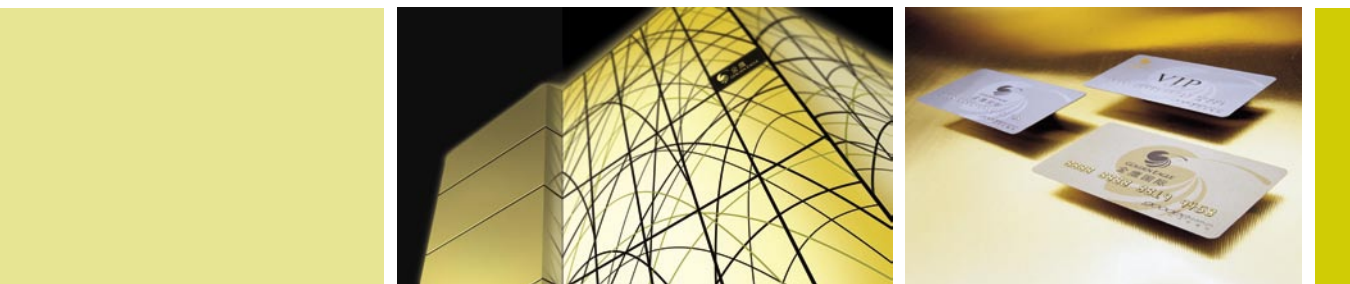



Interim Report 2006




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CORPORATE PROFILE

Golden Eagle Retail Group Limited (the “Company” or “Golden Eagle” and together with its subsidiaries, the Group) was incorporated in the Cayman Island as a limited liability on 20 September 2005. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 21 March 2006. Our principal business is the operation of stylish premium department stores in the PRC under the  service logo.

The Group is a private enterprise engaging in the development and operation of a stylish premium department store chain in the PRC. The Group has seven stylish premium department stores under the  service logo in Jiangsu province and Shaanxi province. These stores are located in Nanjing, Nantong, Yangzhou, Suzhou, Xuzhou and Xian. With our focus on the customers, the Group offers quality products and services to customers. The Group positions itself as a mid-and high-end department stores and aims at providing a series of prestigious merchandise from internationally and domestically renowned brand names, including apparel and accessories, cosmetics, gold, jewelry and timepieces, health products, household products, handicrafts, gifts, tobacco and wines, home appliances and electronic/telecommunication products, food stuff, sportswear and sportsgear, children’s wear, toys and children’s goods and others.

Having operated for 10 years, the Group has developed a reputable  service. The Group’s department stores are principally located in prime shopping districts in their respective cities. With the exception of Suzhou Store and the two Xi’an Stores, all the Group’s department stores are located on the Group’s own property. The Group pays special attention to the needs of customers. Through the devoted effort of the Group, we have more than 298,000 VIP members. The Group has developed a standardised management system and corporate culture and achieve ISO9001 Quality Management System. The Group also developed the ERP system for the centralised management of chain stores. The ERP system makes the immediate transmission and common use of the data of seven stores possible. The Group is now operating seven chain department stores and has already achieved economies of scale and the unification of domestic operation strategies and international management vision.

The Group fully respects the dedication and contribution of our staff. Through regular training and assessment, staff’s abilities are being improved to sustain the Group’s development. The Group acknowledges its social responsibilities, duties and care for the minority groups in society by making charitable donation to the society.

The Group will continue to capitalise on its advantages and open new stores in prime shopping locations of target cities through purchase or rent of properties and mergers and acquisitions. With “integrity, passion, innovation, cooperation” as our value, “add value to our society, enriching everyone’s life” as our mission and with “to be the best in our field” as our vision, the Group will work towards the goal of becoming the leading stylish premium department store in the PRC.

CORPORATE INFORMATION

Executive Directors

Mr. Wang Hung, Roger
 Mr. Han Xiang Li
 Mr. Wang Wei

Independent non-executive Directors

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

Registered office

Century Yard
 Cricket Square
 Hutchins Drive
 P.O. Box 2681 GT
 George Town
 Grand Cayman
 British West Indies

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

Office E
 7th Floor
 China Overseas Building
 139 Hennessy Road
 Wanchai
 Hong Kong

Company secretary

Mr. Mak Yun Kuen ACCA

Qualified accountant

Mr. Mak Yun Kuen ACCA

Authorised representatives

Mr. Han Xiang Li
 Mr. Mak Yun Kuen

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

Agricultural Bank of China
 (Nanjing City Chengnan Branch)
 Industrial and Commercial Bank of China
 (Nanjing City Zhongshan Branch)
 Bank of China (Jiangsu Province Branch)
 China Merchants Bank (Nanjing Branch)
 China CITIC Bank (Nanjing Branch)
 China Construction Bank
 (Nanjing City Chenguan Branch)

Principal bankers in Hong Kong

Bank of China (Hong Kong)
 ABN AMRO Bank

Auditors

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

Legal advisors

Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Compliance advisor

Goldbond Capital (Asia) Limited
39th Floor, Tower 1
Lippo Centre
89 Queensway
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

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Golden Eagle Retail Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results for the six months ended 30 June 2006 of the Company and its subsidiaries (collectively, the "Group"), together with unaudited comparative figures for the corresponding period in 2005. These interim financial statements have not been audited, but have been reviewed by the auditors, Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

INDEPENDENT REVIEW REPORT

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
GOLDEN EAGLE RETAIL GROUP LIMITED
(*incorporated in the Cayman Islands with limited liability*)

Introduction

We have been instructed by the directors of Golden Eagle Retail Group Limited (the “Company”) to review the interim financial report set out on pages 7 to 24.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” (“SAS 700”) issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 August 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Notes	Six months ended 30.6.2006			Six months ended 30.6.2005		
		Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)
Turnover	3	424,763	-	424,763	331,033	218,639	549,672
Cost of sales		(116,641)	-	(116,641)	(97,712)	(149,148)	(246,860)
Gross profit		308,122	-	308,122	233,321	69,491	302,812
Other income	5	48,458	-	48,458	4,776	2,492	7,268
Selling expenses		(56,573)	-	(56,573)	(46,369)	(43,171)	(89,540)
Administrative expenses		(82,007)	-	(82,007)	(42,254)	(46,598)	(88,852)
Realised loss on investments		-	-	-	-	(83,958)	(83,958)
Interest on bank and other borrowings wholly repayable within five years		(19,670)	-	(19,670)	(8,865)	(27,951)	(36,816)
Share of results of associates		-	-	-	-	(622)	(622)
Profit (loss) before taxation		198,330	-	198,330	140,609	(130,317)	10,292
Taxation	7	(64,460)	-	(64,460)	(43,541)	4,779	(38,762)
Profit (loss) for the period		133,870	-	133,870	97,068	(125,538)	(28,470)
Attributable to:							
Equity holders of the Company		134,894	-	134,894	95,942	(92,900)	3,042
Minority interests		(1,024)	-	(1,024)	1,126	(32,638)	(31,512)
		133,870	-	133,870	97,068	(125,538)	(28,470)
Earnings per share attributable to equity holders of the Company							
- Basic	9	7.67 cents	-	7.67 cents	5.69 cents	(5.51) cents	0.18 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	Notes	30.6.2006 RMB'000 (unaudited)	31.12.2005 RMB'000
Non-current assets			
Property, plant and equipment	10	934,611	903,008
Land use rights – non-current portion		54,157	54,914
Deposits for acquisition of property, plant and equipment		106,512	54,000
Goodwill		22,651	22,651
Available-for-sale investments		21,033	–
Deferred tax assets	11	5,459	1,816
		1,144,423	1,036,389
Current assets			
Land use rights – current portion		1,504	1,504
Inventories		57,437	63,291
Trade and other receivables	12	26,051	39,380
Amounts due from fellow subsidiaries	13	9,116	673,372
Bank balances and cash		702,525	219,568
		796,633	997,115
Current liabilities			
Trade and other payables	14	583,865	646,131
Amounts due to fellow subsidiaries	15	5,907	6,559
Taxation		40,691	29,496
Bank loans due within one year	16	133,000	651,800
		763,463	1,333,986
Net current assets (liabilities)		33,170	(336,871)
Total assets less current liabilities		1,177,593	699,518
Non-current liabilities			
Bank loans due after one year	16	223,000	280,000
Deferred tax liabilities	11	42,187	39,385
		265,187	319,385
		912,406	380,133
Capital and reserves			
Share capital	17	187,029	157,550
Reserves		719,381	215,563
Equity attributable to equity holders of the Company		906,410	373,113
Minority interests		5,996	7,020
		912,406	380,133

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Attributable to equity holders of the Company										
	Paid-in share capital	Investment revaluation reserve	Share premium	Share options reserve	Special reserve	Statutory surplus reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2005											
At 1 January 2005	257,550	(37,298)	-	-	4,327	7,677	-	73,936	306,192	95,840	402,032
Deficit on revaluation of investments as expenses recognised directly in equity	-	(21,048)	-	-	-	-	-	-	(21,048)	(8,725)	(29,773)
Realised loss on investments	-	63,560	-	-	-	-	-	-	63,560	20,398	83,958
Release of tax effect on revaluation deficit of investments	-	(5,214)	-	-	-	-	-	-	(5,214)	-	(5,214)
Net income recognised directly in equity	-	37,298	-	-	-	-	-	-	37,298	11,673	48,971
Profit for the period	-	-	-	-	-	-	-	3,042	3,042	(31,512)	(28,470)
Total income (expenses) recognised for the period	-	37,298	-	-	-	-	-	3,042	40,340	(19,839)	20,501
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	6,572	6,572
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(16,612)	(16,612)
Reserve movement arising from transfer-out of discontinued operations	(100,000)	-	-	-	97,041	-	-	-	(2,959)	-	(2,959)
Transfer-out of subsidiaries	-	-	-	-	-	-	-	-	-	(59,389)	(59,389)
Appropriation	-	-	-	-	-	10,863	-	(10,863)	-	-	-
At 30 June 2005 (unaudited)	157,550	-	-	-	101,368	18,540	-	66,115	343,573	6,572	350,145
Six months ended 30 June 2006											
At 1 January 2006	157,550	-	-	-	101,368	39,155	-	75,040	373,113	7,020	380,133
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	(5,820)	-	(5,820)	-	(5,820)
Profit for the period	-	-	-	-	-	-	-	134,894	134,894	(1,024)	133,870
Total (expenses) income recognised for the period	-	-	-	-	-	-	(5,820)	134,894	129,074	(1,024)	128,050
Amount arising on group reorganisation	(157,550)	-	-	-	157,550	-	-	-	-	-	-
Amount arising on acquisition of NGL (as defined in note 1) pursuant to the group reorganisation	-	-	-	-	(180,000)	-	-	-	(180,000)	-	(180,000)
Issue of new shares as consideration for the acquisition of Goldjoint (as defined in note 1) pursuant to the group reorganisation	41,690	-	-	-	(41,690)	-	-	-	-	-	-
Setoff of an indebtedness owed by Goldjoint on group reorganisation	-	-	-	-	180,000	-	-	-	180,000	-	180,000
Capitalisation issue of shares	132,021	-	(132,021)	-	-	-	-	-	-	-	-
Issue of new shares upon listing of the Company's shares on the Stock Exchange	13,318	-	406,195	-	-	-	-	-	419,513	-	419,513
Transaction costs attributable to issue of new shares	-	-	(15,920)	-	-	-	-	-	(15,920)	-	(15,920)
Appropriation	-	-	-	-	-	4,678	-	(4,678)	-	-	-
Recognition of share-based payments	-	-	-	630	-	-	-	-	630	-	630
At 30 June 2006 (unaudited)	187,029	-	258,254	630	217,228	43,833	(5,820)	205,256	906,410	5,996	912,406

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six months ended 30.6.2006			Six months ended 30.6.2005		
	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)
Net cash from (used in) operating activities	83,422	-	83,422	243,628	(96,598)	147,030
Net cash from (used in) investing activities						
Interest received	43,991	-	43,991	544	126	670
Repayments from fellow subsidiaries	664,256	-	664,256	-	40,733	40,733
Purchase of available-for-sale investments	(21,033)	-	(21,033)	-	-	-
Purchase of property, plant and equipment	(36,920)	-	(36,920)	(1,723)	(6,899)	(8,622)
Purchases of additional investment in subsidiaries	-	-	-	(16,363)	(145,998)	(162,361)
Deposits for acquisition of property, plant and equipment	(52,512)	-	(52,512)	-	-	-
Other investing activities	102	-	102	(13,110)	(63,780)	(76,890)
	597,884	-	597,884	(30,652)	(175,818)	(206,470)
Net cash (used in) from financing activities						
Interest paid	(19,670)	-	(19,670)	(8,865)	(26,134)	(34,999)
(Repayments to) advances from fellow subsidiaries	(652)	-	(652)	-	89,183	89,183
Net proceeds from issue of new shares upon listing of the Company's shares on the Stock Exchange	403,593	-	403,593	-	-	-
New bank loans raised	145,000	-	145,000	443,600	91,128	534,728
Repayment of bank loans	(720,800)	-	(720,800)	(399,600)	(74,690)	(474,290)
	(192,529)	-	(192,529)	35,135	79,487	114,622
Inter group elimination	-	-	-	(155,502)	155,502	-
Net increase (decrease) in cash and cash equivalents	488,777	-	488,777	92,609	(37,427)	55,182
Cash and cash equivalents at the beginning of the period	219,568	-	219,568	101,182	37,427	138,609
Effect of foreign exchange rate changes	(5,820)	-	(5,820)	-	-	-
Cash and cash equivalents at the end of the period	702,525	-	702,525	193,791	-	193,791
Analysis of the balances of cash and cash equivalents:						
Bank balances and cash	702,525	-	702,525	193,791	-	193,791

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. GENERAL AND BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

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

Through a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation of the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 26 February 2006. Details of the Reorganisation are set out in the paragraph headed "Corporate reorganisation" under the section headed "Business" and in section 4 headed "Overseas reorganisation" in Appendix VI to the prospectus of the Company dated 8 March 2006 (the "Prospectus"). The Reorganisation was completed on 26 February 2006 and principally involved the exchange of shares of the Company with all the issued shares of Goldjoint Group Limited ("Goldjoint").

The Company's shares were listed on the Main Board of the Stock Exchange on 21 March 2006.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the interim financial statements for the six months ended 30 June 2006 have been prepared using the principles of merger accounting. The condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity of the Group for the six months ended 30 June 2005 have been prepared as if the group structure had been in existence throughout the six months ended 30 June 2005 or since their respective dates of incorporation/establishment or date of acquisition, whichever is the shorter period. The condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity of the Group for the six months ended 30 June 2005 also include the income and expenses, gains and losses and the cash flow items of the Non-listed Group (as defined below) from the date of acquisition up to the date of transfer-out to the fellow subsidiary as mentioned below.

The condensed consolidated balance sheet of the Group as at 31 December 2005 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 31 December 2005.

1. GENERAL AND BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS *(Continued)*

On 23 June 2005, pursuant to the Reorganisation, 南京金鷹國際購物集團有限公司 (Nanjing Golden Eagle International Retail Group Co., Ltd. (“NGL”)) transferred out its entire interest in the Discontinued operations (as defined below) (“Non-listed Group”) to a fellow subsidiary at a consideration of RMB616,333,000. The Non-listed Group comprised certain subsidiaries and associates together with other related assets engaged in sales of automobiles and its related products, operation of department store in the first tier city in the People’s Republic of China (“PRC”), sales of goods, property rentals and services. The condensed consolidated income statements, condensed consolidated statement of changes in equity and condensed consolidated cashflow statement for the six months ended 30 June 2005 include the results and cashflows of the Non-listed Group from the respective dates of acquisition of the companies in the Non-listed Group up to the effective date of their transfer-out. No assets and liabilities of the Non-listed Group are included in the condensed consolidated balance sheets of the Group as at 31 December 2005 and 30 June 2006.

The Group’s consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company.

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

All significant intra-group transactions and balances have been eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under 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 for the six months ended 30 June 2006 are consistent with those followed in the preparation of the accountants’ report in Appendix 1 to the Prospectus. In addition, the Group has applied the following accounting policy for share options granted during the current interim period:

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of the share options that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in share options reserve. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the financial position and the results of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

3. TURNOVER

Turnover

	Six months ended 30.6.2006			Six months ended 30.6.2005		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue from department store operations						
– direct sales	141,541	–	141,541	115,727	1,277	117,004
– income from concessionaire sales	275,687	–	275,687	212,671	6,186	218,857
– rental income	7,535	–	7,535	2,635	–	2,635
Sales of goods	–	–	–	–	139,319	139,319
Rental income	–	–	–	–	39,624	39,624
Service income	–	–	–	–	32,233	32,233
	424,763	–	424,763	331,033	218,639	549,672

3. TURNOVER (Continued)

Turnover (Continued)

Turnover represents the Group's revenue from operations of department stores in the second-tier cities in the PRC (collectively referred to as "Continuing operations") and the Group's revenue from sales of automobiles and related products, department store operations in the first-tier cities in the PRC, sales of goods, property rentals and services rendered (collectively referred to as "Discontinued operations").

Gross sales proceeds

	Six months ended 30.6.2006			Six months ended 30.6.2005		
	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)
From department store operations						
– direct sales	174,450	–	174,450	142,705	1,494	144,199
– concessionaire sales	1,518,389	–	1,518,389	1,149,342	43,345	1,192,687
– rental income	7,535	–	7,535	2,635	–	2,635
Sales of goods	–	–	–	–	139,319	139,319
Rental income	–	–	–	–	39,624	39,624
Service income	–	–	–	–	32,233	32,233
	1,700,374	–	1,700,374	1,294,682	256,015	1,550,697

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

4. SEGMENT INFORMATION

Geographical segments

All of the Group's assets and liabilities are located in the PRC and the operations of the Group during the six months ended 30 June 2006 and 30 June 2005 were substantially carried out in the PRC. Accordingly, no analysis by geographical area of operations are presented.

4. SEGMENT INFORMATION (Continued)
Business segments

The Group's Continuing operations is regarded as a single segment of department store activities, while the Group's Discontinued operations is separated into four business segments, sales of goods, sales of automobile and related products, property rental and others. As the Group ceased its discontinued operations on 23 June 2005, no detailed analysis of the Group's assets and liabilities are disclosed. Analyses of the Group's segment information of profit and loss are set out as follows:

	Continuing operations	Discontinued operations					Total RMB'000 (unaudited)
	Operations of department stores RMB'000 (unaudited)	Sales of goods RMB'000 (unaudited)	Sales of automobile and related products RMB'000 (unaudited)	Property rental RMB'000 (unaudited)	Others RMB'000 (unaudited)	Subtotal of discontinued operations RMB'000 (unaudited)	
For six months ended 30 June 2006							
TURNOVER							
External sales	424,763	-	-	-	-	-	424,763
SEGMENT RESULTS	169,542	-	-	-	-	-	169,542
Interest income	43,991	-	-	-	-	-	43,991
Other income	4,467	-	-	-	-	-	4,467
Finance costs							(19,670)
Profit before taxation							198,330
Taxation							(64,460)
Profit for the period							<u>133,870</u>
For six months ended 30 June 2005							
TURNOVER							
External sales	331,033	146,782	-	39,624	32,233	218,639	549,672
SEGMENT RESULTS	144,698	(19,544)	-	3,872	(4,606)	(20,278)	124,420
Interest income	544	69	-	57	-	126	670
Discount on acquisition credited to income	249	-	-	-	-	-	249
Gain on disposal of interest in associates	37	-	-	-	-	-	37
Other income	3,946	1,903	-	-	463	2,366	6,312
Realised loss on investments						(83,958)	(83,958)
Finance costs							(36,816)
Share of result of associates						(622)	(622)
Profit before taxation							10,292
Taxation							(38,762)
Loss for the period							<u>(28,470)</u>

5. OTHER INCOME

	Six months ended 30.6.2006			Six months ended 30.6.2005		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Government grants and subsidies*	1,885	-	1,885	201	463	664
Income from karaoke operation	2,199	-	2,199	1,529	-	1,529
Interest income	43,991	-	43,991	544	126	670
Income from goods storage and loading	-	-	-	-	1,611	1,611
Others	383	-	383	2,502	292	2,794
	48,458	-	48,458	4,776	2,492	7,268

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

6. PROFIT (LOSS) FROM OPERATIONS

	Six months ended 30.6.2006			Six months ended 30.6.2005		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit (loss) from operations has been arrived at after charging:						
Directors' remuneration	1,058	-	1,058	60	-	60
Depreciation on property, plant and equipment	17,974	-	17,974	16,567	11,428	27,995
Depreciation on investment properties	-	-	-	-	3,356	3,356
Loss (gain) on disposal of property, plant and equipment	52	-	52	52	(40)	12
Allowance for doubtful and bad debts	51	-	51	-	-	-
and after crediting:						
Discount on acquisition credited to income	-	-	-	249	-	249

7. TAXATION

	Six months ended 30.6.2006			Six months ended 30.6.2005		
	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)
The charge (credit) comprises:						
PRC income tax calculated at applicable income tax rate on the estimated assessable profit for the period	65,301	-	65,301	38,818	(4,779)	34,039
Deferred taxation (<i>note 11</i>)	(841)	-	(841)	4,723	-	4,723
	64,460	-	64,460	43,541	(4,779)	38,762

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 2006 (Six months ended 30 June 2005: nil). Subsidiaries located in PRC are subject to PRC income tax rate of 33% (Six months ended 30 June 2005: 33%) pursuant to the relevant PRC income tax laws.

8. DIVIDENDS

The board of directors has declared the payment of interim dividend of RMB3.8 cents per share for the six months ended 30 June 2006 (Six months ended 30 June 2005: nil). The dividend will be paid to the shareholders of the Company whose names appear in the Register of Members on 19 September 2006.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit attributable to the equity holders of the Company and on the weighted average number of ordinary shares in issue of 1,759,848,000 shares (six months ended 30 June 2005: 1,687,500,000) during the six months ended 30 June 2006 on the assumption that the Reorganisation has been effective on 1 January 2005.

No diluted earnings per shares has been presented because the exercise price of the Company's options was higher than the average market price for shares during the period.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2006	954,485	22,358	106,473	2,875	28,738	679	1,115,608
Additions	530	3,098	2,426	769	521	42,387	49,731
Transfers	10,000	4,753	24,479	-	-	(39,232)	-
Disposals/written-off	(19)	(459)	-	(129)	(2)	-	(609)
At 30 June 2006 (unaudited)	964,996	29,750	133,378	3,515	29,257	3,834	1,164,730
DEPRECIATION							
At 1 January 2006	94,821	9,489	92,765	1,531	13,994	-	212,600
Provided for the period	7,105	2,823	5,598	957	1,491	-	17,974
Eliminated on disposals/written-off	(17)	(331)	-	(107)	-	-	(455)
At 30 June 2006 (unaudited)	101,909	11,981	98,363	2,381	15,485	-	230,119
CARRYING VALUES							
At 30 June 2006 (unaudited)	863,087	17,769	35,015	1,134	13,772	3,834	934,611
At 31 December 2005	859,664	12,869	13,708	1,344	14,744	679	903,008

11. DEFERRED TAXATION

The following is the deferred taxation recognised by the Group and movements thereon during the period.

	Accelerated depreciation allowances	Start up cost	Compensation to employees	Allowance for bad and doubtful debts	Prepaid rental	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	39,385	(226)	(1,590)	-	-	37,569
Charge (credit) to profit or loss for the period (note 7)	2,802	(3,254)	403	(17)	(775)	(841)
At 30 June 2006 (unaudited)	42,187	(3,480)	(1,187)	(17)	(775)	36,728

11. DEFERRED TAXATION *(Continued)*

Certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in HKAS 12 "Income taxes" issued by the HKICPA. The following is the analysis of the deferred tax balances (after offset) for financial reporting purpose.

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
Deferred tax liabilities	42,187	39,385
Deferred tax assets	(5,459)	(1,816)
	36,728	37,569

12. TRADE AND OTHER RECEIVABLES

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
Receivables from banks for credit card sales	7,588	9,761
Other receivables	18,514	29,619
Less: accumulated impairment	(51)	–
	26,051	39,380

Trading transactions are mainly on cash basis, either in cash, debit card or credit card payments.

13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
金鷹國際零售集團有限公司 (Golden Eagle International Retail Group Limited)	7,096	–
南京金鷹國際投資管理有限公司 (Golden Eagle International Investment Management Co., Ltd.)	–	602,674*
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.)	–	38,149*
徐州金鷹國際置業有限公司 (Xuzhou Golden Eagle International properties Co., Ltd.)	–	30,263*
Others	2,020	2,286
	9,116	673,372

* The amounts are unsecured, interest bearing at 5.58% per annum.

14. TRADE AND OTHER PAYABLES

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
Trade payables	312,813	408,792
Consumers' deposits	150,308	143,145
Other tax payables	53,870	60,719
Construction payable	12,811	–
Other payables	54,063	33,475
	583,865	646,131

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

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
0 to 30 days	181,527	339,993
31 to 60 days	90,457	56,996
61 to 90 days	23,422	677
Over 90 days	17,407	11,126
	312,813	408,792

15. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.)	1,661	2,388
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.)	4,123	4,123
上海金鷹國際購物中心有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.)	123	–
南京金鷹國際集團高科技實業有限公司 (Nanjing Golden Eagle International Group Hi-tech Industry Co., Ltd.)	–	48
	5,907	6,559

The amounts were unsecured, interest-free and repayable on demand.

16. BANK LOANS

During the period, the Group obtained new bank loans of the amount of RMB145,000,000. The loans bear interest at market rates and are repayable in instalments over a period of one to three years. The proceeds were used to as the working capital of the Group.

17. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2006	3,800,000	380
Increase during the period	4,996,200,000	499,620
At 30 June 2006	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2006	1	—
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Reorganisation	405,000,000	40,500
Capitalisation issue of shares	1,282,499,999	128,250
Issue of new shares upon listing of the Company's shares on the Stock Exchange	129,375,000	12,938
At 30 June 2006	1,816,875,000	181,688
		<i>RMB'000</i>
Shown in the financial statements at 30 June 2006 as		187,029

Details of the changes in the Company's share capital for the six months ended 30 June 2006 are as follows:

- (a) By written resolutions of the then sole shareholder of the Company dated 26 February 2006, the authorised share capital of the Company was increased to HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each.
- (b) On 26 February 2006, the Company acquired the entire issued share capital of Goldjoint from GEICO and agreed to set off an indebtedness owed by Goldjoint to Mr. Wang Hung, Roger ("Mr. Wang") and in consideration of which, the Company allotted and issued 405,000,000 shares, credited as fully paid, to Golden Eagle International Retail Group Limited, incorporated in the Cayman Islands and 100% owned by GEICO, as directed by GEICO and Mr. Wang.

17. SHARE CAPITAL *(Continued)*

- (c) The directors of the Company were authorised to capitalise HK\$128,249,999.9 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,282,499,999 shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 8 March 2006 in proportion to their then respective existing shareholdings in the Company and the directors allotted and issued such shares as aforesaid and gave effect to the capitalisation issue and the shares allotted and issued rank pari passu with all shares then in issue.
- (d) The Company issued 112,500,000 new ordinary shares of HK\$0.10 each (“New Issue”) for cash at HK\$3.15 per share by way of public offer and placement.
- (e) The Company’s shares are listed on the Main Board of the Stock Exchange on 21 March 2006.
- (f) On 27 March 2006, over-allotment option was exercised and a further 16,875,000 new ordinary shares of HK\$0.10 each were issued. At 27 March 2006, the Company’s issued share capital comprised 1,816,875,000 shares of HK\$0.10 each.

For the purpose of the preparation of the condensed consolidated financial statements, the balance of paid-in capital at 31 December 2005 represented the aggregate paid-in capital of NGL and Goldjoint, both of which became subsidiaries of the Company pursuant to the completion of the Reorganisation on 26 February 2006.

18. RESERVES

The Group’s special reserve represents amounts arising on Reorganisation.

The Group’s share options reserve represents the recognition of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.

As stipulated by the relevant laws and regulations in the PRC, the PRC subsidiaries of the Company are required to set aside 10% of its profit after taxation for statutory surplus reserve (except where the reserve fund has reached 50% of the respective subsidiary’s registered capital) and 5% to 10% of its profit after taxation for the statutory welfare fund. Appropriations to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of the PRC subsidiaries prepared in accordance with PRC accounting standards and the amount and allocation basis are decided by their respective board of directors annually. According to respective Articles of Association of the subsidiaries, statutory surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue provided such conversion is approved by a resolution at a shareholders’ meeting and the balance of the fund does not fall below 25% of the respective subsidiary’s registered capital. In accordance with “Cai Qi 【2006】 No. 67, Notice of accounting treatment as a result of the implementation of the PRC Company Law”, the balance of statutory welfare fund at 31 December 2005 is transferred to the statutory surplus reserve. Further, effective from 1 January 2006, appropriation of the profit as reported under the People’s Republic of China statutory financial statements to the statutory welfare fund is no longer required.

19. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
Within one year	24,671	29,018
In the second to fifth year inclusive	95,136	101,474
Over five years	235,184	254,580
	354,991	385,072

Operating lease payments represent rentals payable by the Group for certain of its office/department store properties. Leases are negotiated for terms ranged from 1 to 20 years with fixed rentals.

The Group as lessor

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

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
Within one year	3,550	2,744
In the second to fifth year inclusive	4,907	4,188
Over five years	1,145	1,597
	9,602	8,529

20. CAPITAL COMMITMENTS

	30.6.2006 RMB'000 (unaudited)	31.12.2005 <i>RMB'000</i>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	170,215	68,110

21. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 June 2006 and 31 December 2005.

22. RELATED PARTY TRANSACTIONS

During the period, the Group has the following significant transactions with related companies:

Relationship with related parties	Nature of transactions	Six months ended 30.6.2006 <i>RMB'000</i> (unaudited)	Six months ended 30.6.2005 <i>RMB'000</i> (unaudited)
南京金鷹國際集團高科技實業有限公司 (Golden Eagle International Group Hi-tech Industry Co., Ltd.), a subsidiary of GEICO	Property rentals paid	1,500	1,500
Companies in which a director of the Company, Mr. Wang Hung, Roger, has beneficial interests	Renovation service fee paid	14,716	4,941
	Property management fee paid	6,761	4,259
	Property rentals paid	225	225
	Property rentals received	2,820	–
	Parking fee paid	1,498	1,050
	Interest income on amount due from a fellow subsidiary	7,969	–
	Project management fee paid	600	–
	Management service fee paid	53	–

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2006 of RMB3.8 cents (2005: NIL) in cash per share payable on 26 September 2006 to shareholders whose names appear on the Register of Members of the Company on 19 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 18 September 2006 to 19 September 2006 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 15 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

In the first half of 2006, underpinned by the stable and healthy development of the PRC's economy, the national residents' income continued to grow at a rapid pace with consumption demand rising on a steady trend. In addition, the booming middle class in the PRC has also been serving as the main driving engine for medium-to-high end consumption. With strong consumption over holidays, in particular, the two major festivals during the first half of 2006, the Chinese New Year and the Labour Day, sales performance of the Group's department stores improved significantly.

Business operations

As at 30 June 2006, the gross sales proceeds of the Group (the "GSP") increased significantly and reached RMB1,700.4 million, with a growth rate of about 31.3% as compared to the same corresponding period in 2005. Per ticket sales during the first half of 2006 amounted to RMB363.4, representing an increase of about 13.8% as compared to the same corresponding period in 2005.

During the period under review, the Group continued to focus on implementing the VIP programme and strengthening of the VIP base. As at 30 June 2006, the Group had about 298,000 VIP customers in total, and the percentage of the VIP customers purchases accounted for about 60.4% of the GSP. On 18 May 2006, the Group jointly introduced the BOC Golden Eagle affinity credit card with the Bank of China with the aim to expand the functions of VIP cards and, leveraging on this golden opportunity, to attract the quality customers of the Bank of China as well.

In the first half of 2006, the Group improved the design of the store directory system and conducted maintenance and revamp of machineries and equipment, including the air conditioning system, so as to create an elegant and comfortable shopping environment for the customers.

During the period under review, the Group consistently launched various kinds of exciting and fascinating promotional activities to boost stores' sales. In particular, both the anniversary celebration of Nanjing Xinjiekou Store (南京新街口店) and the charity events organised in the name of Sang Lan (桑蘭) and Zheng Zhi Hua (鄭智化) achieved great success, which also successfully aroused social interest and acquired economic benefits. On the other hand, the anniversary celebration of Nanjing Xinjiekou Store held on 18 April 2006 also led the Group in breaking the record high for daily sales by reaching a GSP of over RMB22 million.

To ensure our information system cope with the Group's department store chain expansion, the Group has devoted additional resources to the functional development of the Group's ERP (Enterprises Resources Planning) system. Meanwhile, the Group is also enhancing the Group's existing CRM (Customer Relationship Management) system.

Expansion and opening of new stores

The soft opening of the Group's seventh department store, Xi'an Gaoxin Store (西安高新店) took place on 18 April 2006. With an elegant and comfortable environment, Xi'an Gaoxin Store was able to solicit concessionary brands with satisfactory results.

The preparation for the opening of the Group's eighth department store, Taizhou Store (泰州店) has been in progress. The installation of store facilities, decorations and renovations of the store are being conducted as scheduled, along with remarkable progress on business solicitation and recruitment of talents. The Directors are confident that Taizhou Store will commence operation ahead of schedule.

The Group entered into an agreement with 淮安華立曙光置業有限公司 (Huai An Hua Li Shu Guang Properties Limited) on 15 June 2006 for the acquisition of a property interest in Huai An City, Jiangsu Province, the PRC at a cash consideration of RMB 134,400,000 for the development of a new department store.

Outlook

As for the domestic environment, China's national economy has entered into another stage of rapid development. First, China is still experiencing the evolution of residents' consumption structure and industrialisation as well as rapid urbanisation, which favour a more progressive economic growth; second, the year of 2006 is the year for commencement of the eleventh Five-year Plan, which the Chinese government will further expand domestic demand, adjust the correlation between investment and consumption and strengthen the force of consumption over economic growth; and third, China's commercial properties are undergoing rapid development, and it is opportunistic for the Group to select suitable properties for future development. With sound political atmosphere, favourable business environment and healthy economy, the retail market of department stores will enjoy a good prospect, and the Directors expect the Group's operation will be benefited from such circumstances in the near future. As the Group possesses most of the properties for its business operation, the Group's business will continue to be relieved from rising rent.

The Group strives to further improve the results of the existing department stores as well as focus on the preparation of the opening of the Group's Taizhou Store and Huai An Store. Taizhou Store, which will commence operation ahead of schedule, will be positioned as a leading stylish premium department store in Taizhou with a wide selection of branded merchandise together with the best service in central Jiangsu Province. Huai An Store, which is anticipated to commence operation in late 2008, will also be positioned as another stylish premium department store offering the best services within the region.

As advised by the landlord, the construction of the building where the Nanjing Xuanwu Store (南京玄武店) will be located at is still in progress, which may not match with the previous completion schedule. As such, the Directors believe that the timing of the opening of the Nanjing Xuanwu Store may be affected.

The Group will continue to expand its department store chain network in other cities of Jiangsu Province as well as municipalities and cities in other provinces with growth potential, and to further strengthen its leading position in the market of stylish premium department stores. Capitalising on the brand recognition and reputation in the industry, the Group continues to strive to become a nationwide, stylish premium department store chain across China in the near future.

Financial Review

Gross sales proceeds and turnover

The GSP of the business operations of the Group, namely the Company and Goldjoint, and the business operation of Nanjing Xinjiekou Store, Nanjong Store, Yangzhou Store, Suzhou Store, Xuzhou Store, Xi'an Golden Eagle and Xi'an Gaoxin Store (the "Continuing Business" and the stores themselves, the "Stores") grew to about RMB1,700.4 million for the six months ended 30 June 2006, representing a growth of about 31.3% or RMB405.7 million from that of the same corresponding period in 2005. The significant growth was mainly contributed by the same store growth for the six months ended 30 June 2006. Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store, being the Stores that experienced the highest same store growth of about 23.5%, 30.7% and 47.9% respectively for the six months ended 30 June 2006. By enhancing the merchandise mix of the Stores and strengthening of promotional activities during the six months ended 30 June 2006, the Group enjoyed an impressive growth in terms of GSP.

Regarding the contribution to GSP by the Stores during the six months ended 30 June 2006, Nanjing Xinjiekou Store remained the highest contributor and contributed about 51.9% or RMB882.7 million of the total GSP. Yangzhou Store and Xuzhou Store contributed about 16.9% and 15.5% of the total GSP. Yangzhou Store and Xuzhou Store are still growing rapidly. As a result of the increased contributions by the Yangzhou Store and the Xuzhou Store, the contribution to GSP by Nanjing Xinjiekou Store as a percentage of the GSP has decreased during the six months ended 30 June 2006.

During the six months ended 30 June 2006, concessionaire sales of the Continuing Business contributed about 89.3% (2005: about 88.8%) of the GSP and direct sales contributed about 10.3% (2005: about 11.0%) of the GSP. The Directors intend to maintain these ratios in order to minimise the risk of having obsolete inventories and to tidy up the working capital of the Group.

The commission rate for concessionaires of the Continuing Business was about 18.2% for the six months ended 30 June 2006 (2005: about 18.8%). The commission rate was about 21.3% (2005: about 22.0%) of GSP (exclusive of value-added tax). Based on the performance of the suppliers and concessionaires of the Group, the Group conducts periodic review to enhance and strengthen the merchandise mix with a view to provide better shopping experience for the customers and to strengthen the Group's business. It is the Group's policy to offer more favourable concessionaire terms to those targeted brands if they also operate concessionaire counters at the Group's new stores. Hence, the average commission rate for concessionaires decreased slightly when compared with that of the same period in 2005.

Turnover of the Continuing Business increased by about RMB93.7 million or 28.3%, from about RMB331.1 million in the first six months of 2005 to RMB424.8 million in the same period of 2006. The increase in turnover was in line with the GSP growth.

Cost of sales

Cost of sales of the Continuing Business represented the cost of goods sold under the direct sales method. It increased by about RMB18.9 million, or 19.4%, from about RMB97.7 million for the six months ended 30 June 2005 to RMB116.6 million in for the same corresponding period in 2006. The increase was generally in line with the increase in direct sales for the six months ended 30 June 2006.

Selling expenses

Selling expenses of the Continuing Business increased by about RMB10.2 million, or 22.0%, from about RMB46.4 million for the six months ended 30 June 2005 to RMB56.6 million for the same corresponding period in 2006. The increase was mainly due to the increase in promotional activities in order to attract more customers with an ultimate goal to increase the GSP for the year.

Administrative expenses

Administrative expenses of the Continuing Business increased by about RMB39.8 million, or 94.1% from about RMB42.2 million for the six months ended 30 June 2005 to RMB82.0 million for the same corresponding period in 2006. The increase in administrative expenses was mainly due to the one-off expenses for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in March 2006 (the "Listing") and the strengthening of the operation of the Xi'an Store and the opening of the Xi'an Gaoxin Stores in April 2006, which both require the employment of additional human resources.

Other operating income

Other operating income of the Continuing Business increased by about RMB43.7 million, or 910.4%, from about RMB4.8 million for the six months ended 30 June 2005 to RMB48.5 million for the same corresponding period in 2006. The increase was mainly due to the interest received from the additional capital received from the Listing.

Profit from operation

Profit from operation of the Continuing Business increased by about RMB57.7 million, or 41.1%, from about RMB140.6 million for the six months ended 30 June 2005 to RMB198.3 million for the same corresponding period in 2006. The increase was mainly due to the GSP growth for the six months ended 30 June 2006 and the improvement in operating efficiency.

Finance cost

The interest expenses of the Continuing Business increased by about RMB10.8 million, or 121.3%, from about RMB8.9 million for the six months ended 30 June 2005 to RMB19.7 million for the same corresponding period in 2006. The increase in interest expenses was mainly due to the increase in bank borrowings prior to the Listing.

Taxation

The increase in taxation charge for the six months ended 30 June 2006 was in line with the increase in the profit before taxation of the Company. The applicable income tax rate for the Group during the year was 33%.

Profit for the period

The profits attributable to the shareholders of the Company's Continuing Business grew to about RMB134.9 million for the first six months of 2006, a growth of about RMB39.0 million, or 40.6%, from that of the same corresponding period in 2005. The growth is mainly contributed by the growth in the GSP, turnover and gross profit of the Group. On the other hand, interest income from the listing proceeds was another contributor to the Company's result for the period. However, taking into account the related listing expenses, the Directors consider that the growth in the GSP, turnover and gross profit are the main driving factors.

Net current assets/liabilities

The net current liabilities position has been improved to a net current asset position after the Listing, from a net current liabilities of about RMB336.9 million as at 31 December 2005 to net current asset of about RMB33.2 million as at 30 June 2006. The improvement from net current liabilities to net current assets was mainly due to the operating cash flow generated during the first half of 2006.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

a. Directors' interests in the securities of the Company and its associated corporations

Save as disclosed below, as at 30 June 2006, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) 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, if any, which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Director	Number of shares or underlying share held	% of issued share capital	Nature of interest
Wang Hung, Roger	1,299,375,000 (<i>Note 1</i>)	71.52	Corporate interest
Han Xiang Li	250,000 (<i>Note 2</i>)	0.01	Beneficial owner
Wang Wei	250,000 (<i>Note 2</i>)	0.01	Beneficial owner

Note 1: As at 30 June 2006, the corporate interest disclosed under Mr. Wang Hung, Roger's ("Mr. Wang") name represents his deemed interest in the Shares by virtue of his interest in GEICO Holdings Limited, a company established in the British Virgin Island, which in turn, was interested in shares of Golden Eagle International Retail Group Limited, the beneficial owner of 71.52% of the Shares.

Note 2: These represent the interests in share options of the Company which giving rise to interest in underlying shares of the Company.

b. Persons who have interests or short positions in the Shares and underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at 30 June 2006, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Divisions 2 and 3 of the SFO, or who, as at 30 June 2006, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of the Group or had any options in respect of such capital.

Long position in the Shares

Name of Shareholder(s)	Number of shares or underlying share held	% of issued share capital	Nature of interest
Wang Hung, Roger	1,299,375,000 (Note 1)	71.52	Corporate interest
GEICO Holdings Limited	1,299,375,000 (Note 1)	71.52	Interest in controlled corporation
Golden Eagle International Retail Group Limited	1,299,375,000 (Note 1)	71.52	Beneficial owner
JP Morgan Chase & Co.	237,826,000 (Note 2)	13.09	Interest in controlled corporation

Note 1: As at 30 June 2006, the corporate interest disclosed under Mr. Wang's name represents his deemed interest in the Shares by virtue of his interest in GEICO Holdings Limited, a company established in the British Virgin Island, which in turn, was interested in shares of Golden Eagle International Retail Group Limited, the beneficial owner of 71.52% of the Shares.

Note 2: As at 30 June 2006, JP Morgan Chase & Co. and its controlled corporations held 237,826,000 Shares, of which 186,135,000 Shares were held by JP Morgan Chase & Co. and its controlled corporations as investment manager and 51,691,000 Shares as custodian/approved lending agent.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by written resolutions of the sole shareholder of the Company dated 26 February 2006 (the "Share Option Scheme"), the Company may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Company's board of directors (the "Board"), has or had made contribution to the Group to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

The Share Option Scheme will remain valid for a period of ten years commencing on 26 February 2006. Option granted under the Share Option Scheme are exercisable at any time during a period to be notified by the Board to each grantee, save that no option may be exercised more than 10 years from the date of grant of the option.

The subscription price for the shares under the Share Option Scheme will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share.

On 28 April 2006, 5,370,000 share options at an exercise price of HK\$4.35 each for the primary purpose of providing incentives to directors and eligible employees were granted. These options granted will expire six years from the grant date.

Details of the share options outstanding during the current period are as follows:

	Number of share options
Granted during the period and outstanding at 30 June 2006	5,370,000
Exercisable at 30 June 2006	–

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2006, the Group's source of funding was cash generated from operating activities and the Listing. As at 30 June 2006, the Group's bank balances and cash in hand were about RMB702.5 million (2005: RMB219.6 million) whereas the short term bank loans were about RMB133.0 million (2005: RMB651.8 million) and long term bank loans were about RMB223.0 million (2005: RMB280.0 million). The bank loans were all drawn down in Renminbi and at fixed interest rates.

CONTINGENT LIABILITIES

As at 30 June 2006, the Group has no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2006, certain property, plant and equipment of the Group with carrying value of about RMB365.0 million were pledged to certain lending banks for securing general banking facilities of the Group.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at the head office in Nanjing. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuation in interest rates and foreign currency exchange rates. It is the Group's policy not to engage in speculative activities.

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2006, all the operations of the Group were denominated in Renminbi. The Group did not have any hedging or other arrangement in relation to foreign exchange exposure.

SEGMENT INFORMATION

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

MATERIAL ACQUISITION

On 15 June 2006, the Group entered into an agreement for the acquisition of a property interest in Huai An City, Jiangsu Province, the PRC at a cash consideration of RMB134.4 million for the development of a new department store. The purpose of the acquisition is to develop a new department store for the Group's use in Jiangsu Province, which is in line with the business objectives of the Group.

RETIREMENT OF NON-EXECUTIVE DIRECTOR

Mr. Mohammed K. Ghods ("Mr. Ghods"), a non-executive director of the Company, has retired at the annual general meeting of the Company held on 19 June 2006. On the same date, Mr. Ghods ceased to be a member of the Company's audit committee (the "Audit Committee") and Mr. Wang Yao, an independent non-executive Director, was appointed as a member of the Audit Committee.

EMPLOYEES

As at 30 June 2006, the Company had about 2,300 employees. Staff remuneration is paid in accordance with the relevant policies in Hong Kong and the PRC. Other corresponding benefits include MPF (Mandatory Provident Fund) contribution, share option scheme, pension, unemployment insurance, housing fund, etc.

GEARING RATIO

As at 30 June 2006, the total assets of the Group amounted to about RMB1,941.1 million (2005: RMB2,033.5 million) whereas the bank borrowings amounted to about RMB356.0 million (2005: RMB931.8 million). The gearing ratio was about 18.3%, which is a substantial decrease from about 45.8% as at 31 December 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries for the period from the date of the Listing to 30 June 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors are of the opinion that the Company has complied with Code on Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the period from the date of the Listing to 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' 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 for the period from the date of the Listing to 30 June 2006.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Company. The Group's interim report for the six months ended 30 June 2006 has been reviewed by the Audit Committee and the Company's auditors. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors.

REMUNERATION COMMITTEE

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

ACKNOWLEDGEMENT

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

DIRECTORS

As at the date of this interim report, the Board comprised Messrs. Wang Hung, Roger, Han Xiang Li and Wang Wei (executive Directors); and Wong Chi Keung, Wang Yao and Lau Shek Yau, John (independent non-executive Directors).

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

Hong Kong, 30 August 2006