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

Interim Report

Enriching everyone's life

2012・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
Globalised with sustainable growth
To be the best in what we do

We do better than we promise!

Interim Report

Contents

Corporate Profile

BUILDING NATIONWIDE NETWORK FROM YANGTZE RIVER DELTA FOOTHOLD

After 16 years of operation since the opening of our first department store, Nanjing Xinjiekou Store, the Group has successfully opened 27 self-owned stores and managed one store, with a total gross floor area of over 1,130,000 square meters and a total operating area of over 798,000 square meters as at the date of this report. These stores span across four provinces, namely Jiangsu, Anhui, Shaanxi and Yunnan, covering 16 cities including Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Changzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Liyang, Hefei, Huaibei, Xi'an and Kunming.

The Group has successfully established a leading position in Jiangsu Province, a market in which the Group enjoys strong competitive advantages. The Group has also placed its strategic focus on its development in Anhui Province. It will gradually expand its market share to achieve a leading position in the Anhui market. For the western region of China, the Group positions itself strategically in Xi'an in Shaanxi Province and Kunming in Yunnan Province for development in the western region of China. The Group will devote more efforts to solidify and expand its market share in these markets and expand further into their neighboring cities. Meanwhile, the Group will actively explore opportunities in the first and second-tier cities as well as third-tier cities with immense potential to achieve the target of developing a nationwide network of chain stores.

SECURING LONG-TERM LEASES TO SUPPLEMENT SELF-OWNED PROPERTIES

The Group's department stores are situated at prime shopping districts in their respective cities. The Group insists on developing in self-owned properties as one of its core development strategies. In order to capture development opportunities, the Group also secures high quality properties by entering into long-term leases, which can minimise the impact of rental increase on our department stores' operation. The target lease term is ten years or longer. We also procure landlords to charge rentals with reference to a percentage of the relevant store's sales proceeds. As at the date of this report, approximately 58.3% of the total gross floor area of our stores are located in self-owned properties.

DEVELOPING MORE MEGA STORES FOR ONE-STOP SHOPPING

In response to the competitive landscape among different retail formats, the Group has, in addition to the core functions of department store, introduced more varieties of services, such as dining, entertainment, beauty & personal care, hair styling, cinemas and pre-school educations, in our retail complexes so as to enrich the types of services offered to our customers, to enhance the attractiveness of our department stores to target customers and to promote the concept of one-stop shopping.

DEVELOPING PROPRIETARY BRANDS TO ENHANCE "GOLDEN EAGLE" BRAND

The Group has formed a professional team to develop our own proprietary brands. By offering a rich brand mix with a diverse variety of products in our stores, the Group will further boost the competitiveness of our brands so as to meet target customers' needs and enhance the brand value of "Golden Eagle".

Corporate Profile

EXPLORING NEW SALES CHANNELS WITH FOCUS ON INTERNET USERS

The department store and retail industry have been proactively exploring new sales channels. E-commerce is a new trend of development. In order to develop e-commerce as a new profit growth driver for our department store operation, the Group has formed a professional team to conduct feasibility studies of adopting e-commerce as one of our sales channels, and to identify a profitable e-commerce business model. Moreover, through the introduction of e-commerce, the Group can transcend geographical boundaries and deliver high quality products and services to a broader customer base.

BUILDING RELATIONSHIPS WITH VIP CUSTOMERS

Through the provision of exclusive value-added services for VIP customers and continuous improvement in the quantity and quality of our services, the Group has successfully secured over 1,022,000 loyal VIP customers as at 30 June 2012, which has further strengthened the Group's position for long-term development and expansion. VIP customers' spending represented approximately 58.7% of the total gross sales proceeds of the Group during the period under review, while the spending of VIP customers from established stores on average represented more than 63.0% of the gross sales proceeds of individual stores.

IMPLEMENTING INTELLIGENT E-PLATFORM

The Group has obtained the ISO9001 quality management award and manages every department store via a standardised management system. In June 2012, all of the Group's chain stores were connected to and are operating on our newly developed intelligent e-platform that is leading in the industry. It is a customer-oriented platform built on an advanced SAP system which is adopted by many Fortune 500 companies. Customer experience is improved and the individual demands of our target customers will be adequately satisfied through core elements of business intelligence (BI), precision marketing (PM), supply chain management (SCM) and customer relationship management (CRM). Operational efficiency will also be enhanced alongside with optimisation of process operation flow and creation of new business value. This platform will become the new driving force of the Group's accelerating business growth and core competencies upgrade.

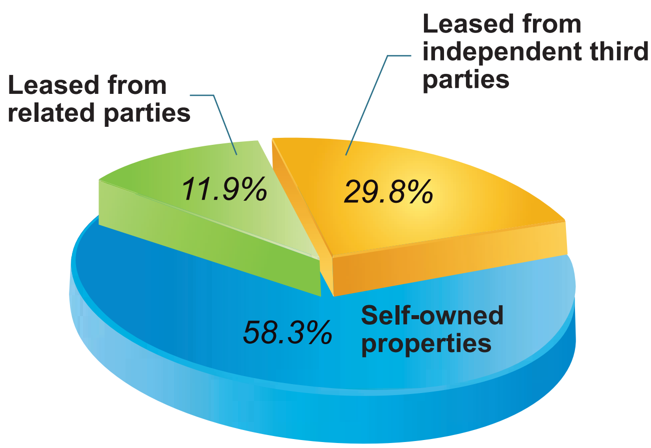
INTERNATIONALISED VISION AND LOCALISED OPERATING STRATEGIES

The Group appreciates the efforts and contributions of its employees. The Group organises regular professional training sessions and overseas study trips for the management and employees in order to enhance their sustainable development capabilities and gain their insights for internationalised management. The Group also implements a localised management system which is suitable for the relevant local markets. For each of the stores, the Group recruits staff in the local area to form its own management team such that the Group can utilise their knowledge on the local market. As at 30 June 2012, the Group had approximately 5,600 employees.

Golden Eagle In China

Self-owned properties situated at prime shopping districts accounted for 58.3%* of total gross floor area.

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	33,447		33,447
Nantong Store	8,795		8,795
Yangzhou Store	37,562	3,450	41,012
Suzhou Store		14,958	14,958
Xuzhou Store	59,934		59,934
Xi'an Gaoxin Store	27,287		27,287
Taizhou Store	58,373		58,373
Kunming Store	116,817		116,817
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	49,689		49,689
Yancheng Store	94,840		94,840
Yangzhou Jinghua Store		29,598	29,598
Shanghai Store		23,588	23,588
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		42,795	42,795
Hefei Dadongmen Store		10,356	10,356
Hefei Baihuajing Store		12,294	12,294
Anhui Huaibei Store		34,714	34,714
Hefei Suzhou Road Store		59,906	59,906
Changzhou Jiahong Store		32,920	32,920
Xi'an Xiaozhai Store		19,000	19,000
Suqian Store	66,520		66,520
Liyang Store	52,354	18,130	70,484
Xuzhou People Square Store	37,768		37,768
Kunming Nanya Store		38,978	38,978
Changzhou Wujin Store		54,500	54,500
Yancheng Outlet Store		18,377	18,377
Total			**1,102,990**



* As a percentage of total gross floor area (square meters) as at 21 August 2012

Corporate Information

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. Liu Chi Husan, Jack

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, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1206, 12th Floor, Tower 2, Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY

Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUDIT COMMITTEE

Mr. Wong Chi Keung *(Chairman)*
Mr. Wang Yao
Mr. Liu Chi Husan, Jack

REMUNERATION COMMITTEE

Mr. Liu Chi Husan, Jack *(Chairman)*
Mr. Wang Hung, Roger
Mr. Wong Chi Keung

NOMINATION COMMITTEE

Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Liu Chi Husan, Jack

PRINCIPAL BANKERS IN THE PRC

Agricultural Bank of China
Bank of China
China CITIC Bank
China Construction Bank
China Minsheng Banking
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Bank of East Asia (China)

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
Citi Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
Taipei Fubon Commercial Bank
The Bank of East Asia

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

Financial Highlights

Gross Sales Proceeds (RMB Million)

1H 2012	8,050.4	+16.6%
1H 2011	6,903.0	

Revenue (RMB Million)

1H 2012	1,800.7	+15.7%
1H 2011	1,557.0	

Profit from Operations (RMB Million)

1H 2012	800.7	+3.0%
1H 2011	777.3	

Profit for the Period (RMB Million)

1H 2012	618.6	+1.0%
1H 2011	612.2	

Gross Floor Area (square meters)

21 August 2012	1,102,990	+24.9%
31 December 2011	882,883	

Same Store Sales Growth[1]

1H 2012	8.6%
1H 2011	28.7%

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

Enrich life with styles!

Interim Results and Condensed Consolidated Income Statement

For the six months ended 30 June 2012

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 2012, together with unaudited comparative figures for the corresponding period in 2011. The unaudited condensed consolidated interim results have not been audited, but have been reviewed by the auditor, Messrs. Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

		Six months ended	
	NOTES	**30.6.2012**	30.6.2011
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**1,800,704**	1,557,000
Other operating income	5	**109,377**	57,653
Changes in inventories of merchandise		**(467,272)**	(345,513)
Employee benefits expense		**(168,938)**	(147,059)
Depreciation and amortisation of property, plant and equipment and investment property		**(87,629)**	(76,599)
Release of prepaid lease payments on land use rights		**(9,987)**	(2,415)
Rental expenses		**(78,727)**	(59,418)
Other operating expenses		**(296,874)**	(206,330)
Profit from operations		**800,654**	777,319
Finance income	6	**63,072**	38,770
Interest expenses on bank loans wholly repayable within five years		**(26,394)**	(4,986)
Other gains and losses	7	**(1,676)**	12,150
Share of profit of associates		**1,851**	1,257
Profit before tax		**837,507**	824,510
Income tax expense	8	**(218,935)**	(212,299)
Profit for the period	9	**618,572**	612,211
Profit for the period attributable to:			
Owners of the Company		**618,861**	612,211
Non-controlling interest		**(289)**	—
		618,572	612,211
Earnings per share			
– Basic (RMB per share)	11	**0.319**	0.315
– Diluted (RMB per share)	11	**0.317**	0.312

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**618,572**	612,211
Other comprehensive income		
Gain on fair value changes of available-for-sale investments	**32,139**	1,250
Reclassified to profit or loss on disposal of available-for-sale investments	**(4,487)**	630
Income tax relating to components of other comprehensive income	**(1,308)**	(434)
Other comprehensive income for the period (net of tax)	**26,344**	1,446
Total comprehensive income for the period	**644,916**	613,657
Total comprehensive income for the period attributable to:		
Owners of the Company	**645,205**	613,657
Non-controlling interest	**(289)**	—
	644,916	613,657

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	NOTES	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**4,065,042**	3,906,293
Land use rights - non-current portion	12	**1,307,833**	1,318,887
Investment property		**91,694**	92,738
Deposits	13	**992,800**	992,800
Goodwill		**256,908**	256,908
Interests in associates		**93,552**	91,701
Available-for-sale investments		**137,630**	170,667
Investment in convertible bonds		**62,254**	57,869
Amount due from a former shareholder of a subsidiary		**20,265**	19,756
Deferred tax assets		**62,326**	51,587
		7,090,304	6,959,206
Current assets			
Inventories		**309,468**	304,366
Trade and other receivables	14	**374,382**	248,298
Land use rights – current portion	12	**22,103**	22,103
Amounts due from fellow subsidiaries	15	**12,951**	9,644
Investments in interest bearing instruments	16	**200,508**	872,494
Structured bank deposits	16	**1,505,655**	863,048
Pledged bank deposit	16	—	110,000
Restricted cash	16	**14,406**	—
Bank balances and cash	16	**2,145,113**	1,953,426
		4,584,586	4,383,379
Current liabilities			
Trade and other payables	17	**1,600,618**	2,062,924
Amounts due to related companies	18	**130,393**	455,465
Short-term bank loans	19	**650,693**	1,484,371
Tax liabilities		**68,577**	126,506
Deferred revenue	20	**2,552,146**	2,518,596
		5,002,427	6,647,862
Net current liabilities		**(417,841)**	(2,264,483)
Total assets less current liabilities		**6,672,463**	4,694,723

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	NOTES	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Non-current liabilities			
Bank loans	19	**1,845,979**	—
Deferred tax liabilities		**144,330**	124,961
		1,990,309	124,961
Net assets		**4,682,154**	4,569,762
Capital and reserves			
Share capital	21	**196,672**	197,577
Reserves		**4,482,787**	4,369,201
Equity attributable to owners of the Company		**4,679,459**	4,566,778
Non-controlling interest		**2,695**	2,984
Total equity		**4,682,154**	4,569,762

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company										
	Share capital RMB'000 (note 21)	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interest RMB'000	Total RMB'000
At 1 January 2011 (audited)	197,489	1,640,836	5,115	217,228	3,601	41,850	472,887	1,101,170	3,680,176	—	3,680,176
Profit for the period	—	—	—	—	—	—	—	612,211	612,211	—	612,211
Gain on fair value changes of available-for-sale investments	—	—	—	—	1,250	—	—	—	1,250	—	1,250
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	—	—	630	—	—	—	630	—	630
Income tax relating to components of other comprehensive income	—	—	—	—	(434)	—	—	—	(434)	—	(434)
Total comprehensive income for the period	—	—	—	—	1,446	—	—	612,211	613,657	—	613,657
Exercise of share options	168	10,671	—	—	—	(3,006)	—	—	7,833	—	7,833
Recognition of equity-settled share-based payments	—	—	—	—	—	13,545	—	—	13,545	—	13,545
Dividends recognised as distribution (note 10)	—	—	—	—	—	—	—	(289,971)	(289,971)	—	(289,971)
At 30 June 2011 (unaudited)	197,657	1,651,507	5,115	217,228	5,047	52,389	472,887	1,423,410	4,025,240	—	4,025,240
At 1 January 2012 (audited)	**197,577**	**1,632,174**	**5,279**	**217,228**	**(32,293)**	**50,834**	**662,733**	**1,833,246**	**4,566,778**	**2,984**	**4,569,762**
Profit for the period	—	—	—	—	—	—	—	**618,861**	**618,861**	**(289)**	**618,572**
Gain on fair value changes of available-for-sale investments	—	—	—	—	**32,139**	—	—	—	**32,139**	—	**32,139**
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	—	—	**(4,487)**	—	—	—	**(4,487)**	—	**(4,487)**
Income tax relating to components of other comprehensive income	—	—	—	—	**(1,308)**	—	—	—	**(1,308)**	—	**(1,308)**
Total comprehensive income for the period	—	—	—	—	**26,344**	—	—	**618,861**	**645,205**	**(289)**	**644,916**
Shares repurchased and cancelled	**(1,172)**	**(181,663)**	**1,172**	—	—	—	—	**(1,172)**	**(182,835)**	—	**(182,835)**
Exercise of share options	**267**	**18,478**	—	—	—	**(6,261)**	—	—	**12,484**	—	**12,484**
Recognition of equity-settled share-based payments	—	—	—	—	—	**4,440**	—	—	**4,440**	—	**4,440**
Dividends recognised as distribution (note 10)	—	—	—	—	—	—	—	**(366,613)**	**(366,613)**	—	**(366,613)**
At 30 June 2012 (unaudited)	**196,672**	**1,468,989**	**6,451**	**217,228**	**(5,949)**	**49,013**	**662,733**	**2,084,322**	**4,679,459**	**2,695**	**4,682,154**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**121,941**	542,904
Investing activities:		
Investments in structured bank deposits	**(1,208,802)**	(562,750)
Additions to property, plant and equipment	**(620,543)**	(282,107)
Investments in interest bearing instruments	**(200,000)**	(800,000)
Purchase of available-for-sale investments	**(33,355)**	(11,542)
Increase in restricted cash	**(14,406)**	—
Deposit paid for acquisition of a subsidiary	—	(270,945)
Deposits paid for acquisition of property, plant and equipment and land use rights	—	(186,962)
Investment in an associate	—	(98,367)
Additional consideration paid for acquisition of a subsidiary	—	(5,011)
Redemption of investments in interest bearing instruments	**870,000**	400,000
Redemption of structured bank deposit	**562,750**	232,750
Withdrawal (placement) of pledged bank deposit	**110,000**	(110,000)
Proceeds from disposal of available-for-sale investments	**98,531**	52,674
Income received from structured bank deposits	**39,645**	11,359
Income received from investments in interest bearing instruments	**16,170**	12,066
Interest received from bank deposits	**9,254**	11,321
Other investing cash flows	**20**	22
Net cash used in investing activities	**(370,736)**	(1,607,492)
Financing activities:		
New bank loans raised	**1,951,454**	395,010
Proceeds on exercise of share options	**12,484**	7,833
Repayment of bank loans	**(955,944)**	—
Dividends paid to owners of the Company	**(366,613)**	(289,971)
Repurchase of own shares	**(182,835)**	—
Interest paid	**(18,064)**	(4,986)
Net cash generated from financing activities	**440,482**	107,886
Net increase (decrease) in cash and cash equivalents	**191,687**	(956,702)
Cash and cash equivalents at 1 January	**1,953,426**	1,819,197
Cash and cash equivalents at 30 June, representing bank balances and cash	**2,145,113**	862,495

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. GENERAL AND BASIS OF PREPARATION OF 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, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger ("Mr. Wang").

The Company is an investment holding company and its subsidiaries are principally engaged in the 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 ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

The Group's revenue generated 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 2012 is as follows:

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from department store operations		
– direct sales	**568,003**	443,494
– income from concessionaire sales	**1,188,713**	1,085,464
– rental income	**36,440**	20,617
– management service fees	**7,548**	7,425
	1,800,704	1,557,000

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	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
From department store operations		
– direct sales	**664,832**	518,888
– concessionaire sales	**7,338,037**	6,353,556
– rental income	**38,602**	21,821
– management service fees	**8,880**	8,735
	8,050,351	6,903,000

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 represent the total of other operating segments that are individually not reportable

The following is an analysis of the Group's revenue and results by reportable and 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)	Total reportable segment RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2012						
Gross sales proceeds	2,826,175	3,405,145	962,768	7,194,088	856,263	8,050,351
Segment revenue	704,501	718,632	174,646	1,597,779	202,925	1,800,704
Segment results	377,508	361,779	65,289	804,576	25,719	830,295
Central administration costs and Directors' salaries						(29,641)
Finance income						63,072
Interest expenses on bank loans wholly repayable within five years						(26,394)
Other gains and losses						(1,676)
Share of profit of associates						1,851
Profit before tax						837,507
Income tax expense						(218,935)
Profit for the period						618,572

4. SEGMENT INFORMATION *(Continued)*

	Southern Jiangsu Province RMB'000 (unaudited)	Northern Jiangsu Province RMB'000 (unaudited)	Western region of PRC RMB'000 (unaudited)	Total reportable segment RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2011						
Gross sales proceeds	2,455,721	2,938,505	726,838	6,121,064	781,936	6,903,000
Segment revenue	629,110	603,966	129,869	1,362,945	194,055	1,557,000
Segment results	391,113	349,012	61,151	801,276	18,324	819,600
Central administration costs and Directors' salaries						(42,281)
Finance income						38,770
Interest expenses on bank loans wholly repayable within five years						(4,986)
Other gains and losses						12,150
Share of profit of associates						1,257
Profit before tax						824,510
Income tax expense						(212,299)
Profit for the period						612,211

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

5. OTHER OPERATING INCOME

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from suppliers and customers	**90,783**	46,945
Government grants	**14,897**	10,253
Others	**3,697**	455
	109,377	57,653

6. FINANCE INCOME

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income from structured bank deposits	**36,200**	13,652
Income from investments in interest bearing instruments	**14,184**	12,268
Interest income on bank deposits	**7,576**	11,321
Interest income on pledged bank deposit	**1,678**	—
Effective interest income on:		
Amount due from a former shareholder of a subsidiary	**1,049**	1,529
Investment in convertible bonds	**2,385**	—
	63,072	38,770

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

7. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange (losses) gains	**(8,461)**	10,121
Changes in fair value of:		
Held-for-trading investments	**298**	2,659
Derivative component of investment in convertible bonds	**2,000**	—
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**4,487**	(630)
	(1,676)	12,150

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Current period	**212,376**	198,027
(Over) under provision in prior periods	**(763)**	935
	211,613	198,962
Deferred tax charge:		
Current period	**7,322**	13,337
	218,935	212,299

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 2012 (six months ended 30 June 2011: nil).

Subsidiaries of the Group located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (six months ended 30 June 2011: 25%) pursuant to the relevant PRC Enterprise Income Tax laws.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	**86,586**	76,599
Depreciation of investment property	**1,043**	—
Release of prepaid lease payments on land use rights	**11,054**	5,220
Less: amounts capitalised	**(1,067)**	(2,805)
	9,987	2,415
Loss on disposal of property, plant and equipment	**173**	122

10. DIVIDENDS

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend for the year ended 31 December 2011 of RMB0.188 (year ended 31 December 2010: RMB0.150) per share	**366,613**	289,971

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

11. 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 after taking into account the effect of dilutive share options 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	
	30.6.2012	30.6.2011
	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)	**618,861**	612,211

	Six months ended	
	30.6.2012	30.6.2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,939,585**	1,943,694
Effect of dilutive potential ordinary shares attributable to share options	**14,034**	18,641
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,953,619**	1,962,335

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

During the period, the Group spent approximately RMB188,388,000 (six months ended 30 June 2011: RMB168,208,000) on construction and renovation of its new department stores and approximately RMB57,139,000 (six months ended 30 June 2011: RMB109,881,000) on construction, renovation and expansion of its existing stores in order to expand and/or upgrade its operating capabilities.

As at 30 June 2012, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB488,623,000 (31 December 2011: RMB505,795,000) and land use right certificates in respect of medium-term land use rights with a carrying value of RMB965,915,000 (31 December 2011: RMB971,750,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

13. DEPOSITS

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment and land use rights (Note)	**992,800**	992,800

Note: Included in the balance is RMB702,800,000 (31 December 2011: RMB702,800,000) deposits paid to fellow subsidiaries of the Group for acquisition of land and buildings which are currently under construction. The Group intends to develop department stores on these properties and the transactions are expected to be completed in one to three years.

14. TRADE AND OTHER RECEIVABLES

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Trade receivables	**71,085**	67,161
Management service fee receivable	**9,388**	17,418
Trade prepayments to suppliers	**39,353**	10,584
Deposits (Note)	**86,899**	85,992
Deposits paid for purchases of goods	**2,988**	4,300
Amount due from a former shareholder of a subsidiary	**25,079**	20,996
Other taxes recoverable	**65,265**	—
Other receivables	**74,325**	41,847
	374,382	248,298

Note: Included in the balance is RMB18,000,000 (31 December 2011: RMB17,000,000) rental deposits paid in respect of leasing of properties for department store operations or office premises from fellow subsidiaries of the Group.

The Group's trade customers mainly settled their debts by cash payments, either in the form of cash or debit cards, or credit card payments. The Group currently does not have a defined fixed credit policy as its trade receivables mainly arises 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.

15. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group")	**7,903**	7,947
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development")	**1,908**	1,008
南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Assets Management Co., Ltd.)	**2,787**	500
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.)	**224**	131
Others	**129**	58
	12,951	9,644

The amounts due from Nanjing Golden Eagle Group and Nanjing Construction and Development relate to deposits paid to them for acquisition of property, plant and equipment, and the remaining amounts represent trade receivables from fellow subsidiaries which are unsecured, interest-free and repayable on demand.

16. INVESTMENTS IN INTEREST BEARING INSTRUMENTS, STRUCTURED BANK DEPOSITS, PLEDGED BANK DEPOSIT, RESTRICTED CASH AND BANK BALANCES AND CASH

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Investments in interest bearing instruments (Note 1)	**200,508**	872,494
Structured bank deposits (Note 2)	**1,505,655**	863,048
Pledged bank deposit (Note 3)	—	110,000
Restricted cash (Note 4)	**14,406**	—
Bank balances and cash (Note 5)	**2,145,113**	1,953,426
	3,865,682	3,798,968

Notes:

1. Investments in interest bearing instruments at 30 June 2012 represent the Group's investments in restricted low risk debt instruments which are managed by a bank in the PRC for a term of one year (31 December 2011: represented the Group's investments in entrusted RMB loans arranged by banks in the PRC). The investments are principal guaranteed by the bank.

2. Structured bank deposits represent foreign currency or interest rate or commodity price linked structured bank deposits placed by the Group with a number of banks for a term of one year. The principal sums are denominated in RMB fixed and guaranteed by those banks. In the opinion of the Directors, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

3. Pledged bank deposit at 31 December 2011 represented deposit pledged to a bank in the PRC for a short-term bank loan. The pledged was released after the settlement of the relevant short-term bank loan during the reporting period.

4. Restricted cash at 30 June 2012 represents balances maintained in interest reserve accounts for the purpose of syndicated loans (as set out in note 19) interest payments.

5. 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.

17. TRADE AND OTHER PAYABLES

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Trade payables	**1,179,849**	1,535,479
Purchase of property, plant and equipment	**86,869**	130,400
Other taxes payable	**34,859**	92,132
Suppliers' deposits	**96,982**	84,450
Accrued salaries and welfare expenses	**22,361**	37,278
Other payables	**179,698**	183,185
	1,600,618	2,062,924

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

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
0 to 30 days	**917,446**	1,307,933
31 to 60 days	**141,381**	124,732
61 to 90 days	**43,169**	50,186
Over 90 days	**77,853**	52,628
	1,179,849	1,535,479

18. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
南京金鷹國際集團有限公司 (Nanjing Golden Eagle Group) (Note 1)	**9,542**	423,020
南京金鷹工程建設有限公司 (Nanjing Construction and Development) (Note 1)	**105,617**	23,835
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	**6,533**	4,135
南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Assets Management Co., Ltd.) (Note 1)	**373**	1,277
安徽三新鐘表有限公司 (Anhui Sanxin Watch Co., Ltd.) (Note 2)	**2,573**	350
Others	**5,755**	2,848
	130,393	455,465

The amounts due to Nanjing Golden Eagle Group and Nanjing Construction and Development are related to acquisition of property, plant and equipment, and the remaining amounts represent trade payables to related companies which are unsecured, interest-free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. An associate of the Group.

19. BANK LOANS

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Short-term bank loans	**650,693**	1,484,371
Syndicated loans	**1,845,979**	—
	2,496,672	1,484,371
Less: Amounts due within one year shown under current liabilities	**(650,693)**	(1,484,371)
Amounts due after one year	**1,845,979**	—
Secured	**1,845,979**	101,338
Unsecured	**650,693**	1,383,033
	2,496,672	1,484,371

On 18 April 2012, the Group entered into a dual-currency three-year term loan facility agreement of amounts up to USD259.5 million and HKD665.0 million (in aggregate equivalent to approximately RMB2,172.9 million) with a group of financial institutions which will be due for full repayment on 17 April 2015 (the "Term Loan Facility"). The Term Loan Facility was used to refinance the Group's USD105.0 million equivalent outstanding bridging loan facilities (equivalent to approximately RMB661.0 million) and to finance the Group's general corporate funding requirements.

20. DEFERRED REVENUE

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Prepayments from customers	**2,505,360**	2,438,617
Deferred revenue arising from the Group's customer loyalty programme	**46,786**	79,979
	2,552,146	2,518,596

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

21. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2012 and 30 June 2012	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2012 (audited)	1,943,846,000	194,385
Shares repurchased and cancelled	(14,386,000)	(1,439)
Exercise of share options	3,289,000	329
At 30 June 2012 (unaudited)	1,932,749,000	193,275
		RMB'000
Shown in the condensed consolidated financial statements:		
At 30 June 2012 (unaudited)		196,672
At 31 December 2011 (audited)		197,577

During the period, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HKD	HKD	HKD'000
January 2012	5,692,000	16.04	15.24	88,523
May 2012	200,000	16.50	16.42	3,298
June 2012	8,494,000	16.32	14.85	131,870
				223,691

22. 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, warehouses and department store properties rented under non-cancellable operating leases which fall due as follows:

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	**74,496**	75,972
In the second to fifth year inclusive	**381,054**	347,035
Over five years	**1,795,387**	1,773,150
	2,250,937	2,196,157

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:

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	**24,968**	27,036
In the second to fifth year inclusive	**80,573**	75,147
Over five years	**150,209**	142,708
	255,750	244,891

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain landlords, including fellow subsidiaries of the Company, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds net of related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the six months ended 30 June 2012 amounted to approximately RMB52,685,000 (six months ended 30 June 2011: RMB35,965,000).

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

22. 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:

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Within one year	**38,385**	29,108
In the second to fifth year inclusive	**67,790**	69,173
Over five years	**23,764**	30,603
	129,939	128,884

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 tenants' monthly gross sales or gross profit. Rental income received from these contingent lease contracts during the six months ended 30 June 2012 was RMB25,077,000 (six months ended 30 June 2011: RMB17,223,000).

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

23. CAPITAL COMMITMENTS

	30.6.2012 RMB'000 (unaudited)	31.12.2011 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 and land use rights (Note)	**1,890,214**	1,578,541

Note: Included in the balance is RMB1,114,317,000 (31 December 2011: RMB1,177,155,000) capital expenditure contracted for with fellow subsidiaries of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

24. PLEDGE OF ASSETS

At 30 June 2012, the Group has pledged equity interests of certain of its subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the Term Loan Facility granted to the Group. Of which, USD297.6 million equivalent (equivalent to approximately RMB1,884.7 million) of the facility has been utilised.

Assets with the following carrying amounts have been pledged to secure the Term Loan Facility:

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Available-for-sale investments	**71,045**	—
Trade and other receivables	**10,247**	—
Restricted cash	**14,406**	—
Bank balances and cash	**108,329**	—
	204,027	—

At 30 June 2011, the Group has pledged a bank deposit at the amount of RMB110 million to a bank in the PRC for a short-term bank loan granted to the Group which was fully repaid during the reporting period.

25. RELATED PARTY TRANSACTIONS

During the reporting period, other than those disclosed in notes 13, 14, 15, 18, 22 and 23, the Group had the following significant transactions with related parties:

a) Transactions

Relationship with related parties	Nature of transactions	Six months ended 30.6.2012 RMB'000 (unaudited)	Six months ended 30.6.2011 RMB'000 (unaudited)
Fellow subsidiaries of the Group	Decoration service fee paid	**127,368**	46,922
	Property management fee paid	**29,284**	14,478
	Property and ancillary facilities rentals paid	**40,883**	33,675
	Carpark management service fee paid	**1,034**	1,488
	Project management service fee paid	**4,800**	375
	Sales of merchandise	**—**	2,036
A company in which a fellow subsidiary of the Group had significant influence until 17 August 2011	Management service fee received	**—**	8,735
An associate	Purchase of merchandise	**25,958**	28,183

b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period were as follows:

	Six months ended 30.6.2012 RMB'000 (unaudited)	Six months ended 30.6.2011 RMB'000 (unaudited)
Salaries and other benefits	**2,045**	2,052
Retirement benefits schemes contributions	**198**	213
Equity-settled share-based payments	**2,235**	4,648
	4,478	6,913

Independent Review Report on Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF GOLDEN EAGLE RETAIL GROUP LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 8 to 32, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21 August 2012

Management Discussion and Analysis

BUSINESS REVIEW

Industry Overview

During the first half of 2012, China's economy continued to face challenges from complicated and volatile national and global economic conditions. The Euro-zone debt crisis has yet to be settled, whilst the geopolitics in the Middle East and Northern Africa regions remained uncertain. Growth in the major economic entities has generally slowed down and consumption tended to be sluggish. Meanwhile, the tightened macroeconomic control measures to cool off the real estate sector continued to hinder the growth of China's economy, gradually impacting the retail and consumption sectors as well.

Facing the complicated and stringent national and global economic conditions, the Chinese government has placed more emphasis in stabilising economic growth during the first half of 2012. The national economy was developing in an orderly and steady manner as a result of the proactive fiscal policies and steady monetary measures implemented by the PRC government to encourage domestic consumption. Pressure on inflation was further eased off while the consumer price index continued to fall, with the rate of increase at its lowest in June 2012 since February 2010. In the meantime, the People's Bank of China reduced both the interest rate and the Renminbi deposit reserve ratio twice during first half of the year, it also announced asymmetrical interest rate cut for the first time so as to support the substantive economy. More signs show that the China's economy is bottoming-out, which creates favourable conditions for the recovery of consumption and retail industries.

The national gross domestic product ("GDP") in the first half of 2012 reached RMB22.7 trillion, representing an increase of 7.8% over the same period last year. Total retail sales of consumer goods reached RMB9.8 trillion, representing an increase of 14.4% over the same period last year, a slight 2.4 percentage points lower than that recorded last year. Urban disposable income per capita increased to RMB12,509, representing an increase of 13.3% over the same period last year. After deducting the price factor, the increase was 9.7% in real terms. Consumer price increased by 3.3% over the same period last year.

Jiangsu Province region, where the Group has already established a leading market position, demonstrated sound momentum in its economic development and achieved a GDP growth of 9.9% during the first half of 2012. Total retail sales of consumer goods grew by 14.9% and urban disposable income per capita increased by 13.9% over the same period last year.

Anhui Province region, the new focus of the Group's strategic development, demonstrated stable and relatively rapid momentum in its economic development and achieved a GDP growth of 12.0% during the first half of 2012. Total retail sales of consumer goods grew by 16.0% and urban disposable income per capita increased by 14.3% over the same period last year.

Management Discussion and Analysis

Business Operation

Since the fourth quarter of 2011, due to various macroeconomic factors, the growth of China's mid-to-high-end retail industry started to slow down. Despite the challenging economic environment and the Group's aggressive store expansion plan, with joint efforts of our staff, the Group still managed to record steady and a relatively rapid increase in the gross sales proceeds ("GSP"). During the first half of 2012, GSP reached RMB8.1 billion, representing an increase of 16.6% over the same period last year. Net profit remained stable at RMB618.6 million, representing an increase of 1.0% over the same period last year. Same store sales growth ("SSSG") maintained at a stable and prudent growth of 8.6%.

In order to meet target customers' consumption demand and add on growth momentum on chain store sales, during the period under review, through the new integrated merchandising and operation (商營合一) management team, each chain store of the Group undertook a relatively extensive spring revamp. Individual chain store is able to cater for the local tastes, in terms of brand and merchandise mix, more effectively, which in turn further enhance the sales performance of each individual brand.

Firstly, the Group continued to optimise the brand mix in its flagship store. On the basis of the existing first-tier international cosmetic brands housing at Nanjing Xinjiekou Store, the Group successfully introduced JURLIQUE and SULWHASOO, which further enriched its portfolio of international cosmetic brands. Secondly, impressed by the Group's strong sales performances in Jiangsu's third-tier cities, international renowned brands made their ways to tap into these cities through the Group's chain stores. This enables our chain stores to further solidify their leading positions in the local mid-to-high-end department store market. Of which, Xuzhou Store and Yangzhou Store introduced international renowned brands such as COACH and international luxury cosmetic brands such as CHANEL and CLARINS.

It is worth realising that Yancheng Store, being the Group's major core store in those third-tier cities in Jiangsu, is upgrading its merchandise mix on an ongoing basis. It has relocated the women's footwear section from the first floor to the lower basement and introduced more women's footwear brands. This relocation forms an exclusive footwear zone with more than 30 women's footwear brands, including NINE WEST and BELLE. This move has also transformed the women's footwear section of Yancheng Store into a featured landmark among department stores in the local area and the mindset of target customers, which also enhance the sales performance of women's footwear at the store. On the other hand, more prime shopping spaces on the first floor were made available to international renowned brand such as SWAROVSKI and international cosmetic brands like ESTEE LAUDER and LANCOME. This will satisfy the pursuit of brands by the high-end customers. Such changes will become the new driving forces for Yancheng Store's sales growth. During the period under review, the sales of cosmetics by this store grew by 85.7% over the same period last year, whilst the sales of women's footwear and handbags since the relocation in July 2012 increased by 21.2% over the same period last year.

The Group continues to focus on VIP customer base expansion and enhancement. In order to enhance VIP customers' satisfaction and their loyalty, we offered quality merchandise with attentive value-added services that cater for their individual needs through analysing their consumption patterns and changing needs. During the period under review, the Group continues to expand its collaborations with various banks. Through co-branded credit cards, the Group shares valuable customer base and promotion resources with these banks. As at 30 June 2012, the Group had more than 1,022,000 VIP customers, and sales from VIP customers accounted for approximately 58.7% of the Group's total GSP, whereas sales from VIP customers at established stores on average exceeded 63.0% of the GSP for such stores.

Management Discussion and Analysis

In June 2012, all of the Group's chain stores were connected to and are operating on our newly developed intelligent e-platform that is leading in the industry. It is a customer-oriented platform built on an advanced SAP system which is adopted by many Fortune 500 companies. Customer experience is improved and the individual demands of our target customers will be adequately satisfied through core elements of business intelligence (BI), precision marketing (PM), supply chain management (SCM) and customer relationship management (CRM). Operational efficiency will also be enhanced alongside with optimisation of process operation flow and creation of new business value. This platform will become the new driving force of the Group's accelerating business growth and core competencies upgrade.

Opening of New Stores and Chain Development

In order to capture opportunities arising from the boom of China's consumer market in the future, the Group will continue to maintain an established and steady pace of new chain stores development. During the first half of 2012, the Group opened a total of five new stores and added new retail space to Huaibei Store. In addition, new retail space at Yancheng Store also commenced operation on 8 July 2012, which in aggregate increased the total gross floor area ("GFA") of the Group's chain stores by approximately 230,000 square meters.

On 12 January 2012, three new stores of the Group commenced operation. Kunming Nanya Store is situated in the emerging central business district in the southern part of Kunming City with GFA of approximately 39,000 square meters; Liyang Store is situated in the central business district of Liyang City with GFA of approximately 70,000 square meters and Xuzhou People's Square Store, being the second chain store of the Group opened in Xuzhou, was also located at the prime shopping district in Xuzhou City with GFA of approximately 38,000 square meters. The Group's leading position in Xuzhou City and its peripheral area was further strengthened after this store was opened.

On 18 May 2012, Yancheng Outlet, with GFA of approximately 18,400 square meters, commenced operation and introduced the "Outlet Mall" business model that has been successfully operating in Nanjing to Yancheng for the first time. Meanwhile, Yancheng Outlet is located in Golden Eagle Tiandi Mall (金鷹天地廣場), a commercial complex with GFA of 320,000 square meters, which offers a comprehensive range of auxiliary facilities and is turning into a one-stop stylish shopping destination encompassing shopping, leisure, entertainment, dining as well as a weekend destination.

On 19 May 2012, Changzhou Wujin Store, which is located at the prime shopping district in Changzhou Wujin business district, commenced operation with GFA of approximately 54,500 square meters. Leveraging on its rich merchandise mix and new auxiliary services offered in the local market, the store quickly became a preferred shopping destination of mid-to-high-end customers in Wujin district. Synergies had been created among Changzhou Wujin Store, Changzhou Jiahong Store and Liyang Store, which laid a solid foundation for the Group to establish a leading position in the Changzhou market.

The opening of the new stores during the first half of the year not only reflected the Group's determination to expedite its pace of store expansion amid volatile and uncertain national and global economic environment, but also demonstrated the Group's prominent execution capabilities of planning new stores in several districts concurrently. At the same time, these new stores also featured the Group's strategy of "single city, multi stores" deploying at regional hubs in order to strengthen its leading position at the respective regions.

Management Discussion and Analysis

Based on the locations secured by the Group for its new store expansion, it is anticipated that these stores will increase the GFA of the Group's chain stores by over 1 million square meters in the coming three years. In the meantime, the Group will continue to actively identify expansion opportunities that can fulfil its development and investment returns strategies and objectives.

Outlook

In the second half of the year, the world's major economic entities will continue to introduce new economic stimulation policies in order to sustain growth in a concerted manner, whilst those emerging economic entities will tend to stimulate the economy and encourage consumption by implementing fiscal easing policies. On the contrary, in China, it is anticipated that it is the Chinese government's long-term objective to maintain a stable and rapid economic development. On one hand, the central and local governments at various levels have accelerated their investments in infrastructure such as water supply and electricity network in order to mitigate the negative impact of economic downturn caused by real estate control measures. It is expected that achieving steady economic growth will continue to be the primary goal for the year 2012. On the other hand, aligned with growing contributions by domestic consumption to China's future economic growth, the central and local governments are introducing a series of measures to increase income levels, reduce taxation, improve social security system, encourage domestic consumption and promote distribution system reform, with an aim to expand domestic consumption and lower operating costs of retail industry. The results of these initiatives are gradually emerging. In the long run, the rise of the middle class and the acceleration of the urbanisation process in China will further facilitate the growth of the overall retail industry.

The management is cautiously optimistic about China's economic development and growth of domestic consumption in the future. In the second half of the year, the Group will implement proactive and effective measures to focus on shortening new stores' ramp-up period and nurturing period to reach maturity. We will also explore ways to enhance the sales performance and profitability of established old stores. These measures will be reflected in further optimising chain store brand and merchandise mix; fully leveraging on the intelligent e-platform to accelerate business growth, improve operational efficiency, as well as create new business value; and enhancing consumer satisfaction and loyalty through the provision of quality products, creative and effective marketing and promotion campaigns as well as refine customer shopping experience.

Meanwhile, the Group will also continue to maintain an established and steady pace of new chain stores development. We will remain persistent that each new store shall be managed by a pragmatic and efficient management team with strong brand resources, which will further shorten the ramp-up period of new stores, and further reinforce our leading position in the industry. In the coming three years, the Group will continue to expand and solidify its market presence in Jiangsu, Anhui, Shaanxi and Yunnan Provinces through self-owned properties, long-term leased premises or via mergers and acquisitions, and proactively identify co-operation and collaboration opportunities with leading enterprises in related industries. The Group will also explore market opportunities in those provincial capitals with strong economic potential, so as to further expand the coverage of our chain store network.

The management believes that by leveraging on its strong brand equity, prominent execution capabilities, loyal VIP customer base and sound financial position, the Group will be able to maintain its leading position in the industry and bring pleasing returns to its shareholders.

Management Discussion and Analysis

Financial review

GSP and revenue

GSP of the Group grew to RMB8,050.4 million for the six months ended 30 June 2012, representing a year-on-year growth of 16.6% or RMB1,147.4 million. The growth was mainly contributed by 8.6% SSSG; the inclusion of the sales proceeds of the full six months of those stores/additional retail spaces opened/commenced operation in the year 2011 which represents 4.4% of the GSP growth and the sales proceeds of those stores/additional retail spaces opened/commenced operation in the year 2012 which represents 3.6% of the GSP growth.

Despite the complicated and volatile economic situation and the construction of Xinjiekou Store Phase II next door, Nanjing Xinjiekou Store (the flagship store of the Group) maintained stable SSSG of 1.7%, whilst Yangzhou Store and Xuzhou Store maintained SSSG of 8.5% and 4.2% respectively for the six months ended 30 June 2012. Furthermore, younger stores like Nanjing Xianlin Store and Huaibei Store, the new driving force of the Group's sales growth, have achieved remarkable SSSG of 124.8% and 50.1% respectively.

With the increase in contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP decreased from 27.0% to 23.5% while the aggregate contribution to GSP from three largest contributors, namely Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from 51.3% to 45.7%.

During the six months ended 30 June 2012, concessionaire sales contributed 91.2% (2011: 92.0%) of the Group's GSP, representing an increase of 15.5% from RMB6,353.6 million to RMB7,338.0 million, and direct sales contributed 8.3% (2011: 7.5%) of the Group's GSP, representing an increase of 28.1% from RMB518.9 million to RMB664.8 million.

Commission rate from concessionaire sales decreased to 19.0% (2011: 20.0%). The decrease was mainly due to (i) the relatively strong performance of certain product categories which carry lower commission rates, including consumer electronics, gold and jewellery; (ii) the increase in sales contribution from younger stores which carry lower commission rates as opposed to mature stores like Nanjing Xinjiekou Store; and (iii) the increase in the scale of promotion activities in new stores in order to attract traffic and build up market position.

Gross profit margin from direct sales decreased to 17.7% (2011: 22.1%) as a result of (i) more discount initiatives on our own proprietary brands in order to provide good quality products with bargain price to the Group's loyal VIP customers and to enhance traffic in the stores and (ii) the increase of 17.6% in supermarket sales, which generally carry lower gross profit margin, from RMB76.7 million to RMB90.2 million as most of the Group's new stores operate larger scale boutique supermarkets as one of the value-added services offered to their customers. Combined gross profit margin from concessionaire sales and direct sales decreased to 18.9% (2011: 20.2%).

In terms of GSP breakdown by merchandise categories, apparel and accessories contributed 55.0% (2011: 56.5%) of the GSP, gold, jewellery and timepieces contributed 19.7% (2011: 19.4%), cosmetics contributed 7.8% (2011: 7.0%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 17.5% (2011: 17.1%).

The Group's total revenue increased to RMB1,800.7 million, representing an increase of 15.7% from the same period last year. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income increased by RMB51.7 million or 89.7% to RMB109.4 million for the six months ended 30 June 2012. The increase was mainly due to (i) the increase in income from suppliers by RMB38.4 million which was in line with the GSP growth; (ii) the increase in government grants of RMB4.6 million; and (iii) the decrease in reversal of income from customers of RMB5.4 million which relates to reversal of an one-off income recognised in previous years.

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 RMB121.8 million or 35.2% to RMB467.2 million for the six months ended 30 June 2012. The increase was generally in line with the growth in direct sales.

Employee benefits expense

Employee benefits expense increased by RMB21.9 million or 14.9% to RMB168.9 million for the six months ended 30 June 2012. The increase was mainly contributed by the net effects of (i) the inclusion of employee benefits expense for the full six months for those stores/additional retail spaces opened/commenced operation in 2011; (ii) the inclusion of employee benefits expense for those stores/additional retail spaces opened/commenced operation in 2012; (iii) the increase in the number of employees for upcoming new stores and new functions and departments established such as supermarket department and SAP implementation team; and (iv) the decrease of employee share option expenses by RMB9.1 million to RMB4.4 million.

Employee benefits expense as a percentage to GSP remains stable at 2.5%.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and investment property and release of prepaid lease payments on land use rights increased by RMB18.6 million or 23.5% to RMB97.6 million for the six months ended 30 June 2012. The increase was primarily due to (i) the inclusion of depreciation and amortisation for the full six months for those stores/additional retail spaces opened/commenced operation in 2011; (ii) the inclusion of depreciation and amortisation for those stores/additional retail spaces opened/commenced operation in 2012; and (iii) the additional depreciation and amortisation charges recognised for construction, renovation and expansion of the Group's existing stores during the period under review.

Depreciation and amortisation expenses as a percentage to GSP increased by 0.1 percentage point to 1.4% as compared to the same period last year.

Rental expenses

Rental expenses increased by RMB19.3 million or 32.5% to RMB78.7 million for the six months ended 30 June 2012. The increase was mainly due to (i) the inclusion of rental expenses for the full six months for those stores operating at leased properties opened in 2011; (ii) the inclusion of rental expenses for those leased stores opened in 2012; and (iii) the increase in sales contribution from those stores which are operating at leased properties and paying rental expenses with reference to a percentage of GSP. These stores include Nanjing Zhujiang Store, Yangzhou Jinghua Store, Shanghai Store, Nanjing Hanzhong Store and Nanjing Xianlin Store.

Management Discussion and Analysis

Rental expenses as a percentage to GSP increased by 0.1 percentage point to 1.1% as compared to 1.0% in the same period last year.

Other operating expenses

Other operating expenses increased by RMB90.5 million or 43.9% to RMB296.9 million for the six months ended 30 June 2012. Other operating expenses mainly include water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fee. The increase was primarily contributed by the inclusion of other operating expenses for the full six months for those stores/additional retail spaces opened/commenced operation in 2011 and the other operating expenses incurred for those 5 new stores and Huaibei Store's additional retail space opened/commenced operation during the period under review.

Other operating expenses as a percentage to GSP increased by 0.8 percentage point to 4.3% as compared to 3.5% for the same period last year.

Had the Group's stores opened in 2011 and 2012 been excluded from the calculation, on a comparable basis, other operating expenses as a percentage to GSP would have been increased by 0.1 percentage point to 3.4% as compared to 3.3% for the same period last year.

Profit from operations

Profit from operations, which is the earnings before interest and taxes, increased by RMB23.3 million or 3.0% to RMB800.7 million for the six months ended 30 June 2012.

Profit from operations as a percentage to GSP decreased to 11.6%, a 1.6 percentage point decrease as compared to 13.2% for the same period last year while profit from operations as a percentage to revenue decreased to 44.5%, a 5.4 percentage point decrease as compared to 49.9% for the same period last year, which was mainly due to the decrease in gross profit margin for the period under review and the increase in operating expenses for those new stores opened.

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 the banks when the Group has excessive capital. Finance income increased by RMB24.3 million or 62.7% for the six months ended 30 June 2012 which was primarily due to more capital being placed in various short-term bank related deposits during the period under review.

Interest expenses on bank loans wholly repayable within five years

Interest expenses on bank loans increased by RMB21.4 million or 5.3 times to RMB26.4 million for the six months ended 30 June 2012. The increase was primarily due to the increase in short-term bank borrowings and the entering into of a dual-currency three-year term loan arrangement of amounts up to USD259.5 million and HKD665.0 million with a group of financial institutions.

Other gains and losses

Other gains and losses mainly comprised of (i) net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB; (ii) gains and losses arising from the Group's securities investments and (iii) the changes in fair value of the conversion and redemption options attached to zero coupon convertible bonds subscribed by the Group from a trade supplier. Other gains and losses decreased from a net gain of RMB12.2 million to a net loss of RMB1.7 million and was primarily due to the increase of net foreign exchange losses to RMB8.5 million from net foreign exchange gains of RMB10.1 million reported in the same period last year due to the fluctuation of RMB exchange rates during the period under review.

Share of profit of associates

Share of profit of associates represents the Group's share of results of its 49% owned associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司), and 30% owned associate, Anhui Sanxin Watch Co., Ltd. (安徽三新鐘錶有限公司).

Income tax expense

Income tax expense of the Group increased by RMB6.6 million or 3.1% to RMB218.9 million was due to the increase in profit before income tax. The effective tax rate for the period under review was 26.1% (2011: 25.7%).

Profit for the period

Profit for the period increased by RMB6.4 million or 1.0% to RMB618.6 million for the six months ended 30 June 2012. The increase was mainly contributed by the increase in profits from the Group's core operations. Because of the decrease in gross profit margin for the period under review and the increase in operating expenses for those new stores opened, the net profit margin to GSP was 9.0% (2011: 10.4%).

Had the Group's stores opened in 2011 and 2012 been excluded from the calculation, on a comparable basis, the net profit margin to GSP was 10.8% (2011: 11.1%).

Capital expenditure

Capital expenditure of the Group for the six months ended 30 June 2012 amounted to RMB620.5 million (2011: RMB745.0 million). The amount mainly represents contractual payments made for the acquisition of property, plant and equipment and construction of greenfield projects for department store chain expansion and the upgrade and/or expansion of the Group's existing retail spaces in order to further enhance the shopping environment and the Group's competitiveness in the local markets.

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

As at 30 June 2012, 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 the Listed Issuers (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of HKD0.10 each of the Company ("Shares")

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Mr. Wang Hung, Roger (Note)	Interest in controlled corporation	1,329,345,000	68.78%

Note: These 1,329,345,000 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 1,329,345,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2012, 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 2012, 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 positions in the 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	1,329,345,000	68.78%
Golden Eagle International Retail Group Limited (Note)	Beneficial owner	1,329,345,000	68.78%

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.

Other Information

Save as disclosed above, as at 30 June 2012, 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 Company's share option scheme adopted by written resolutions of the sole shareholder of the Company on 26 February 2006 (the "Scheme"), the Board may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Board have contributed to the Group, to subscribe for Shares for a consideration of HKD1.0 for each lot of share options granted for the primary purpose of providing incentives to directors and eligible employees, consultants and advisors. The Scheme will remain effective for a period of ten years commencing from 26 February 2006.

During the six months ended 30 June 2012, 3,289,000 share options were exercised and 5,400,000 share options were forfeited. There were a total of 28,092,000 Shares available for issue pursuant to options that were granted under the Scheme, representing about 1.45 per cent. of the entire issued share capital of the Company as at the date of this report.

Movements of the Company's share options during the period and outstanding as at 30 June 2012 were as follows:

	Number of share options									
	Outstanding at 1 January 2012	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2012	Date of Grant	Exercise period (Note1)	Exercise price HKD	Price of the Company's Share immediately before the grant date HKD	Price of the Company's Shares on the date immediately before the exercise date (Note 2) HKD
Executive Directors	150,000	–	(150,000)	–	–	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	20.15
Non-executive Director	100,000	–	(100,000)	–	–	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	15.70
	510,000	–	(510,000)	–	–	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	19.33
Key management	490,000	–	(490,000)	–	–	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	19.02
	1,535,000	–	(215,000)	(640,000)	680,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	19.68
	2,800,000	900,000	–	–	3,700,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	2,700,000	–	–	(2,700,000)	–	31 May 2011	31 May 2012 to 30 May 2021	20.26	20.05	N/A
Other employees	217,000	–	(217,000)	–	–	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	20.10
	4,451,000	–	(1,390,000)	–	3,061,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	20.22
	14,778,000	–	(217,000)	(560,000)	14,001,000	5 December 2008	5 December 2010 to 4 December 2018	4.20	4.19	20.09
	8,850,000	(900,000)	–	(1,300,000)	6,650,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	200,000	–	–	(200,000)	–	31 May 2011	31 May 2012 to 30 May 2021	20.26	20.05	N/A
	36,781,000	–	(3,289,000)	(5,400,000)	28,092,000					
Exercisable at 30 Jnue 2012					6,801,000					

Other Information

Notes:

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme as disclosed above, at no time during the period under review was the Company, its holding companies, 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.

STATUS OF CONNECTED TRANSACTIONS PENDING COMPLETION

The following were the status of the Group's non-exempt connected transactions which are pending completion:

Framework Agreement

On 9 November 2009, Nanjing Golden Eagle International Group Co., Ltd. ("Golden Eagle International Group"), a fellow subsidiary of the Company ultimately wholly-owned by Mr. Wang and a connected person (as defined in the Listing Rules) of the Company, and the Group entered into a framework agreement (the "Framework Agreement"), pursuant to which Golden Eagle International Group agreed to develop and sell, and the Group agreed to acquire, the whole of 1st to 6th floors and portion of second level of basement of Golden Eagle Phase III (the "Xinjiekou Store Phase II"), a 42-storey building with 5 levels of basement to be located adjacent to Nanjing Xinjiekou Store and to be developed by Golden Eagle International Group at a consideration of RMB875,000,000 (subject to adjustment).

The purpose of the acquisition of Xinjiekou Store phase II with an estimated aggregate gross floor area of 50,000 square metres is to increase the operating area of Nanjing Xinjiekou Store and the consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction is expected to complete in the year 2013 and Xinjiekou Store phase II is expect to commence operation in 2014.

Details of the transaction have been disclosed in the Company's announcement and circular dated 11 November 2009 and 2 December 2009 respectively.

Cooperation Framework Agreements

On 28 March 2011, the Group entered into two cooperation framework agreements respectively with 雲南金鷹實業有限公司 (Yunnan Golden Eagle Industry Co., Ltd.) and 昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.)("Kunshan Golden Eagle Properties"), both being fellow subsidiaries of the Company ultimately wholly-owned by Mr. Wang and connected persons (as defined in the Listing Rules) of the Company, for the acquisition of two properties which are situated at Kunming City, Yunnan Province and Kunshan City, Jiangsu Province respectively.

Other Information

Kunming Property

Completion of the acquisition of the property situated at Kunming has taken place in December 2011. The property comprises of the whole of 1st to 8th floors and basements B1 and B2 of Kunming Golden Eagle Plaza, a commercial complex located at the junction of Weiyuan Street and Huguo Road with a total gross floor area of approximately 113,729 square metres (the "Kunming Store Phase II"). Kunming Store Phase II is adjacent to Kunming Store.

The original consideration for the acquisition of Kunming Store Phase II was RMB740,484,000 and was adjusted to RMB750,336,000 in accordance with the adjustment mechanism as set out in the relevant framework agreement since the gross floor area of Kunming Property as shown on the building title certificate is 1,094.64 square meters more as compared to the original estimated gross floor area of 82,276 square metres. The consideration was fully settled during the period under review.

The purpose of the acquisition of Kunming Store phase II is to increase the operating area of Kunming Store so as the Group's market presence in Kunming. This will also further strengthened the competitiveness of Kunming Store as the extra operating area will allow Kunming Store to introduce more varieties of products and value-added services, including beverage, beauty care and entertainments, to the local market.

Kunshan Property

Completion of the acquisition of the property situated at Kunshan is expected to take place in 2013. The property comprises of the whole of 1st to 8th floors and basements B1 and B2 of Kunshan Tiandi Project with an aggregate gross floor area of approximately 118,500 square metres (the "Kunshan Property"). Kunshan Tiandi Project is a commercial complex to be located at the south side of Dongxin Street and the east side of Zhujiang Road, Kunshan Development Zone at Kunshan city with an estimated aggregate gross floor area of approximately 400,000 square metres and to be developed by Kunshan Golden Eagle Properties.

The consideration for the acquisition of Kunshan Property is RMB1,125,750,000 (subject to adjustment) which was calculated based on RMB9,500 per square metre and the estimated aggregate gross floor area of approximately 118,500 square metres and may be adjusted depending on the actual gross floor area of Kunshan Property actually to be delivered to the Group. The consideration will be paid by instalments in accordance with the pre-determined construction phases. The construction is expected to complete in 2013 and Kunshan Property is expected to commence operation in the same year.

Kunshan Tiandi Project is located at a prime location in Kunshan City, the Jiangsu Province and Kunshan Property is part of Kunshan Tiandi Project, a commercial complex comprising retail, hotel, office and residental area. The Board believes that the acquisition of the Kunshan Property and develop it into a mega department store will facilitate the Group to further enhance its presence, market share and competitiveness in Jiangsu Province in which the Group is already enjoying a leading position.

Details of the transactions have been disclosed in the Company's announcement and circular dated 28 March 2011 and 21 April 2011 respectively.

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 the 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.

Other Information

On 18 April 2012, the Group entered into a dual-currency three-year term loan facility agreement of amounts up to USD259.5 million and HKD665.0 million (in aggregate equivalent to RMB2,172.9 million) with a group of financial institutions which will be due for full repayment on 17 April 2015 (the "Term Loan Facility"). The Term Loan Facility was used to refinance the Group's outstanding bridging loan facilities in the principal sum of USD105.0 million (equivalent to RMB661.0 million) and to finance the Group's general corporate funding requirements. As at 30 June 2012, USD297.6 million equivalent (equivalent to RMB1,884.7 million) of the facility has been utilised.

As at 30 June 2012, the Group's cash and near cash (including bank balances and cash, restricted cash, pledged bank deposit, structured bank deposits and investments in interest bearing instruments) were RMB3,865.7 million (31 December 2011: RMB3,799.0 million) whereas the balances of the Group's short-term and long-term bank loans were RMB650.7 million (31 December 2011: RMB1,484.0 million) and RMB1,846.0 million (31 December 2011: nil) respectively.

As at 30 June 2012, the total assets of the Group amounted to RMB11,674.9 million (31 December 2011: RMB11,342.6 million) whereas the total liabilities amounted to RMB6,992.7 million (31 December 2011: RMB6,772.8 million), resulting in a net assets position of RMB4,682.2 million (31 December 2011: RMB4,569.8 million). The gearing ratio, calculated by total bank borrowings over total assets of the Group, was increased to 21.4% as at 30 June 2012 (31 December 2011: 13.1%). After excluding the effects of the cross currency interest rate swap arrangements, the adjusted gearing ratio was 15.8% (31 December 2011: 5.8%).

The capital commitments of the Group as at 30 June 2012 were RMB1,890.2 million (31 December 2011: RMB1,578.5 million), which were contracted for but not provided in the condensed consolidated financial statements for the contractual payment for acquisition of property, plant and equipment and land use rights.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2012, the Group has pledged its equity interests in certain subsidiaries and created fixed and floating charges over the assets of these subsidiaries to secure the Term Loan Facility granted to the Group.

Assets with the following carrying amounts have been pledged to secure the Term Loan Facility:

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Available-for-sale investments	**71,045**	—
Trade and other receivables	**10,247**	—
Restricted cash	**14,406**	—
Bank balances and cash	**108,329**	—
	204,027	—

Other Information

As at 30 June 2011, the Group has pledged a bank deposit in the amount of RMB110.0 million to a bank in the PRC for a short-term bank loan granted to the Group which was fully repaid during the reporting period. Save for the aforesaid, the Group has not pledged any property, plant and equipment nor other assets to secure the general banking facilities of the Group.

FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash, available-for-sale investments and 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 RMB8.5 million (30 June 2011: a net foreign exchange gains of RMB10.1 million). The Group's operating cashflows are not subject to any exchange fluctuation.

EMPLOYEES

As at 30 June 2012, the Group employed a total of 5,600 employees (30 June 2011: 4,900 employees) with remuneration in the aggregate sum of RMB168.9 million (30 June 2011: RMB147.0 million). The Group's remuneration policies are formulated according to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2012, the Company repurchased 14,386,000 shares of its own ordinary shares through the Stock Exchange at an aggregate consideration of HKD224.5 million (equivalent to RMB182.5 million).

Subsequent to the period end date, the Company repurchased 359,000 shares of its own ordinary shares through the Stock Exchange at an aggregate consideration of HKD5.3 million (equivalent to RMB4.3 million).

The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase. Save for the aforesaid, none of the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively, the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2012, 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 the day-to-day management and is responsible for the effective functioning of the Board. With the support of the senior management, the Chairman is also responsible for overall strategic development of the Company. Ms. Zheng Shu Yun, one of the executive Directors, is the chief operating officer ("COO") of the Company and Ms. Tai Ping, Patricia, one of the members of senior management, is the chief financial officer ("CFO") of the Company. The COO and CFO are responsible for the implementation of business strategy and management of the day-to-day operations of the Company's business. Having considered the current business operations and the said organisation structure, the Directors consider that it is not necessary to appoint a chief executive officer.

Other Information

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 2012.

AUDIT COMMITTEE

The principal functions of the Audit Committee, established in compliance with the Listing Rules and the CG Code, are to review and supervise the financial reporting processes and internal control procedures of the Group. 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. Liu Chi Husan, Jack.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude for the devoted hard work of the Board, management and all our staff members, as well as the continuous supports from our shareholders, business partners and loyal customers.

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

Hong Kong, 21 August 2012