

中期報告

Incorporated in the Cayman Islands with limited liability
Stock code:3308


INTERIM REPORT 2007





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

The Group has nine stylish premium department stores under the  service logo in Jiangsu province, Shaanxi province and Yunnan province. These stores are located in Nanjing, Nantong, Yangzhou, Suzhou, Xuzhou, Taizhou, Xi'an and Kunming. With our focus on the customers, the Group offers quality products and services to customers. The Group positions itself as a mid-and high-end department stores and aims at providing a series of prestigious merchandise from internationally and domestically renowned brand names, including apparel and accessories, cosmetics, gold, jewelry and timepieces, health products, household products, handicrafts, gifts, tobacco and wines, home appliances and electronic/telecommunication products, food stuff, sportswear and sportsgear, childrens wear, toys and childrens goods and others.

Having operated for 11 years, the Group has developed a reputable  service. The Group's department stores are principally located in prime shopping districts in their respective cities. With the exception of Suzhou Store and Xi'an Guomao Store, all the Group's department stores are located on the Group's own property. The Group pays special attention to the needs of customers. Through the devoted effort of the Group, we have about 400,000 VIP members. The Group has developed a standardised management system and corporate culture and achieve ISO9001 Quality Management System. The Group also developed the ERP system for the centralised management of chain stores. The ERP system makes the immediate transmission and common use of the data of chain stores possible. The Group is now operating nine chain department stores and has already achieved economies of scale and the unification of domestic operation strategies and international management vision.

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

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

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

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Cayman Islands

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COMPANY SECRETARY

Mr. Mak Yun Kuen CPA, ACCA

QUALIFIED ACCOUNTANT

Mr. Mak Yun Kuen CPA, ACCA

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Mr. Mak Yun Kuen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS IN THE PRC

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

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
ABN AMRO Bank

AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
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HONG KONG LEGAL ADVISORS

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15 Queen's Road Central
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
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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

The board (the "Board") of directors (the "Directors") of Golden Eagle Retail Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results for the six months ended 30 June 2007 of the Company and its subsidiaries (collectively the "Group"), together with unaudited comparative figures for the corresponding period in 2006. These interim financial statements have not been audited, but have been reviewed by the auditors, Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

TO THE BOARD OF DIRECTORS OF GOLDEN EAGLE RETAIL GROUP LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 7 to 27 which comprises the condensed consolidated balance sheet of Golden Eagle Retail Group Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 August 2007

Condensed Consolidated Income Statement

For the six Months ended 30 June 2007

	NOTES	Six months ended	
		30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Turnover	3	512,826	424,763
Cost of sales		(123,398)	(116,641)
Gross profit		389,428	308,122
Other income	5	59,782	48,458
Selling expenses		(95,713)	(64,373)
Administrative expenses		(70,372)	(80,027)
Finance costs	6	(39,512)	(19,670)
Changes on fair value of derivative financial instruments		25,167	—
Profit before tax		268,780	192,510
Income tax expense	7	(87,328)	(64,460)
Profit for the period	8	181,452	128,050
Attributable to:			
Equity holders of the Company		181,452	129,074
Minority interests		—	(1,024)
		181,452	128,050
Earnings per share attributable to equity holders of the Company			
– Basic (RMB fen per share)	10	9.99	7.33
– Diluted (RMB fen per share)	10	8.33	N/A

Condensed Consolidated Balance Sheet

At 30 June 2007



	NOTES	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000
Non-current assets			
Property, plant and equipment	11	1,368,131	1,338,780
Land use rights – non-current portion	12	132,671	53,410
Deposits for acquisition of property, plant and equipment		18,440	5,000
Deposits for acquisition of a subsidiary		346,765	331,556
Goodwill		26,035	26,035
Available-for-sale investments		69,842	24,966
Deferred tax assets	13	6,921	7,397
		<u>1,968,805</u>	<u>1,787,144</u>
Current assets			
Land use rights – current portion		3,558	1,504
Inventories		46,910	75,120
Trade and other receivables	14	38,901	49,555
Amounts due from fellow subsidiaries	15	4,475	2,689
Bank balances and cash		1,201,319	1,099,234
		<u>1,295,163</u>	<u>1,228,102</u>
Current liabilities			
Trade and other payables	16	1,006,085	929,662
Amounts due to fellow subsidiaries	17	2,534	7,984
Amount due to a former minority investor of subsidiaries		2,000	4,000
Tax liabilities		69,529	54,522
Derivative financial instruments	18	193,382	225,354
		<u>1,273,530</u>	<u>1,221,522</u>
Net current assets		<u>21,633</u>	<u>6,580</u>
Total assets less current liabilities		<u>1,990,438</u>	<u>1,793,724</u>
Non-current liabilities			
Convertible bonds	18	811,729	796,828
Deferred tax liabilities	13	54,982	48,113
		<u>866,711</u>	<u>844,941</u>
		<u>1,123,727</u>	<u>948,783</u>
Capital and reserves			
Share capital	19	187,030	187,029
Share premium and reserves	20	936,697	761,754
Total equity		<u>1,123,727</u>	<u>948,783</u>

Condensed Consolidated Statement of Changes in Equity

For the six Months ended 30 June 2007

	Attributable to equity holders of the Company									
	Paid-in	Investment	Share			Statutory	Retained	Total	Minority	Total
	capital / share	revaluation	Share	options	Special	surplus	profits		interests	
	capital	reserve	premium	reserve	reserve	reserve				
RMB'000 (note 19)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2006	157,550	—	—	—	101,368	39,155	75,040	373,113	7,020	380,133
Profit for the period	—	—	—	—	—	—	129,074	129,074	(1,024)	128,050
Total recognised income and expenses for the period	—	—	—	—	—	—	129,074	129,074	(1,024)	128,050
Amount arising on group reorganisation	(157,550)	—	—	—	157,550	—	—	—	—	—
Amount arising on acquisition of Nanjing Golden Eagle International Retail Group Co., Ltd., a subsidiary, pursuant to the group reorganisation	—	—	—	—	(180,000)	—	—	(180,000)	—	(180,000)
Issue of new shares as consideration for the acquisition of Goldjoint Group Limited, a subsidiary, pursuant to the group reorganisation	41,690	—	—	—	(41,690)	—	—	—	—	—
Setoff of an indebtedness owed by Goldjoint Group Limited on group reorganisation	—	—	—	—	180,000	—	—	180,000	—	180,000
Capitalisation on issue of shares	132,021	—	(132,021)	—	—	—	—	—	—	—
Issue of new shares upon listing of the Company's shares on the Stock Exchange	13,318	—	406,195	—	—	—	—	419,513	—	419,513
Transaction costs attributable to issue of new shares	—	—	(15,920)	—	—	—	—	(15,920)	—	(15,920)
Appropriation	—	—	—	—	—	4,678	(4,678)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	630	—	—	—	630	—	630
At 30 June 2006	187,029	—	258,254	630	217,228	43,833	199,436	906,410	5,996	912,406

Condensed Consolidated Statement of Changes in Equity

For the six Months ended 30 June 2007

	Attributable to equity holders of the Company									
	Paid-in	Investment	Share			Statutory	Retained	Total	Minority	Total
	capital / share	revaluation	Share	options	Special	surplus	profits		interests	
	capital	reserve	premium	reserve	reserve	reserve				
RMB'000 (note 19)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Gains on fair value changes of available-for-sale investments	—	3,933	—	—	—	—	—	3,933	—	3,933
Deferred tax liability arising on fair value changes of available-for-sale investments	—	(1,298)	—	—	—	—	—	(1,298)	—	(1,298)
Net income recognised directly in equity	—	2,635	—	—	—	—	—	2,635	—	2,635
Profit for the period	—	—	—	—	—	—	102,923	102,923	(1,380)	101,543
Total recognised income and expenses for the period	—	2,635	—	—	—	—	102,923	105,558	(1,380)	104,178
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	—	(4,616)	(4,616)
Dividends recognised as distribution	—	—	—	—	—	—	(67,960)	(67,960)	—	(67,960)
Appropriation	—	—	—	—	—	8,516	(8,516)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	4,775	—	—	—	4,775	—	4,775
At 31 December 2006	187,029	2,635	258,254	5,405	217,228	52,349	225,883	948,783	—	948,783
At 1 January 2007	187,029	2,635	258,254	5,405	217,228	52,349	225,883	948,783	—	948,783
Gains on fair value changes of available-for-sale investments	—	44,876	—	—	—	—	—	44,876	—	44,876
Deferred tax liability arising on fair value changes of available-for-sale investments	—	(14,809)	—	—	—	—	—	(14,809)	—	(14,809)
Net income recognised directly in equity	—	30,067	—	—	—	—	—	30,067	—	30,067
Profit for the period	—	—	—	—	—	—	181,452	181,452	—	181,452
Total recognised income and expenses for the period	—	30,067	—	—	—	—	181,452	211,519	—	211,519
Exercise of share options	1	—	42	(9)	—	—	—	34	—	34
Dividends recognised as distribution	—	—	—	—	—	—	(45,422)	(45,422)	—	(45,422)
Appropriation	—	—	—	—	—	28,089	(28,089)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	8,813	—	—	—	8,813	—	8,813
At 30 June 2007	187,030	32,702	258,296	14,209	217,228	80,438	333,824	1,123,727	—	1,123,727

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007



	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Net cash generated by operating activities	325,722	77,602
Investing activities:		
Interest received	21,071	43,991
Proceeds from disposal of property, plant and equipment	416	—
Payment for acquisition of additional interest in subsidiaries (Advances to) repayments from fellow subsidiaries	(2,000) (1,786)	— 664,256
Purchase of available-for-sale investments	—	(21,033)
Payment for purchase of property, plant and equipment	(79,602)	(36,920)
Payment for acquisition of land use rights	(82,249)	—
Deposits for acquisition of property, plant and equipment	(13,440)	(52,512)
Deposits for acquisition of a subsidiary	(15,209)	—
Other investing cash flows	—	102
Net cash (used in) generated by investing activities	(172,799)	597,884
Financing activities:		
Interest paid	—	(19,670)
Repayments to fellow subsidiaries	(5,450)	(652)
Dividends paid to equity holders of the Company	(45,422)	—
Proceeds from issue of new shares upon listing of the Company's shares on the Stock Exchange	—	419,513
Payment of transaction costs attributable to issue of new shares	—	(15,920)
Exercise of share options	34	—
New bank loans raised	—	145,000
Repayment of bank loans	—	(720,800)
Net cash used in financing activities	(50,838)	(192,529)
Net increase in cash and cash equivalents	102,085	482,957
Cash and cash equivalents at 1 January	1,099,234	219,568
Cash and cash equivalents at 30 June	1,201,319	702,525
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	1,201,319	702,525

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



1. GENERAL AND BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

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

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

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

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the interim financial statements for the six months ended 30 June 2006 have been prepared using the principles of merger accounting.

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

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

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2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

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

² Effective for annual periods beginning on or after 1 March 2007

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

The directors of the Company anticipate that the application of these standards or interpretations in the future will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Revenue from department store operations		
– direct sales	150,966	141,541
– income from concessionaire sales	353,876	275,687
– rental income	7,984	7,535
	<u>512,826</u>	<u>424,763</u>

Turnover represents the Group's revenue from operations of department stores in the People's Republic of China ("PRC").

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



3. TURNOVER (Continued)

Gross sales proceeds

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
From department store operations		
– direct sales	181,500	174,450
– concessionaire sales	2,049,854	1,518,389
– rental income	8,453	7,535
	<u>2,239,807</u>	<u>1,700,374</u>

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

4. SEGMENT INFORMATION

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

5. OTHER INCOME

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Interest income	21,071	43,991
Foreign exchange gains	20,236	—
Government grants and subsidies*	11,785	1,885
Income from karaoke operation	1,120	2,199
Others	5,570	383
	<u>59,782</u>	<u>48,458</u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



6. FINANCE COSTS

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	—	19,670
Effective interest expense on convertible bonds	39,512	—
	39,512	19,670

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	94,792	65,301
Deferred tax (note 13):		
Current year	2,092	(841)
Attributable to change in tax rate	(9,556)	—
	(7,464)	(841)
Income tax expense	87,328	64,460

During the period, Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2007 (Six months ended 30 June 2006: nil). Subsidiaries located in the PRC are subject to PRC income tax rate of 33% (Six months ended 30 June 2006: 33%) pursuant to the relevant PRC income tax laws.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



7. INCOME TAX EXPENSE (Continued)

The tax charge for the six months ended 30 June 2007 and 30 June 2006 can be reconciled to the profit before tax in the condensed consolidated income statement as follows:

	Six months ended			
	30.6.2007		30.6.2006	
	RMB'000	%	RMB'000	%
Profit before tax	268,780		192,510	
Tax at the applicable income tax rate of 33%	88,698	33.0	63,528	33.0
Tax effect of expenses not deductible for tax purposes	27,768	10.3	4,942	2.6
Tax effect of income not taxable for tax purposes	(19,167)	(7.1)	(4,010)	(2.1)
Tax effect of tax losses not recognised	254	0.1	—	—
Decrease in opening deferred tax balances resulting from a decrease in the applicable tax rate	(9,556)	(3.6)	—	—
Effect of different tax rates on deferred tax provided for the period	(669)	(0.2)	—	—
Income tax expense and effective tax rate for the period	87,328	32.5	64,460	33.5

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

Directors' remuneration
 Foreign exchange losses
 Foreign exchange gains
 Depreciation of property, plant and equipment
 Operating lease rentals in respect of land use rights
 Loss on disposal of property, plant and equipment
 Impairment loss (reversed) recognised in respect of trade and other receivables

	Six months ended	
	30.6.2007	30.6.2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
	1,691	1,058
	11,180	5,820
	(31,416)	—
	25,594	17,974
	1,436	752
	28	52
	(44)	51

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



9. DIVIDENDS

On 8 June 2007, a dividend of RMB2.5 fen per share (total amounting to RMB45,422,000) was paid to shareholders as the final dividend for 2006 (2005 final dividend: nil).

The directors do not recommend the payment of an interim dividend (Six months ended 30 June 2006: RMB3.8 fen per share, total amounting to RMB67,960,000).

10. EARNINGS PER SHARE

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

	Six months ended 30.6.2007 RMB'000 (unaudited)
Earnings	
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the parent)	181,452
Effect of dilutive potential ordinary shares:	
Changes on fair value of embedded financial derivatives	(25,167)
Effective interest expense on convertible bonds	39,512
Exchange realignment on convertible bonds	(31,416)
	<hr/>
Earnings for the purposes of diluted earnings per share	<u>164,381</u>
	<hr/>
	Six months ended 30.6.2007 '000
Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,816,876
Effect of dilutive potential ordinary shares:	
Share options	505
Convertible bonds	155,763
	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,973,144</u>

10. EARNINGS PER SHARE (Continued)

The calculation of the basic earnings per share during the six months ended 30 June 2006 is based on the consolidated profit attributable to the equity holders of the Company and on the weighted average number of ordinary shares in issue of 1,759,848,000 shares during the period on the assumption that the Reorganisation has been effective on 1 January 2006. No diluted earnings per shares has been presented during the six months ended 30 June 2006 because the exercise price of the Company's options was higher than the average market price for shares during the period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain motor vehicles, furniture, fixtures and equipment with an aggregate carrying amount of RMB444,000 for proceeds of RMB416,000, resulting in a loss on disposal of RMB28,000.

In addition, the Group spent approximately RMB43 million on the construction of its new department store properties and approximately RMB8 million on additions to buildings and approximately RMB4 million on additions to furniture, fixtures and equipment, leasehold improvements in the PRC, in order to upgrade its operating capabilities.

12. MOVEMENTS IN LAND USE RIGHTS

During the period, the Group spent approximately RMB82 million to acquire land use rights in order to expand its department stores.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



13. DEFERRED TAXATION

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

	Accelerated depreciation allowances	Start up cost	Compensation to employees	Impairment loss recognised in respect of trade and other receivables	Tax losses	Prepaid rental	Revaluation of investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006 (audited)	39,385	(226)	(1,590)	—	—	—	—	37,569
Charge (credit) to consolidated income statement for the period	2,802	(3,254)	403	(17)	—	(775)	—	(841)
At 30 June 2006 (unaudited)	<u>42,187</u>	<u>(3,480)</u>	<u>(1,187)</u>	<u>(17)</u>	<u>—</u>	<u>(775)</u>	<u>—</u>	<u>36,728</u>
Charge (credit) to consolidated income statement for the period	4,628	(475)	1,187	—	(2,594)	(56)	—	2,690
Charge to equity for the period	—	—	—	—	—	—	1,298	1,298
At 31 December 2006 (audited)	46,815	(3,955)	—	(17)	(2,594)	(831)	1,298	40,716
Charge (credit) to consolidated income statement for the period	3,409	371	—	11	(1,675)	(24)	—	2,092
Charge to equity for the period	—	—	—	—	—	—	14,809	14,809
Effect of change in tax rate	(11,349)	959	—	4	629	201	—	(9,556)
At 30 June 2007 (unaudited)	<u>38,875</u>	<u>(2,625)</u>	<u>—</u>	<u>(2)</u>	<u>(3,640)</u>	<u>(654)</u>	<u>16,107</u>	<u>48,061</u>

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

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000
Deferred tax liabilities	54,982	48,113
Deferred tax assets	(6,921)	(7,397)
	<u>48,061</u>	<u>40,716</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



14. TRADE AND OTHER RECEIVABLES

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000
Trade receivables	14,921	14,759
Advance payments to suppliers	1,669	8,552
Rental deposits	5,113	5,166
Deposits made for purchase of goods	1,430	600
Other receivables	15,786	20,540
Less: accumulated impairment on other receivables	(18)	(62)
	38,901	49,555

Trading transactions are mainly on cash basis, either in cash, debit card or credit card payments. Invoices to outsider customers are normally payable within 90 to 180 days of issuance. Trade receivables are all aged within 30 days from the respective balance sheet dates.

15. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000
徐州金鷹國際物業管理有限公司 ("Xuzhou Golden Eagle International Properties Management Co., Ltd.")	1,862	1,445
南京金鷹國際集團裝飾工程有限公司 ("Nanjing Golden Eagle International Group Decoration Project Co., Ltd.")	1,335	—
南京金鷹國際集團有限公司 ("Nanjing Golden Eagle International Group Co., Limited")	1,130	—
南通金鷹國際物業管理有限公司 ("Nantong Golden Eagle International Properties Management Co., Ltd.")	—	1,128
Others	148	116
	4,475	2,689

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



16. TRADE AND OTHER PAYABLES

	30.6.2007	31.12.2006
	RMB'000	RMB'000
	(unaudited)	
Trade payables	419,664	452,931
Consumers' deposits	408,148	281,585
Other tax payables	93,661	81,619
Payable for purchase of property, plant and equipments	33,907	58,120
Suppliers' deposits	25,765	21,639
Payroll and welfare payables	5,030	6,454
Other payables	19,910	27,314
	<u>1,006,085</u>	<u>929,662</u>

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

	30.6.2007	31.12.2006
	RMB'000	RMB'000
	(unaudited)	
0 to 30 days	335,900	363,379
31 to 60 days	59,898	62,804
61 to 90 days	13,804	9,071
Over 90 days	10,062	17,677
	<u>419,664</u>	<u>452,931</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



17. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000
南京金鷹國際物業管理有限公司 ("Nanjing Golden Eagle International Properties Management Co., Ltd.")	1,575	1,494
徐州金鷹國際置業有限公司 ("Xuzhou Golden Eagle International Properties Co., Ltd.")	782	—
南京金鷹國際集團裝飾工程有限公司 ("Nanjing Golden Eagle International Group Decoration Project Co., Ltd.")	—	5,919
Others	177	571
	2,534	7,984

18. CONVERTIBLE BONDS

The Company issued a zero coupon convertible bonds due 2011 in the aggregate principal amount of Hong Kong Dollars ("HKD") 1,000,000,000 (the "Bonds") on 23 October 2006. The movement of the liability component and derivative components for the six months ended 30 June 2007 is set out as below:

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
As at 1 January 2007	796,828	225,354	1,022,182
Exchange realignment	(24,611)	(6,805)	(31,416)
Effective interest expense charged during the period	39,512	—	39,512
Changes on fair value	—	(25,167)	(25,167)
As at 30 June 2007	811,729	193,382	1,005,111

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



19. SHARE CAPITAL

	Number of shares '000	Value HKD'000
Authorised:		
Ordinary shares of HKD0.10 each		
At 30 June 2007 and 31 December 2006	5,000,000	500,000
Issued and fully paid:		
Ordinary shares of HKD0.10 each		
At 1 January 2007	1,816,875	181,688
Exercise of share options	8	1
At 30 June 2007	1,816,883	181,689
		RMB'000
Shown in the financial statements:		
at 30 June 2007 as		187,030
at 31 December 2006 as		187,029

20. SHARE PREMIUM AND RESERVES

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

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

As stipulated by the relevant laws and regulations in the PRC, the PRC subsidiaries of the Company are required to set aside 10% of its profit after taxation for statutory surplus reserve (except where the reserve fund has reached 50% of the respective subsidiary's registered capital). Appropriations to such reserve fund are made out of net profit after taxation as reported in the statutory financial statements of the PRC subsidiaries prepared in accordance with PRC accounting standards and the amount and allocation basis are decided by their respective board of directors annually. According to respective Articles of Association of the subsidiaries, statutory surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the fund does not fall below 25% of the respective subsidiary's registered capital.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



21. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme approved by the written resolutions of the then sole shareholder of the Company dated 26 February 2006 (the "Share Option Scheme"), the Company granted certain share options to its employees. Details of share options during the period and outstanding at 30 June 2007 are as follows:

	Granted during the period and outstanding at 30 June 2006	Granted during the period	Forfeited during the period	Outstanding at 31 December 2006	Re-classification* during the period	Exercised during the period	Outstanding at 30 June 2007
Independent non-executive directors	—	400,000	—	400,000	—	—	400,000
Executive directors	500,000	1,350,000	—	1,850,000	(850,000)	—	1,000,000
Key management	—	4,150,000	—	4,150,000	850,000	—	5,000,000
Other employees	4,870,000	12,100,000	(370,000)	16,600,000	—	(8,000)	16,592,000
	<u>5,370,000</u>	<u>18,000,000</u>	<u>(370,000)</u>	<u>23,000,000</u>	<u>—</u>	<u>(8,000)</u>	<u>22,992,000</u>
Exercisable at period end	<u>—</u>			<u>—</u>			<u>992,000</u>

* The numbers of share options changed as a result of the retirement of an executive director during the period and he remains as a member of the key management.

The weighted average closing price of the Company's shares immediately before 15 May 2007 and 25 June 2007 on which options were exercised was HKD6.00 and HKD6.30, respectively.

The Group recognised the total expenses of RMB8,813,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: RMB630,000) in relation to share options granted by the Company under the Share Option Scheme.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	30.6.2007	31.12.2006
	RMB'000	RMB'000
	(unaudited)	
Within one year	14,745	14,819
In the second to fifth year inclusive	55,408	56,177
Over five years	20,386	26,723
	<hr/>	<hr/>
	90,539	97,719
	<hr/> <hr/>	<hr/> <hr/>

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

	30.6.2007	31.12.2006
	RMB'000	RMB'000
	(unaudited)	
Within one year	2,338	2,525
In the second to fifth year inclusive	9,200	9,200
Over five years	5,750	6,900
	<hr/>	<hr/>
	17,288	18,625
	<hr/> <hr/>	<hr/> <hr/>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



22. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

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

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000
Within one year	4,146	3,032
In the second to fifth year inclusive	5,484	4,123
Over five years	570	760
	<hr/> 10,200 <hr/>	<hr/> 7,915 <hr/>

Other than the above-mentioned minimum lease payment contracts, the Group also entered contingent lease contracts with certain tenants, which stipulate monthly lease payment should be calculated based a certain ratio based on tenants' monthly turnover or gross profit. Rental income received from these contingent lease contracts during the six months ended 30 June 2007 was RMB5,468,000 (six months ended 30 June 2006: RMB4,463,000).

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

23. CAPITAL COMMITMENTS

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements :		
— in respect of acquisition of property, plant and equipment	117,655	214,010
— in respect of acquisition of a subsidiary	21,535	36,744
	<hr/> 139,190 <hr/>	<hr/> 250,754 <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007



24. RELATED PARTY TRANSACTIONS

During the period, other than those information disclosed in notes 8, 15, 17, 21 and 22, the Group has the following significant transactions with related companies:

a) Transactions

Relationship with related parties	Nature of transactions	Six months ended	
		30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
南京金鷹國際集團高科技實業有限公司 (Golden Eagle International Group Hi-tech Industry Co., Ltd.), a subsidiary of GEICO	Property rentals paid	1,150	1,500
Companies in which a director of the Company, Mr. Wang Hung, Roger, has significant beneficial interests	Renovation service fee paid	1,737	14,716
	Property management fee paid	5,846	6,761
	Property rentals paid	225	225
	Property rentals received	1,763	2,820
	Parking fee paid	2,620	1,498
	Interest income on amount due from a fellow subsidiary	—	7,969
	Project management fee paid	—	600
Management service fee received	66	53	
		<u>66</u>	<u>53</u>

b) Compensation of key management personnel

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

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Salaries and allowances	2,060	1,561
Retirement benefits scheme contributions	56	43
Share-based payments	2,913	70
	<u>5,029</u>	<u>1,674</u>

BUSINESS REVIEW

Industry overview

The PRC economy continued to grow at a fast pace during the first half of 2007 with its gross domestic product ("GDP") amounted to about RMB10,676.8 billion, representing an increase of about 11.5% as compared to the same corresponding period last year. Meanwhile, the fast growth in the income of the PRC residents boosted the increase in consumption demand. The PRC government has placed more emphasis on promoting social security and addressing issues relating to, among others, education, medical care and housing. The PRC residents were generally optimistic toward the future prospect. As such, consumer confidence was improved and consumption upgrading was accelerated. The total retail sales of consumer goods in the PRC during the first half of 2007 amounted to about RMB4,204.4 billion, representing an increase of about 15.4% as compared to the same corresponding period last year, a record high increase since 1997.

The GDP of Jiangsu Province, the major market where the Group operates, during the first half of 2007 was about RMB1,175.2 billion, representing an increase of about 15.0% as compared to the same corresponding period last year. Such an increase outpaced the national growth by about 3.5%. The per capita disposable income of urban residents increased by about 17.3% as compared to the same corresponding period last year, about 2.5% more than the growth of the corresponding period last year. Increasingly driven by the growth in consumption, the total retail sales of consumer goods during the first half of 2007 amounted to about RMB380.9 billion, representing an increase of about 16.9% as compared to the same corresponding period last year.

Business operations

During the period under review, the same store sales of the Group sustained a strong growth of about 23.1%. Per ticket sales reached an average of about RMB434.2, representing an increase of about 19.5% as compared to the corresponding period last year.

The Group continued its efforts in VIP promotion programs by launching various events to promote the BOC Golden Eagle affinity credit card in cooperation with the Bank of China so as to enhance the recognition of the affinity credit card and attract quality customers. As at 30 June 2007, the Group had about 400,000 VIP customers, and the purchases from such VIP customers accounted for about 62.7% of the gross sales proceeds ("GSP") of the Group.

During the first half of 2007, the Group also carried out a large-scale "spring adjustment" in its chain stores, whereby the merchandise mix and brand mix were restructured and upgraded on the basis of their performance, with an aim to meet the consumption demands of our target customers more precisely in a changing market.

Expansion of new stores

The Group's Kunming Store commenced its soft opening in early August this year, and successfully attracted various renowned international brands such as HERMES, GUCCI, HUGO BOSS and GIVENCHY. The opening of Kunming Store marked the expansion of the Group into the southwestern part of the PRC to speed up its nationwide expansion plan.

Our two chain stores in Jiangsu Province, namely Huaian Store and Yancheng Store, are under construction and expected to commence operations in the second half of 2008, further consolidating the leading position of the Group in the department store industry in Jiangsu Province.

As disclosed in the prospectus of the Company dated 8 March 2006, the Group will invest about HK\$40 million for the establishment of Nanjing Xuanwu Store. As advised by the property developer for our Nanjing Xuanwu Store, for reasons of further capital requirement and proposed changes in design, the development of Nanjing Xuanwu Store has been suspended and the completion and delivery date of the property is uncertain, as such, the opening of Nanjing Xuanwu Store will be postponed. The Group has only entered into a pre-leasing agreement with the property developer with the formal leasing agreement yet to be entered into. The Directors believe that postponement of the opening of Nanjing Xuanwu Store will not have any significant impact on the business development and financial condition of the Group.

Outlook

It is expected that the PRC economy will continue to grow at a high speed in the second half of 2007, and residents' income and total retail sales of consumer goods will also continue to increase. We believe that the Group will benefit from this favourable macroeconomic environment and that the further increase of internal demand and residents' consumption upgrading will have a positive effect on the Group's business operations.

The Group will continue focusing on its existing operation strategy to maintain the strong growth of its existing chain stores. Also, the Group will further enhance its leading position in the department store industry in Jiangsu Province through opening of new stores and strategic acquisitions and speed up its expansion in the national market.

Looking forward, the Group will endeavor to establish stylish premium department chain stores in the PRC and reward its shareholders with maximum returns by creating long-term corporate values.

FINANCIAL REVIEW

Analysis of profit excluding impact of the initial public offering of the shares of the Company ("IPO") and convertible bonds

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
As reported	181,452	129,075
Add:		
Administrative expenses directly linked to IPO	—	18,211
Fair value changes on embedded financial derivatives	(25,167)	—
Interest expenses on convertible bonds	39,512	—
Less:		
Interest income from listing proceeds of IPO	—	(28,006)
	<u>195,797</u>	<u>119,280</u>

Excluding the impact of IPO and convertible bonds, profits attributable to the shareholders of the Company grew to about RMB195.8 million for the six months ended 30 June 2007, a growth of about 64.1%, or RMB76.5 million from that of the same corresponding period last year. The growth was mainly contributed by the growth in both the GSP and turnover of the Group which are analyzed as below.

GSP and turnover

The GSP of the Group grew to about RMB2,239.8 million for the six months ended 30 June 2007, representing a growth of about 31.7%, or RMB539.4 million from that of the same period last year. The growth was mainly contributed by the same store growth of about 23.1% and the Xian Gaoxin Store and Taizhou Store (the "New Stores") opened in April 2006 and December 2006 respectively. Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store, being the Group's stores (the "Stores") that experienced the highest same store growth of about 22.5%, 28.7% and 36.2% respectively for the six months ended 30 June 2007. By enhancing the merchandise mix of the Stores and strengthening of promotion activities during the six months ended 30 June 2007, the Group enjoyed an impressive growth in terms of GSP.

Regarding the contribution to GSP by the Stores during the six months ended 30 June 2007, Nanjing Xinjiekou Store remained the highest contributor and contributed about 48.3%, or RMB1,081.3 million of the total GSP. Yangzhou Store and Xuzhou Store contributed about 16.5% and 16.0% of the total GSP respectively. As a result of the increased contributions by New Stores, the contribution to GSP by Nanjing Xinjiekou Store as a percentage of the GSP decreased from about 51.9% during the six months ended 30 June 2006 to about 48.3% for the same period in 2007.

During the six months ended 30 June 2007, concessionaries sales contributed about 91.5% (2006: about 89.3%) of the Group's GSP and direct sales contributed about 8.1% (2006: about 10.3%) of the Group's GSP.

The commission rate for concessionaires was about 20.2% of the Group's GSP (exclusive of value-added tax) for the six months ended 30 June 2007 (2006: about 21.3%). To open up the market where New Stores located rapidly, favourable concessionaire terms were offered by the Group to the targeted brands. With the contribution to the Group's GSP of about 7.3% by New Stores, the average commission rate for concessionaires decreased slightly when compared with that of the same period last year. The management intends to maintain the commission rate by conducting periodic review to enhance and strengthen the merchandise mix with a view to provide better shopping experience for the customers and to strengthen the Group's business.

Turnover increased by about RMB88.0 million, or 20.7%, from about RMB424.8 million in the six months ended 30 June 2006 to about RMB512.8 million for the same period in 2007. The increase in turnover was generally in line with the GSP growth.

Cost of sales

Cost of sales represented the cost of goods sold under the direct sales method. It increased by about RMB6.8 million, or 5.8% from about RMB116.6 million for the six months ended 30 June 2006 to about RMB123.4 million for the same period in 2007. The increase was generally in line with the increase in direct sales for the six months ended 30 June 2007.

Selling expenses

Selling expenses increased by about RMB31.3 million, or 48.6%, from about RMB64.4 million for the six months ended 30 June 2006 to about RMB95.7 million for the same period in 2007. The increase was mainly due to the opening of the New Stores. Excluding the expenses of opening New Stores, selling expenses increased by about 13.1%.

Administrative expenses

Administrative expenses decreased by about RMB9.6 million, or 12.1% from about RMB80.0 million for the six months ended 30 June 2006 to about RMB70.4 million for the same period in 2007. The decrease in administrative expenses was mainly due to the one-off expenses for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in March 2006 (the "Listing"). Excluding this one-off expense, administrative expenses increased by about 13.9%, which was mainly due to the opening of New Stores.

Other operating income

Other operating income increased by about RMB11.3 million, or 23.3% from about RMB48.5 million for the six months ended 30 June 2006 to about RMB59.8 million for the same period in 2007. The increase was mainly due to the foreign exchange gains from liabilities in Hong Kong Dollars and grants and subsidies from the PRC Government.

Finance cost

The interest expenses increased by about RMB19.8 million, or 100.5% from about RMB19.7 million for the six months ended 30 June 2006 to about RMB39.5 million for the same period in 2007. The increase in interest expenses was mainly due to the effective interest expense (for accounting purposes only) on convertible bond of about RMB39.5 million during the six months ended 30 June 2007. Other than the interest expense relating to the convertible bond, no interest expense was paid during the six months ended 30 June 2007.

Taxation

The increase in taxation charged for the six months ended 30 June 2007 was mainly due to the increase in profit before taxation of the Company. The applicable income tax rate for the Group during the year was 33%.

Profit for the period

The profits attributable to the shareholders of the Company grew to about RMB181.5 million for the six months ended 30 June 2007, a growth of about 40.6% or RMB52.4 million from that of the same period last year.

Net current assets

The net current assets increased by about RMB15.0 million from about RMB6.6 million as at 31 December 2006 to about RMB21.6 million as at 30 June 2007. The improvement was mainly due to the operating cash flow generated in the first half of 2007.

DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 30 June 2007, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Director	Number of shares or underlying share held	% of issued share capital	Nature of interest
Wang Hung, Roger	1,309,375,000 (Note 1)	72.07	Corporate interest
Han Xiang Li	1,000,000 (Note 2)	0.06	Beneficial owner
Wong Chi Keung	200,000 (Note 2)	0.01	Beneficial owner
Wang Yao	100,000 (Note 2)	0.01	Beneficial owner
Lau Shek Yau, John	100,000 (Note 2)	0.01	Beneficial owner

Note 1: As at 30 June 2007, the corporate interest disclosed under Mr. Wang Hung, Roger's ("Mr. Wang") name represented his deemed interest in the Shares by virtue of his interest in 50,000 shares (representing its entire issued share capital) of GEICO Holdings Limited, a company established in the British Virgin Islands, which in turn, was interested in 1 share (representing its entire issued share capital) of Golden Eagle International Retail Group Limited, the beneficial owner of 72.07% of the Shares.

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

Other Information

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

Save as disclosed below and other than a Director or the chief executive of the Company, the Directors and the chief executive of the Company were not aware that there was any person who, as at 30 June 2007, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of the SFO, or who, as at 30 June 2007, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of the Group or had any options in respect of such capital.

Long position in the Shares

Interest of substantial shareholders

Name of Shareholder(s)	Number of shares held	% of issued share capital	Nature of interest
GEICO Holdings Limited	1,309,375,000 (Note 1)	72.07	Interest in controlled corporation
Golden Eagle International Retail Group Limited	1,309,375,000 (Note 1)	72.07	Beneficial owner

Note 1: As at 30 June 2007, the corporate interest disclosed under Mr. Wang's name represented his deemed interest in the Shares by virtue of his interest in 50,000 shares (representing its entire issued share capital) of GEICO Holdings Limited, a company established in the British Virgin Islands, which in turn, was interested in 1 share (representing its entire issued share capital) of Golden Eagle International Retail Group Limited, the beneficial owner of 72.07% of the Shares.

Interest of other person

Name of Shareholder(s)	Number of shares held	% of issued share capital	Nature of interest
JP Morgan Chase & Co.	159,364,212 (Note 2)	8.77	Interest in controlled corporation

Note 2: As at 30 June 2007, JP Morgan Chase & Co. and its controlled corporations held 159,364,212 Shares, of which 141,864,212 Shares were held by JP Morgan Chase & Co. and its controlled corporations as investment manager and 17,500,000 Shares as custodian/approved lending agent.

SHARE OPTION SCHEME

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

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

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

On 28 April 2006, 5,370,000 share options at an exercise price of HK\$4.35 each for the primary purpose of providing incentives to directors and eligible employees were granted. On 20 October 2006, 18,000,000 share options at an exercise price of HK\$4.80 each were further granted to enhance employees' loyalty. These options granted will expire from two years five months to six years from the grant date. The closing price of the Company's shares immediately before 28 April 2006 and 20 October 2006 on which options were granted was HK\$4.45 and HK\$4.70 respectively.

Details of share options during the period and outstanding at 30 June 2007 are as follows:

	Granted during the period and outstanding at 30 June 2006	Granted during the period	Forfeited during the period	Outstanding at 31 December 2006	Re-classification* during the period	Exercised during the period	Outstanding at 30 June 2007
Independent non-executive directors	—	400,000	—	400,000	—	—	400,000
Executive directors	500,000	1,350,000	—	1,850,000	(850,000)	—	1,000,000
Key management	—	4,150,000	—	4,150,000	850,000	—	5,000,000
Other employees	4,870,000	12,100,000	(370,000)	16,600,000	—	(8,000)	16,592,000
	<u>5,370,000</u>	<u>18,000,000</u>	<u>(370,000)</u>	<u>23,000,000</u>	<u>—</u>	<u>(8,000)</u>	<u>22,992,000</u>
Exercisable at period end	<u>—</u>			<u>—</u>			<u>992,000</u>

* The numbers of share options changed as a result of the retirement of an executive director during the period and he remains as a member of the key management.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2007, the Group's source of funding was mainly cash generated from operating activities. As at 30 June 2007, the Group's bank balances and cash in hand were about RMB1,201.3 million (2006: RMB1,099.2 million) whereas the convertible bonds were about RMB811.7 million (2006: RMB796.8 million).

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2007, no property, plant and equipment of the Group were pledged to secure general banking facilities of the Group (2006: Nil).

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

Most of the Group's revenues and operating costs were denominated in RMB. As the proceeds from the Listing and the issuing of convertible bonds were received in Hong Kong Dollars, the Group is exposed to foreign exchange risks. For the six months ended 30 June 2007, the Group has recorded an net exchange gains of about RMB20.2 million. The Group's operating cash flow or liquidity is not subject to any exchange fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 30 June 2007.

SEGMENT INFORMATION

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

RETIREMENT OF EXECUTIVE DIRECTOR

Mr. Wang Wei has retired as an executive Director at the annual general meeting of the Company held on 30 May 2007. After retirement, Mr. Wang Wei remains as the vice president of the Group and is a member of the senior management of the Company responsible for business development and promotion planning of the Group.

EMPLOYEES

As at 30 June 2007, the Company had about 2,637 employees. Staff remuneration is paid in accordance with relevant policies in Hong Kong and the PRC. Other corresponding benefits include MPF (Mandatory Provident Fund) contribution, social insurance, share options scheme, pension, unemployment insurance, housing fund, etc.

GEARING RATIO

As at 30 June 2007, the total assets of the Group amounted to about RMB3,264.0 million (2006: RMB3,015.2 million) whereas the convertible bonds amounted to about RMB811.7 million (2006: RMB796.8 million). The gearing ratio of the Group as at 30 June 2007 was about 24.9%, which shown a slightly decrease from about 26.4% as at 31 December 2006.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

There was no purchase, sale or redemption of any of the listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Group's results for the six months ended 30 June 2007 has been reviewed by the Audit Committee and the Company's auditors. As at the date of this report, the Audit Committee comprised three independent non-executive Directors.

REMUNERATION COMMITTEE

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

ACKNOWLEDGEMENT

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

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

Hong Kong, 15 August 2007