price at the time of exercise was HKD15.51 per share.

The Group recognised total expenses of RMB3,082,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB6,614,000) in relation to share options granted by the Company.

25. 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:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Within one year	**25,708**	27,945
In the second to fifth year inclusive	**75,039**	69,319
Over five years	**57,662**	39,600
	158,409	136,864

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:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Within one year	**16,666**	15,573
In the second to fifth year inclusive	**65,000**	40,262
Over five years	**54,500**	36,000
	136,166	91,835

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 2010 amounted to approximately RMB24,460,000 (six months ended 30 June 2009: RMB7,958,000).

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.

25. 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:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Within one year	19,796	19,853
In the second to fifth year inclusive	38,406	37,916
Over five years	15,476	17,904
	73,678	75,673

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 2010 was RMB13,417,000 (six months ended 30 June 2009: RMB11,107,000).

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

26. CAPITAL COMMITMENTS

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	728,829	612,500
– acquisition of land use rights	99,425	587,425
– acquisition of a subsidiary	108,000	108,000
	936,254	1,307,925

27. RELATED PARTY TRANSACTIONS

During the period, other than those disclosed in notes 15, 16, 17, 20 and 25, the Group had the following significant transactions with related parties:

a) Transactions

Relationship with related parties	Nature of transactions	Six months ended 30.6.2010 RMB'000 (unaudited)	Six months ended 30.6.2009 RMB'000 (unaudited)
Fellow subsidiaries of the Company in which a Director of the Company, Mr. Wang, have beneficial interests	Decoration service fee paid	**2,895**	6,416
	Property management fee paid	**11,487**	11,459
	Property and ancillary facilities rentals paid	**16,146**	10,889
	Property rentals received	**—**	25
	Parking management fee paid	**1,030**	2,376
	Project management fee paid	**—**	700
	Sales of merchandise	**1,233**	799
	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	**3,460**	2,334

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 30.6.2010 RMB'000 (unaudited)	Six months ended 30.6.2009 RMB'000 (unaudited)
Salaries and allowances	**1,721**	2,231
Retirement benefits schemes contributions	**168**	91
Equity-settled share-based payments	**706**	913
	2,595	3,235

28. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into a sale and purchase agreement for the acquisition of 100% equity interests in 安徽瑞景商業有限責任公司 (Anhui Ruijing Commercial Company Limited) ("Anhui Ruijing") at a consideration of RMB 267 million. Anhui Ruijing's principal activity is the operation of two mid-to-high end department stores in Hefei City, Anhui Province, the PRC. The acquisition is expected to be completed in September 2010.

BUSINESS REVIEW

Industry Overview

The overall PRC economy maintained at positive development trend of rapid growth, high employment rate and low inflation rate in the first half of 2010. The gross domestic product ("GDP") was RMB17.3 trillion, representing a year-on-year growth of 11.1% based on comparable prices, which was 3.7 percentage points higher as compared to the same period last year. Total retail sales of consumer goods was RMB7.3 trillion, representing a year-on-year growth of 18.2%.

Jiangsu Province, where the Group has established a leading market position and its GDP ranked second in the country for the first half of 2010, recorded a year-on-year growth of 14.5%, which was 3.4 percentage points higher than the national average. Total retail sales of consumer goods in Jiangsu Province in the first half of 2010 posted a year-on-year growth of 18.4%, which is 0.2 percentage point higher than the national average.

Company Business

With the efforts of the entire team, during the period under review, the Group's GSP maintained a rapid and stable year-on-year growth of 34.2%, reaching RMB5.0 billion. Same store sales growth continued to maintain at a high level of 25.4%.

During the period under review, each of the Group's chain stores carried out a larger scale of spring adjustment with a view to enhancing its brand and sales performance. The Group also stepped up its efforts in developing new brands to increase the survival rate and growth potential.

The Group continued to focus on expanding value-added services for its VIP customers. In order to establish a close long-term relationship with VIP customers, the Group continued to launch a variety of salon activities, keep a close eye on VIP customers' changes in needs and initiate in-depth communications to understand them more. By collaborating with various banks to share quality customer resources, satisfaction of the Group's VIP customers has been enhanced and their sense of prestige and loyalty have further been reinforced. As at 30 June 2010, the Group had over 697,000 VIP customers and sales from VIP customers contributed approximately 62% of the Group's total GSP.

During the period under review, each of the Group's chain stores organized a number of successful promotion campaigns to cater for the characteristics of its individual market and changes in local customers' demand, which resulted in a remarkable growth in sales. Nanjing Xinjiekou Store recorded a GSP of RMB35.3 million on its 18 April anniversary, which was a new record of single day sales of the store. Nanjing Zhujiang Store recorded a GSP of RMB11.5 million on its 16 May anniversary, which was a new record of single day sales of the store and represented a year-on-year increase of 55.7%. Yancheng Store recorded a GSP of RMB18.1 million on 16 January 2010, which was another new high record of single day sales of the store.

The management of each chain store continued to stay abreast with the overall store operation, pay close attention to target customers' consumption needs, maintain effective communication with suppliers and adjust merchandise mix on a regular basis to ensure the product categories cater for local market's demand.

The Group took an active role in attracting and nurturing talents and strengthening team spirits in order to prepare for the Group's human resource requirements for its future store expansion plan.

New Store Expansion

On 27 July 2010, the Group has successfully acquired by public tender 100% equity interests in Anhui Ruijing Commercial Company Limited ("Anhui Ruijing") at a consideration of RMB267 million. Anhui Ruijing operates two mid-to-high end department stores in Hefei City, Anhui Province, namely Ruijing Shopping Center (瑞景名品中心) and Ruijing International Shopping Plaza (瑞景國際購物廣場), with a gross floor area of approximately 10,356 square metres and 12,294 square metres respectively. Anhui Ruijing is the emblem of mid-to-high end department store in Anhui Province, under which both department stores have introduced a number of internationally renowned brands, including Cartier, Ermenegildo Zegna, Hugo Boss, Dunhill, Lancôme and Estée Lauder etc.

Located in the core business district of Huaibei City and with a gross floor area of approximately 29,000 square metres, Huaibei Store will be the Group's third store in Anhui Province. Upon completion of construction, it will become the largest and the most high-end department store in the city. Huaibei Store is expected to commence operation in the fourth quarter of 2010.

Hefei Store is located at the core business centre of Hefei City with a gross floor area of approximately 75,600 square metres. The store will become the Group's flagship store in Anhui Province. Currently, merchandising, recruitment and store decoration are in smooth progress. The store is expected to commence operation in late 2010 or early 2011.

The additional area of Yancheng Store is expected to commence operation in late 2010, which will enlarge the gross floor area of Yancheng Store to approximately 82,000 square metres. The additional area will further enrich the product categories and brand mix of Yancheng Store, increase its market share and strengthen its leading position in the local market.

Currently, the Group had secured a number of locations for its stores expansion plan. It is expected that the Group's total gross floor area will increase by at least 500,000 square metres by the end of 2012. Meanwhile, the Group will continue to seek expansion opportunities which commensurate with its development strategies and capital return requirements.

Outlook

In the second half of 2010, the PRC economy will remain at stable and relatively rapid growth. With a positive economic outlook, the stimulation of favorable policy and the reassured signal of inflation, it is expected that in the second half of 2010 consumption will continue to be steadily on the rise and the government will continue to introduce certain income allocation adjustment policies and more consumption-stimulation measures.

Pursuant to the Group's chain development strategy, the Group will further increase the number of its chain stores in Jiangsu Province and will implement "single city multiple stores" strategy for cities in which it has established a leading position, so as to strengthen its leading position in Jiangsu Province. Meanwhile, the Group will continue its expansion plan in neighbouring provinces including Anhui Province. Anhui Province is strategically important to the Group, where the Group has planned for profound development. The successful acquisition of two Anhui mid-to-high end department stores, together with Hefei Flagship Store and Huaibei Store, which are about to commence operation, have demonstrated the preliminary achievements of our Anhui strategic expansion plan. The Group will further extend its coverage to include key cities in Anhui Province. Meanwhile, leveraging the Group's strong foothold in Xi'an city, the Group will expand its store network in Xi'an city in order to increase its market share and its capability of extending its presence to surrounding cities. The Group will further strengthen the branding effect of 金鷹 GOLDEN EAGLE brand in the Kunming market and enhance customer loyalty through the establishment of a second store in Kunming. The Group will also keep a close eye on other provincial capital cities that possess immense economic potentials and with less competition, so as to develop a more extensive chain store network.

In the second half of the year, the Group will closely monitor the macro-economic development and changes in consumption demands. With its continuous efforts in brand and merchandise adjustments, innovative promotion campaigns organization, workflow optimization, management standardization and on-going staff development, the Group's execution abilities and profitability will further be enhanced. The Group remains optimistic about China's long-term economic development and is confident of its future development prospects. The Group is committed to creating more lucrative returns to shareholders.

FINANCIAL REVIEW

Analysis of profit excluding the impact of the convertible bonds, which are non-cash items for accounting purposes only, attributable to owners of the Company

	Six months ended	
	30.6.2010	30.6.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
As reported	**461,993**	75,240
Excluding the effects of:		
Changes in fair value of derivative financial instruments	**—**	263,639
Effective interest expense on convertible bonds	**—**	42,926
Exchange realignment on convertible bonds	**—**	(385)
As adjusted	**461,993**	381,420
Adjusted basic earnings per share (RMB per share)	**0.238**	0.216

Excluding the impact of the Group's convertible bonds which were fully converted during the year ended 31 December 2009, profit attributable to owners of the Company was approximately RMB462.0 million for the six months ended 30 June 2010, representing a year-on-year growth of approximately 21.1% or RMB80.6 million as compared to the same period last year. The growth was mainly driven by the growth in revenue which are analyzed below.

GSP and revenue

GSP of the Group grew to approximately RMB5,034.1 million for the six months ended 30 June 2010, representing a year-on-year growth of approximately 34.2% or RMB1,282.4 million. The growth was mainly contributed by approximately 25.4% same store sales growth ("SSSG") and the inclusion of full six months sales performance of new stores opened in the year of 2009.

Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store all maintained satisfactory SSSG of approximately 15.0%, 16.8% and 26.8% respectively for the six months ended 30 June 2010. In addition, younger stores like Xi'an Gaoxin Store, Taizhou Store and Nanjing Zhujiang Store continue to be the driving force of the Group's sales growth, which recorded SSSG of approximately 49.3%, 44.0% and 49.5% respectively. Furthermore, new driving forces, Huai'an Store and Yancheng Store, generated remarkable SSSG of approximately 52.1% and 85.7% respectively for the six months ended 30 June 2010.

With the increase in GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP has been decreased from 37.1% to 31.8% while the aggregate contribution to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, has been decreased from approximately 65.8% to 57.8%.

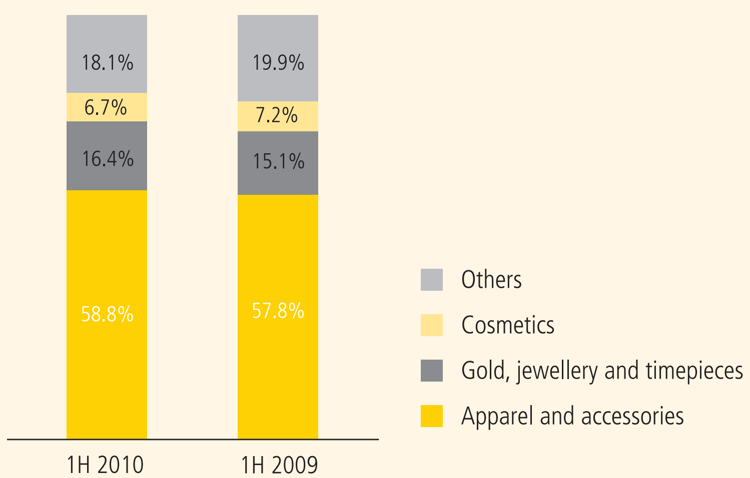
Contribution to GSP by different stores

During the six months ended 30 June 2010, concessionaire sales contributed approximately 92.6% (2009: 92.1%) of the Group's GSP or increased from RMB3,455.7 million to RMB4,660.2 million and direct sales contributed approximately 7.0% (2009: 7.4%) of the Group's GSP or increased from RMB278.8 million to RMB350.3 million.

During the six months ended 30 June 2010, the commission rate from concessionaire sales remained stable at approximately 20.8% (2009: 20.9%). The slight decrease in commission rate was mostly due to the increase in sales of international leading brands which normally carry a lower commission rate. The management intends to maintain stability of commission rate by conducting periodic review and enhancing merchandise mix according to the changing consumption demands. The gross profit margin from direct sales increased from approximately 19.6% to 21.9% as a result of product portfolio adjustments and reduce the momentum of discount sales.

In terms of percentage to GSP by merchandise categories, apparel and accessories contributed approximately 58.8% of the GSP, merchandises in gold, jewellery and timepieces contributed approximately 16.4%, cosmetics contributed approximately 6.7% and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 18.1%. The percentage to GSP contributed by merchandise categories is similar to the same period last year.

Percentage to GSP by merchandise categories



The Group's total revenue increased to approximately RMB1,151.9 million or 32.3% from the same period last year. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income decreased by approximately RMB19.6 million or 28.0% to approximately RMB50.4 million for the six months ended 30 June 2010. The decrease was mainly due to the decrease in income from customers by approximately RMB11.4 million or 60.1% as a large portion of the income recognized in the same period last year was an one-off transaction and the decrease in government grants by approximately RMB14.7 million or 76.3% which was due to the timing difference where a majority of the government grants were received during the first half of 2009 as opposed to majority of the grants are expected to be received in the second half of 2010.

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. Changes in inventories of merchandise increased by approximately RMB42.3 million or 22.1% to approximately RMB233.8 million for the six months ended 30 June 2010. As the gross profit margin of direct sales has been improved, the increase of changes in inventories of merchandise is therefore in a less extent than the increase in direct sales for the period under review.

Employee benefits expense

Employee benefits expense increased by approximately RMB12.7 million or 16.7% to approximately RMB88.8 million for the six months ended 30 June 2010. The increase was mainly contributed by the inclusion of full period employee benefits expense for stores opened in 2009.

Employee benefits expense as a percentage to GSP decreased by 0.3 percentage point to approximately 2.1% as compared to the same period last year as a result of the improve in operating leverage.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and release of prepaid lease payments on land use rights increased by approximately RMB11.9 million or 24.8% to approximately RMB59.9 million for the six months ended 30 June 2010. The increase was primarily due to the inclusion of full period depreciation and amortization for stores opened in 2009.

Depreciation and amortization expenses as a percentage to GSP decreased to approximately 1.4%, a 0.1 percentage point decrease as compared to 1.5% for the same period last year.

Rental expenses

Rental expenses increased by approximately RMB21.6 million or 112.2% to approximately RMB 40.9 million for the six months ended 30 June 2010. The increase was mainly due to the inclusion of full period rental expenses for Yangzhou Jinghua Store, Shanghai Store, Nanjing Hanzhong Store and Nanjing Xianlin Store which were opened in 2009, operating at leased properties and paying rental expenses with reference to a percentage of GSP.

Rental expenses as a percentage to GSP increased to approximately 1.0%, a 0.4 percentage point increase as compared to 0.6% for the same period last year.

Other operating expenses

Other operating expenses increased by approximately RMB30.9 million or 23.5% to approximately RMB162.0 million for the six months ended 30 June 2010. Other operating expenses mainly included water and electricity expenses, advertising and promotion expenses, repair and maintenance and property management fee. The increase was mainly due to the inclusion of full period operating expenses for stores opened in 2009.

Other operating expenses as a percentage to GSP decreased by 0.3 percentage point to approximately 3.8% as compared to 4.1% for the same period last year as a result of the improve in operating leverage.

Profit from operations

Profit from operations, which is also the earnings before interest and taxes, increased by approximately RMB142.3 million or 30.0% to approximately RMB616.9 million for the six months ended 30 June 2010. Profit from operations as a percentage to revenue decreased to approximately 53.6%, a 0.9 percentage point decrease as compared to 54.5% for the same period last year, was mainly due to the decrease in other operating income by approximately RMB19.6 million during the period under review.

Excluding the income from customers which contains one-off transaction from the same period last year, profit from operations as a percentage to revenue increased to approximately 52.9%, a 0.6 percentage point increase as compared to 52.3% for the same period last year.

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 decreased by approximately RMB14.8 million or 52.0% for the six months ended 30 June 2010 which was primarily due to low average effective deposit rates and less capital has been placed in various short-term bank related deposits during the period under review in light of the Group's store expansion plan.

Finance costs

Finance costs decreased by approximately RMB41.4 million or 96.3% to approximately RMB1.6 million for the six months ended 30 June 2010. Finance costs for the six months ended 30 June 2010 represent interest expenses on short-term bank loans whereas finance costs for the six months ended 30 June 2009 represent effective interest expense on the Group's convertible bonds which were fully converted in the year 2009.

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 of the Group's convertible bonds which were fully converted in the year 2009. Accordingly, no such loss was recorded during the period under review.

Other gains and losses

Other gains and losses mainly comprised of net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB and gains and losses arising from the Group's securities investments. Other gains and losses decreased from a net gain of approximately RMB14.8 million to a net loss of approximately RMB1.8 million which was primarily due to the decrease in gains from disposal of the Group's securities investments by approximately RMB13.4 million or 88.2% during the period under review.

Income tax expense

The income tax expense of the Group increased by approximately RMB29.2 million or 21.5% to approximately RMB 165.2 million which was due to the increase in profit before income tax. The effective tax rate for the period under review was approximately 26.3%.

Profit for the period

Profit attributable to owners of the Company increased to approximately RMB462.0 million for the six months ended 30 June 2010, surged approximately 514.0% or RMB386.8 million from that of the same period last year. The increase was mainly due to the increase in the Group's profit from operations of approximately RMB142.3 million and extinct of the convertible bonds related expenses and income, including effective interest expense, changes in fair value of derivative financial instruments and exchange realignment, after the full conversion of the Group's convertible bonds during the year ended 31 December 2009.

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

As at 30 June 2010, 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 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 *(Note)*	Interest in controlled corporations	1,323,844,000	68.19%

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. Details of the remaining options are as follows:

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Zheng Shu Yun	570,000	0.03%
Han Xiang Li	610,000	0.03%

Save as disclosed above, as at 30 June 2010, 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 2010, 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	68.19%
Golden Eagle International Retail Group Limited *(Note)*	Beneficial owner	1,323,844,000	68.19%

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 2010, 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 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. The Scheme will remain effective for a period of ten years commencing on 26 February 2006.

During the six months ended 30 June 2010, no share options were granted, 290,000 share options were exercised and 150,000 share options were forfeited. There were a total of 28,240,000 Shares available for issue pursuant to options that were granted under the Scheme, representing about 1.45 per cent of the 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 as at 30 June 2010 are as follows:

	Number of share options									
	Outstanding at 1 January 2010 (audited)	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2010 (unaudited)	Date of grant	Exercise period	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) HKD
Executive Directors	100,000	–	–	–	100,000	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	N/A
	470,000	–	–	–	470,000	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	N/A
Non-executive Director	100,000	–	–	–	100,000	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	N/A
	510,000	–	–	–	510,000	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	N/A
Key management	300,000	–	–	–	300,000	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	N/A
	1,754,000	–	–	–	1,754,000	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	N/A
	1,330,000	80,000	–	–	1,410,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	N/A
Other employees	886,000	–	(102,000)	–	784,000	26 May 2006	28 April 2007 to 27 April 2012	4.35	4.45	15.79
	6,560,000	–	(188,000)	(150,000)	6,222,000	20 November 2006	20 October 2007 to 19 October 2012	4.80	4.70	15.36
	16,670,000	(80,000)	–	–	16,590,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	N/A
	28,680,000	–	(290,000)	(150,000)	28,240,000					
Exercisable at 30 June 2010					4,324,000					

Note: 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 a primary source of liquidity. In order to take advantage of future RMB appreciation and interest rate spreads among different currencies, the Group borrowed short-term bank loans denominated in foreign currencies with an equivalent amount of RMB deposits as securities/ guarantees. As at 30 June 2010, the Group's cash and near cash instruments (including bank balances and cash, pledged bank deposit, structured bank deposit and investment in interest bearing instrument) were approximately RMB1,958.1 million (31 December 2009: RMB2,290.0 million) whereas the Group's short-term bank loans were approximately RMB477.3 million (31 December 2009: RMB269.0 million).

Total assets of the Group as at 30 June 2010 amounted to approximately RMB6,362.4 million (31 December 2009: RMB5,983.4 million) whereas total liabilities amounted to approximately RMB3,222.0 million (31 December 2009: RMB3,064.8 million), resulting in a net assets position of approximately RMB3,140.4 million (31 December 2009: RMB2,918.6 million). The gearing ratio, calculated by total bank borrowings over total assets of the Group, was increased to approximately 7.5% (31 December 2009: 4.5%) as at 30 June 2010. After excluding the effects of cross currency interest rate swap arrangements, the adjusted gearing ratio was zero (31 December 2009: zero).

The capital commitments of the Group as at 30 June 2010 were approximately RMB936.3 million (31 December 2009: RMB1,307.9 million), which were contracted for but not provided in the condensed consolidated financial statements for the contractual payments of acquisition of property, plant and equipment, land use rights and interest in a subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2010, bank deposit of approximately RMB269.0 million (31 December 2009: RMB269.0 million) was pledged to a bank in the PRC for cross currency interest rate swap arrangements. Save for the aforesaid, the Group has not pledged any property, plant and equipment nor other assets to secure general banking facilities of the Group.

FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash and short-term bank loans are denominated in HKD or USD which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HKD/USD and RMB. For the period under review, the Group recorded a net foreign exchange losses of approximately RMB3.6 million (30 June 2009: RMB0.5 million).

The Group had entered into foreign currency forward contracts to hedge the foreign currency risk of short-term bank loan with a principal amount of approximately RMB269.0 million. The Group's operating cash flows are not subject to any exchange fluctuation.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the period under review, the Company repurchased 762,000 ordinary shares of its own shares on the Stock Exchange at an aggregate consideration of approximately HK$9.9 million (equivalent to approximately RMB8.2 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 2010, 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 in day-to-day management 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 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 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 2010.

AUDIT COMMITTEE

The principal functions of the Audit Committee, established in compliance with the Listing Rules and the Code on Corporate Governance Practices, are to review and supervise the Group's statutory audit, interim and annual accounts and the internal control system. As at the date of this report, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John.

ACKNOWLEDGEMENT

I would like to thank the Board, management and all our staff for their hard work and dedication, as well as our shareholders, business partners 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, 17 August 2010