



二零一一年 中期  
*Interim* 報告  
*Report 2011*  
Enriching everyone's life

## **Our Mission**

Adding value to our society  
Enriching everyone's life

## **Our Value**

Integrity, Passion, Innovation and Cooperation  
We do better than we promise

## **Our Vision**

Globalized with sustainable growth  
To be the best in what we do

A close-up photograph of two champagne flutes clinking together. A large, dynamic splash of golden liquid is captured mid-air, forming a heart-like shape. The background is a soft, out-of-focus bokeh of warm, golden light spots. The flutes have a circular logo on them, featuring a stylized bird or eagle.

**We do better than we promise!**



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### **LEVERAGE ON STRONG Foothold IN YANGTZE RIVER DELTA AND EXPAND INTO CENTRAL AND WESTERN REGION OF CHINA TO DEVELOP A NATIONWIDE CHAIN STORE NETWORK**

After 15 years of operation since the opening of our first department store, Nanjing Xinjiekou Store, the Group has successfully opened 20 self-owned stores and 1 management store, with a total gross floor area of approximately 800,000 square meters and a total operating area of approximately 552,000 square meters as at the date of this report. These stores span across four provinces, namely Jiangsu, Anhui, Shaanxi and Yunnan, covering 14 cities including Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Changzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Hefei, Hualbei, Xi'an and Kunming.

The Group has successfully established a leading position in Jiangsu Province, the market in which the Group enjoys strong competitive advantages. The Group will also place its strategic focus on its development in Anhui Province. It will expand gradually its market share to achieve a leading position in Anhui market. As for western region of China, the Group positions Xi'an in Shaanxi Province and Kunming in Yunnan Province as its strategic bases for development in western region of China. The Group will devote more efforts to solidify and expand its market shares 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 store chain.

### **ADHERE TO THE STRATEGY OF DEVELOPING AT SELF-OWNED PROPERTIES WITH ESTABLISHMENT OF LONG TERM LEASES AS ALTERNATIVE**

The Group's department stores are situated at prime shopping districts in their respective cities. As at 30 June 2011, the proportion of our stores located at self-owned properties is approximately 61.8%. In order to capture development opportunities, the Group also occupies high quality properties by entering into long-term leases, which can minimize the impact of rental increase on the operations of department stores. The target term of these leases is a term of ten years or more.

### **AFFIRM THE DEVELOPMENT DIRECTION TOWARDS MEGA STORE CONCEPT AND PROMOTES "ONE-STOP SOPHISTICATED SHOPPING SPREE"**

In response to the competitive landscape among different retail store formats, the Group has, in addition to the core function of department store, introduced more varieties of value added services, such as dining, entertainment, beauty care, hair styling, cinema and kindergarten education, in our retail floor space so as to enrich the categories of our services, to enhance the attractiveness of our department stores to target customers and to promote the idea of "One-Stop Sophisticated Shopping Spree".

### **DEVELOP PROPRIETARY BRANDS LEVERAGING ON ESTABLISHED BRAND RECOGNITION SO AS TO ENHANCE THE BRAND VALUE OF "GOLDEN EAGLE"**

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



### **IDENTIFY TARGET CUSTOMERS' CONSUMPTION PATTERN AND CHANGES IN TRENDS OF DEMAND WHILST PROACTIVELY EXPLORING E-COMMERCE**

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

### **FOCUS ON VIP CUSTOMER EXPANSION PLAN TO ATTRACT LOYAL VIP CUSTOMERS**

Through the provision of exclusive value-added services for VIPs and continuous improvement in the quantity and quality of our services, the Group has successfully secured over 842,000 loyal VIP customers as at 30 June 2011, which has further strengthened the Group's foundation for long-term development and expansion. VIP customers' spending accounted for approximately 61.8% of the gross sales proceeds of the Group in the period under review.

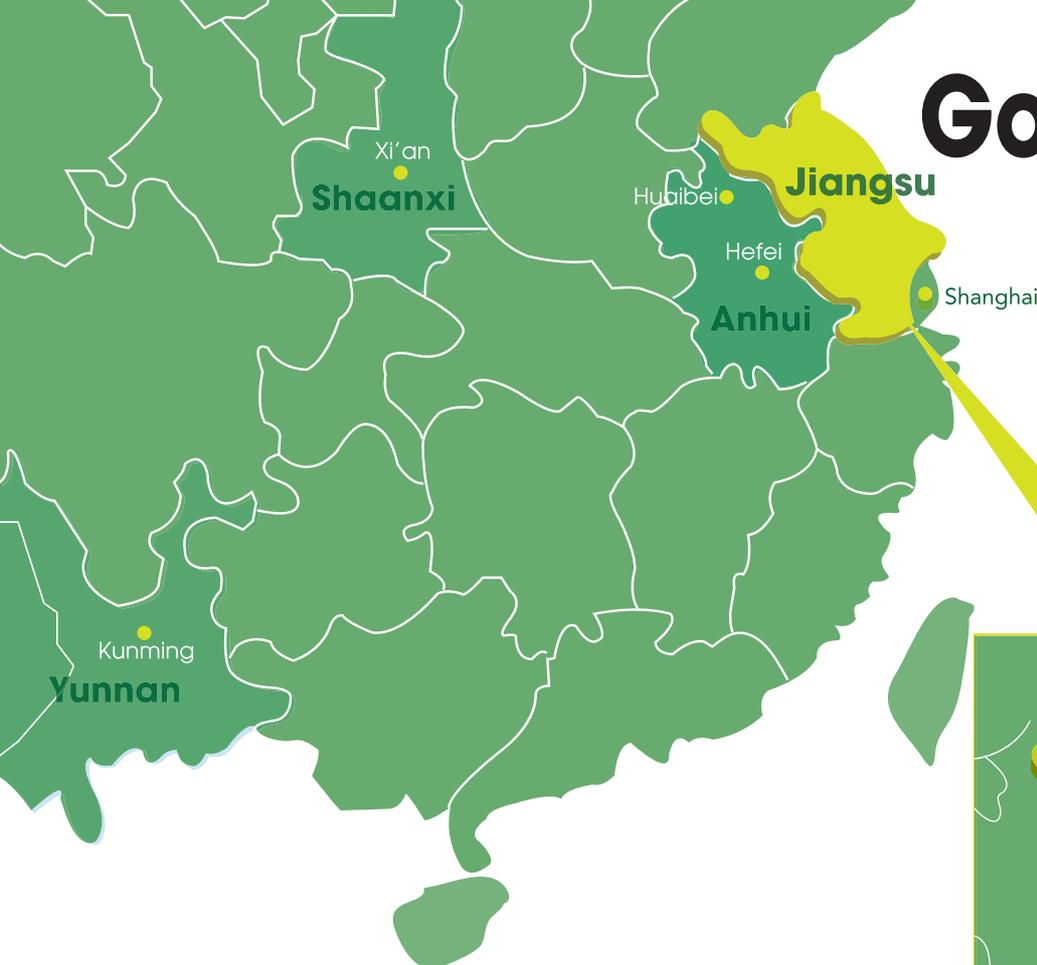
### **STANDARDIZED QUALITY MANAGEMENT SYSTEM AND INDUSTRY-LEADING ERP SYSTEM**

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

### **INSIGHT FOR INTERNATIONALIZED MANAGEMENT AND LOCALIZED OPERATING STRATEGIES**

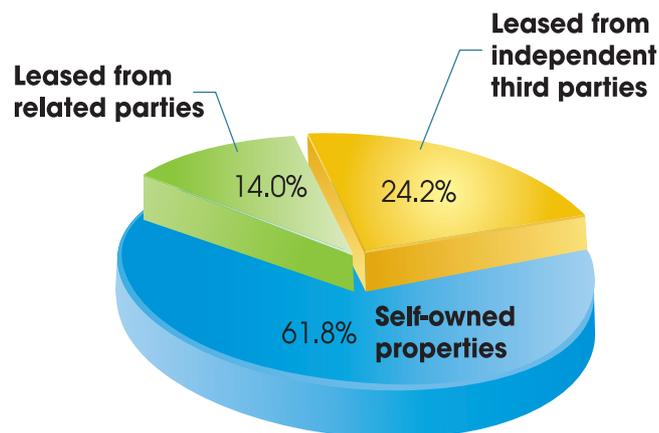
The Group appreciates the efforts and contributions of its employees. The Group organizes regular professional training sessions and overseas study trips for the management and employees, so as to enhance their sustainable development capabilities and their insights for internationalized management. The Group also implements a localized management system which is suitable for the relevant local markets, and recruits local talents who are familiar with the local market to form its own management team of respective department stores. As at 30 June 2011, the Group had approximately 4,900 employees.

# Golden Eagle In China



Self-owned properties situated at prime shopping districts account for 61.8%\* 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		15,916	15,916
Xuzhou Store	59,934		59,934
Xi'an Gaoxin Store	27,671		27,671
Taizhou Store	64,319		64,319
Kunming Store <sup>^</sup>	115,722		115,722
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	47,607		47,607
Yancheng Store	84,274		84,274
Yangzhou Jinghua Store		24,465	24,465
Shanghai Store		23,354	23,354
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		38,937	38,937
Hefei Dadongmen Store		10,356	10,356
Hefei Baihuajing Store		12,294	12,294
Anhui Huaipei Store		29,616	29,616
Anhui Hefei Store		58,531	58,531
Changzhou Jiahong Store		32,676	32,676
<b>Total</b>			<b>774,966</b>



\* As a percentage of total gross floor area (square meters) as at 30 June 2011

<sup>^</sup> Including 82,276 square meters Phase 2 additional area



## EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger  
Mr. Cheng Siu Ming  
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 KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor  
Golden Eagle International Plaza  
89 Hanzhong Road  
Nanjing  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 503, 5th Floor  
Tower 2, Lippo Centre  
89 Queensway  
Hong Kong

## COMPANY SECRETARY

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

## 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 Construction Bank  
Industrial and Commercial Bank of China

## PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)  
Bank of East Asia  
The Royal Bank of Scotland

## AUDITOR

Deloitte Touche Tohmatsu  
35th Floor One Pacific Place  
88 Queensway  
Hong Kong

## HONG KONG LEGAL ADVISORS

F. Zimmern & Co.  
Suites 1501-1503, 15th Floor  
Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 705  
George Town  
Grand Cayman  
Cayman Islands

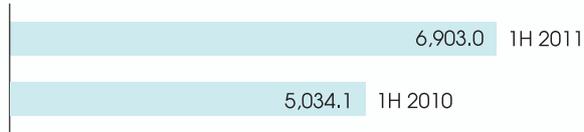
## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

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

## Financial Highlights

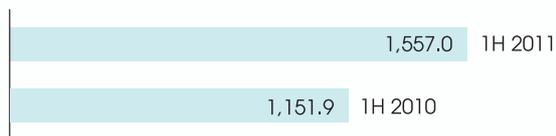


### GROSS SALES PROCEEDS (RMB MILLION)



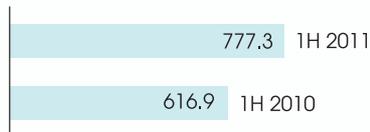
+37.1%

### REVENUE (RMB MILLION)



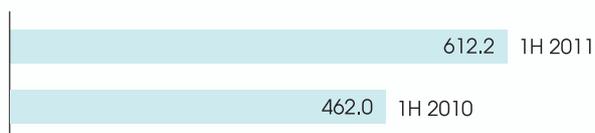
+35.2%

### PROFIT FROM OPERATIONS (RMB MILLION)



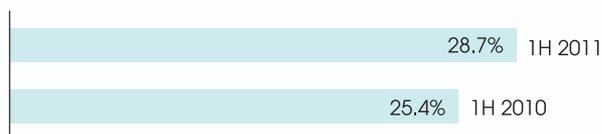
+26.0%

### PROFIT FOR THE PERIOD (RMB MILLION)



+32.5%

### SAME STORE SALES GROWTH <sup>1</sup>



<sup>(1)</sup> Same store sales growth represents change in total gross sales proceeds for department 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 2011



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 2011, together with unaudited comparative figures for the corresponding period in 2010. The unaudited condensed consolidated interim financial information have not been audited, but have been reviewed by the auditor, Messrs. Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

	NOTES	Six months ended	
		30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Revenue	3	1,557,000	1,151,929
Other operating income	5	57,653	50,385
Changes in inventories of merchandise		(345,513)	(233,783)
Employee benefits expense		(147,059)	(88,780)
Depreciation and amortisation of property, plant and equipment		(76,599)	(56,422)
Release of prepaid lease payments on land use rights		(2,415)	(3,482)
Rental expenses		(59,418)	(40,892)
Other operating expenses		(206,330)	(162,014)
Profit from operations		777,319	616,941
Finance income	6	38,770	13,617
Finance costs	7	(4,986)	(1,576)
Other gains and losses	8	12,150	(1,832)
Share of profit of associates		1,257	—
Profit before tax		824,510	627,150
Income tax expense	9	(212,299)	(165,157)
Profit for the period, attributable to owners of the Company	10	612,211	461,993
Earnings per share			
– Basic (RMB per share)	12	0.315	0.238
– Diluted (RMB per share)	12	0.312	0.236

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011



	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	<b>612,211</b>	461,993
<b>Other comprehensive income and expense</b>		
Gain (loss) on fair value changes of available-for-sale investments	<b>1,250</b>	(36,358)
Reclassified to profit or loss on disposal of available-for-sale investments	<b>630</b>	(1,795)
Income tax relating to components of other comprehensive income and expense	<b>(434)</b>	10,246
Other comprehensive income and expense for the period (net of tax)	<b>1,446</b>	(27,907)
Total comprehensive income for the period, attributable to owners of the Company	<b>613,657</b>	434,086

# Condensed Consolidated Statement of Financial Position

At 30 June 2011



	NOTES	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (restated)
<b>Non-current assets</b>			
Property, plant and equipment	13	2,926,117	2,721,966
Land use rights - non-current portion	13	907,902	913,122
Deposits	14	1,195,851	737,944
Goodwill		256,908	256,908
Interests in associates	15	113,120	13,496
Available-for-sale investments		36,240	76,122
Amount due from a former shareholder of a subsidiary		39,513	38,520
Deferred tax assets		30,620	29,569
		<b>5,506,271</b>	<b>4,787,647</b>
<b>Current assets</b>			
Inventories		215,289	212,632
Trade and other receivables	16	205,215	210,998
Land use rights - current portion	13	10,439	10,439
Amounts due from related companies	17	20,665	16,113
Investments in interest bearing instruments	18	800,641	400,439
Structured bank deposits	18	859,161	526,868
Pledged bank deposit	18	110,000	—
Bank balances and cash	18	862,495	1,819,197
		<b>3,083,905</b>	<b>3,196,686</b>
<b>Current liabilities</b>			
Trade and other payables	19	1,450,215	1,724,059
Amounts due to related companies	20	64,492	49,735
Short-term bank loans	21	843,039	458,427
Tax liabilities		64,997	85,359
Deferred revenue	22	2,032,665	1,891,871
		<b>4,455,408</b>	<b>4,209,451</b>
Net current liabilities		<b>(1,371,503)</b>	<b>(1,012,765)</b>
Total assets less current liabilities		<b>4,134,768</b>	<b>3,774,882</b>

# Condensed Consolidated Statement of Financial Position

At 30 June 2011



	NOTE	<b>30.6.2011</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2010 RMB'000 (restated)
<b>Non-current liability</b>			
Deferred tax liabilities		<u>109,528</u>	<u>94,706</u>
Net assets		<u><b>4,025,240</b></u>	<u>3,680,176</u>
<b>Capital and reserves</b>			
Share capital	23	<u>197,657</u>	<u>197,489</u>
Reserves		<u>3,827,583</u>	<u>3,482,687</u>
Total equity		<u><b>4,025,240</b></u>	<u>3,680,176</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011



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

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011



	Share capital RMB'000 (note 23)	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
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
Profit for the period	—	—	—	—	—	—	—	612,211	612,211
Gain on fair value changes of available-for-sale investments	—	—	—	—	1,250	—	—	—	1,250
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	—	—	630	—	—	—	630
Income tax relating to components of other comprehensive income and expense	—	—	—	—	(434)	—	—	—	(434)
Total comprehensive income and expense for the period	—	—	—	—	1,446	—	—	612,211	613,657
Exercise of share options	168	10,671	—	—	—	(3,006)	—	—	7,833
Recognition of equity-settled share-based payments	—	—	—	—	—	13,545	—	—	13,545
Dividends recognised as distribution (note 11)	—	—	—	—	—	—	—	(289,971)	(289,971)
At 30 June 2011 (unaudited)	<u>197,657</u>	<u>1,651,507</u>	<u>5,115</u>	<u>217,228</u>	<u>5,047</u>	<u>52,389</u>	<u>472,887</u>	<u>1,423,410</u>	<u>4,025,240</u>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011



	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Net cash generated from operating activities	<b>542,904</b>	505,061
Investing activities:		
Investments in interest bearing instruments	<b>(800,000)</b>	(400,000)
Investments in structured bank deposits	<b>(562,750)</b>	(232,750)
Additions to property, plant and equipment	<b>(282,107)</b>	(41,961)
Deposit paid for acquisition of a subsidiary	<b>(270,945)</b>	—
Deposits paid for acquisition of property, plant and equipment and land use rights	<b>(186,962)</b>	(508,000)
Increase in pledged bank deposit	<b>(110,000)</b>	—
Investment in an associate	<b>(98,367)</b>	—
Purchase of available-for-sale investments	<b>(11,542)</b>	(293,231)
Additional consideration paid for acquisition of a subsidiary	<b>(5,011)</b>	—
Redemption of investments in interest bearing instruments	<b>400,000</b>	—
Redemption of structured bank deposit	<b>232,750</b>	—
Proceeds from disposal of available-for-sale investments	<b>52,674</b>	1,749
Income received from investments in interest bearing instruments	<b>12,066</b>	2,205
Interest received from bank deposits	<b>11,321</b>	10,805
Income received from structured bank deposits	<b>11,359</b>	607
Payments on lease payments of land use rights	<b>—</b>	(2,083)
Other investing cash flows	<b>22</b>	5
Net cash used in investing activities	<b>(1,607,492)</b>	(1,462,654)
Financing activities:		
New short-term bank loan raised	<b>395,010</b>	208,290
Proceeds on exercise of share options	<b>7,833</b>	1,179
Dividends paid to owners of the Company	<b>(289,971)</b>	(208,290)
Interest paid	<b>(4,986)</b>	—
Repurchase of own shares	<b>—</b>	(8,161)
Net cash generated from (used in) financing activities	<b>107,886</b>	(6,982)
Net decrease in cash and cash equivalents	<b>(956,702)</b>	(964,575)
Cash and cash equivalents at 1 January	<b>1,819,197</b>	2,020,917
Cash and cash equivalents at 30 June, representing bank balances and cash	<b>862,495</b>	1,056,342

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



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

Golden Eagle Retail Group Limited is a public limited company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited, a company incorporated in the British Virgin Islands, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger ("Mr. Wang").

The Company and its subsidiaries are collectively referred to as the "Group" 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 ("HKAS") 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 2011 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010.

The amount of goodwill and other payables as at 31 December 2010 have been restated to reflect an increase of RMB5,011,000 due to an adjustment to the consideration for a business combination which were determined provisionally during the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations ("new or revised HKFRSs") issued by the HKICPA.

The application of the new or revised 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 are new or revised standards on consolidation, joint arrangements and disclosures which were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The Directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including scenarios where an investor may control an investee with less than majority of voting rights. Overall, the application of HKFRS 10 requires extensive use of judgement. The Directors are assessing the impact of the application of HKFRS 10 might have on the results and financial position of the Group. Such impact will be disclosed in future consolidated financial statements of the Group upon completion of the assessments.

Other than disclosed above, the Directors of the Company anticipate that the application of these five and other new or revised standards will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 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 2011 is as follows:

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Revenue from department store operations		
- direct sales	443,494	299,446
- income from concessionaire sales	1,085,464	830,539
- rental income	20,617	18,484
- management service fees	7,425	3,460
	<hr/>	<hr/>
	<b>1,557,000</b>	1,151,929
	<hr/> <hr/>	<hr/> <hr/>

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	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
From department store operations		
- direct sales	518,888	350,352
- concessionaire sales	6,353,556	4,660,152
- rental income	21,821	19,518
- management service fees	8,735	4,070
	<hr/>	<hr/>
	<b>6,903,000</b>	5,034,092
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 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 not reportable

The following is an analysis of the Group's revenue and results by reportable 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)
<b>For the six months ended 30 June 2011</b>						
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
Finance costs						(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 2011



## 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 2010						
Gross sales proceeds	2,010,829	2,215,442	552,972	4,779,243	254,849	5,034,092
Segment revenue	515,548	462,470	105,562	1,083,580	68,349	1,151,929
Segment results	331,636	262,943	37,491	632,070	9,550	641,620
Central administration costs and Directors' salaries						(24,679)
Finance income						13,617
Finance costs						(1,576)
Other gains and losses						(1,832)
Profit before tax						627,150
Income tax expense						(165,157)
Profit for the period						461,993

## 5. OTHER OPERATING INCOME

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Income from suppliers and customers	46,945	44,708
Government grants	10,253	4,568
Others	455	1,109
	<b>57,653</b>	50,385

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 6. FINANCE INCOME

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Income from structured bank deposits	13,652	607
Income from investments in interest bearing instruments	12,268	2,205
Interest income on bank deposits	11,321	10,805
Effective interest income on amount due from a former shareholder of a subsidiary	1,529	—
	<u>38,770</u>	<u>13,617</u>

## 7. FINANCE COSTS

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Interest expenses on short-term bank loans	4,986	1,576

## 8. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Net foreign exchange gains (losses)	10,121	(3,627)
Changes in fair value of held-for-trading investments	2,659	—
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	(630)	1,795
	<u>12,150</u>	<u>(1,832)</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 9. INCOME TAX EXPENSE

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
PRC Enterprise Income Tax:		
Current period	198,027	145,376
Underprovision in prior periods	935	1,915
	<hr/>	<hr/>
	198,962	147,291
	<hr/>	<hr/>
Deferred tax charge:		
Current period	13,337	17,866
	<hr/>	<hr/>
	212,299	165,157
	<hr/> <hr/>	<hr/> <hr/>

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 2011 (six months ended 30 June 2010: nil).

Subsidiaries of the Group located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (six months ended 30 June 2010: 25%) pursuant to the relevant PRC Enterprise Income Tax laws.

## 10. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments on land use rights	5,220	3,482
Less: amounts capitalised	(2,805)	—
	<hr/>	<hr/>
	2,415	3,482
Loss on disposal of property, plant and equipment	122	104
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 11. DIVIDENDS

Dividends recognised as distribution during the period:

Final dividend for the year ended 31 December 2010 of RMB0.150  
(year ended 31 December 2009: RMB0.108) per share

Six months ended	
30.6.2011	30.6.2010
RMB'000	RMB'000
(unaudited)	(unaudited)
<b>289,971</b>	208,290

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the period 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:

### Earnings

Earnings for the purposes of basic and diluted earnings per share  
(profit for the period attributable to owners of the Company)

Six months ended	
30.6.2011	30.6.2010
RMB'000	RMB'000
(unaudited)	(unaudited)
<b>612,211</b>	461,993

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 12. EARNINGS PER SHARE (Continued)

	Six months ended	
	30.6.2011 '000	30.6.2010 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,943,694</b>	1,941,447
Effect of dilutive potential ordinary shares attributable to share options	<b>18,641</b>	18,303
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,962,335</b>	1,959,750

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

During the period, the Group spent approximately RMB168,208,000 (six months ended 30 June 2010: RMB6,875,000) on construction and renovation of its new department stores and approximately RMB109,881,000 (six months ended 30 June 2010: RMB14,857,000) on construction, renovation and expansion of its existing stores in order to expand and/or upgrade its operating capabilities.

At 30 June 2011, the Group is in the process of obtaining proper land use right certificates in respect of medium-term land use rights with a carrying value of RMB543,750,000 (31 December 2010: RMB543,750,000).

## 14. DEPOSITS

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Deposits for acquisition of property, plant and equipment and land use rights (Note 1)	<b>924,906</b>	737,944
Deposit for acquisition of a subsidiary (Note 2)	<b>270,945</b>	—
	<b>1,195,851</b>	737,944

Notes:

- Of the balance, RMB634,906,000 (31 December 2010: RMB437,500,000) represents deposits paid to fellow subsidiaries of the Group for the acquisition of land and buildings.
- In January 2011, the Group entered into an agreement with independent third parties for acquisition of 100% equity interests in a company at a total consideration of RMB300,945,000 (subject to adjustment). The acquiree owns a property (including land and building) in Jiangsu Province for the purpose of expanding the Group's department store operations. As at the end of the reporting period, the Group paid RMB270,945,000 as deposit for the acquisition which is expected to be completed before 31 December 2011.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 15. INTERESTS IN ASSOCIATES

During the period, the Group subscribed 37,500,000 shares of 中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) (“Allied”) at Taiwan Dollar (“TWD”)11.64 each, representing 49% equity interests of Allied. Allied is a company incorporated in the Republic of China (“Taiwan”) in 1964 with its shares listed on the Taiwan’s GreTai Securities Market (證券櫃臺買賣中心). Allied is now acting as a sourcing arm of the Group in Taiwan and is also engaged in the manufacturing and trading of disperse dyestuffs and cosmetics. Total consideration paid by the Group amounting to TWD436,500,000 (equivalent to approximately RMB98,367,000).

## 16. TRADE AND OTHER RECEIVABLES

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade receivables	<b>23,977</b>	44,275
Trade prepayments to suppliers	<b>19,224</b>	11,337
Deposits (note)	<b>68,204</b>	63,210
Deposits paid for purchases of goods	<b>2,792</b>	2,980
Amount due from a former shareholder of a subsidiary	<b>34,585</b>	38,917
Other receivables	<b>56,433</b>	50,279
	<hr/> <b>205,215</b> <hr/>	<hr/> 210,998 <hr/>

Note: Of the balance, RMB17,000,000 (31 December 2010: RMB17,000,000) represent rental deposits paid in respect of leasing of properties for department store operations or office premises from fellow subsidiaries of the Company.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 17. AMOUNTS DUE FROM RELATED COMPANIES

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 1)	<b>19,019</b>	11,228
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development") (Note 2)	<b>983</b>	4,285
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.) (Note 2)	<b>363</b>	225
Others	<b>300</b>	375
	<hr/> <b>20,665</b> <hr/>	<hr/> 16,113 <hr/>

The amount due from Nanjing Construction and Development represents deposits paid for acquisition of property, plant and equipment, and the remaining amounts represent trade receivables from related companies which are unsecured, interest-free and repayable in accordance with the agreed credit term.

Notes:

1. A company in which a fellow subsidiary of the Group has significant influence.
2. Fellow subsidiaries of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 18. INVESTMENTS IN INTEREST BEARING INSTRUMENTS, STRUCTURED BANK DEPOSITS, PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Investments in interest bearing instruments (Note 1)	<b>800,641</b>	400,439
Structured bank deposits (Note 2)	<b>859,161</b>	526,868
Pledged bank deposit (Note 3)	<b>110,000</b>	—
Bank balances and cash (Note 4)	<b>862,495</b>	1,819,197
	<hr/> <b>2,632,297</b> <hr/>	<hr/> 2,746,504 <hr/>

Notes:

- Investments in interest bearing instruments represent the Group's investments in entrusted RMB loans arranged by a bank in the PRC. The investments are principal guaranteed by the bank which carry variable rate of interest and are stated at amortised cost with effective interest of 4.5% (31 December 2010: 4.0%) per annum for a term of one year and is redeemable during the investment period of twelve months.
- Structured bank deposits represent Euro ("EUR") / United States Dollar ("USD") currency linked and Australian Dollar ("AUD")/ USD currency linked structured bank deposits ("CSBDs") placed by the Group to a number of banks for a term of one year. Pursuant to the relevant underlying agreements, the CSBDs carry interest at variable rates from 1.8% to 6.0% (31 December 2010: 1.8% to 6.0%) per annum with reference to the exchange rate performance of EUR/USD and AUD/USD during the investment period and its principal sum denominated in RMB is guaranteed.
- Pledged bank deposit represents a deposit pledged to a bank in the PRC for a short-term bank loan denominated in Hong Kong Dollar ("HKD") granted to the Group as set out in note 21. The pledged bank deposit carries a fixed interest rate of 3.25% per annum.
- 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 19. TRADE AND OTHER PAYABLES

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(restated)
Trade payables	<b>1,101,999</b>	1,336,602
Other taxes payable	<b>71,809</b>	105,269
Purchase of property, plant and equipment	<b>51,917</b>	55,059
Suppliers' deposits	<b>69,194</b>	64,617
Accrued salaries and welfare expenses	<b>18,255</b>	33,354
Other payables	<b>137,041</b>	129,158
	<b><u>1,450,215</u></b>	<u>1,724,059</u>

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

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
0 to 30 days	<b>713,668</b>	1,127,231
31 to 60 days	<b>242,508</b>	103,602
61 to 90 days	<b>64,590</b>	35,418
Over 90 days	<b>81,233</b>	70,351
	<b><u>1,101,999</u></b>	<u>1,336,602</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 20. AMOUNTS DUE TO RELATED COMPANIES

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
南京金鷹工程建設有限公司 (Nanjing Construction and Development) (Note 1)	<b>18,452</b>	21,870
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 2)	<b>15,582</b>	1,053
安徽三新鐘錶有限公司 (Anhui Sanxin Watch Co., Ltd.) (Note 3)	<b>10,423</b>	7,984
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group") (Note 1)	<b>10,419</b>	11,179
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	<b>4,123</b>	4,230
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.) (Note 1)	<b>2,622</b>	1,043
Others	<b>2,871</b>	2,376
	<b>64,492</b>	49,735

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

Notes:

1. Fellow subsidiaries of the Group.
2. A company in which a fellow subsidiary of the Group has significant influence.
3. An associate of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 20. AMOUNTS DUE TO RELATED COMPANIES (Continued)

The following is an aged analysis of amounts due to fellow subsidiaries which are trading in nature and presented based on the invoice date at the end of the reporting period:

	<b>30.6.2011</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2010 RMB'000 (audited)
0 to 30 days	<b>26,164</b>	8,992
31 to 60 days	<b>7,971</b>	5,968
61 to 90 days	<b>1,459</b>	1,530
Over 90 days	<b>27</b>	196
	<hr/> <b>35,621</b> <hr/>	<hr/> 16,686 <hr/>

## 21. SHORT-TERM BANK LOANS

	<b>30.6.2011</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2010 RMB'000 (audited)
Unsecured	<b>739,089</b>	458,427
Secured	<b>103,950</b>	—
	<hr/> <b>843,039</b> <hr/>	<hr/> 458,427 <hr/>

At 30 June 2011, the unsecured short-term bank loans are denominated in HKD, fully repayable within one year and carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.7% to 2.0% (31 December 2010: HIBOR plus 1.7%) per annum. The Group had entered into interest rate swap arrangements to hedge against the floating interest rate risk of certain short-term bank loans.

At 30 June 2011, the secured short-term bank loan is denominated in HKD, fully repayable within one year and carries interest at HIBOR plus 1.0% per annum. The loan is secured by a bank deposit of RMB1 10,000,000 as set out in note 18.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 22. DEFERRED REVENUE

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Prepayments from customers	<b>1,976,729</b>	1,819,153
Deferred revenue arising from the Group's customer loyalty programme	<b>55,936</b>	72,718
	<b><u>2,032,665</u></b>	<u>1,891,871</u>

## 23. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HKD'000</b>
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2011 and 30 June 2011	<b><u>5,000,000,000</u></b>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2011 (audited)	<b>1,942,823,866</b>	<b>194,283</b>
Exercise of share options	<b>2,009,000</b>	<b>201</b>
At 30 June 2011 (unaudited)	<b><u>1,944,832,866</u></b>	<u>194,484</u>
		<b>RMB'000</b>
Shown in the condensed consolidated financial statements:		
At 30 June 2011 (unaudited)		<b><u>197,657</u></b>
At 31 December 2010 (audited)		<u>197,489</u>

During the period, a total of 2,009,000 ordinary shares of HKD0.10 each of the Company were issued at HKD4.20 to HKD4.80 per share upon exercise of share options. These shares issued rank pari passu with existing ordinary shares in all respects.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 24. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme (the "scheme") approved by written resolutions of the sole shareholder of the Company on 26 February 2006, the Company granted share options to its employees.

Details of share options granted during the period are as follows:

Option series	Share option granted	Date of grant	Vesting		Exercise price HKD
			proportion	Exercise period	
2011	20,000,000	31/05/2011	10%	31/05/2012 ~ 30/05/2021	20.26
			10%	31/05/2013 ~ 30/05/2021	20.26
			10%	31/05/2014 ~ 30/05/2021	20.26
			10%	31/05/2015 ~ 30/05/2021	20.26
			10%	31/05/2016 ~ 30/05/2021	20.26
			10%	31/05/2017 ~ 30/05/2021	20.26
			10%	31/05/2018 ~ 30/05/2021	20.26
			30%	31/05/2019 ~ 30/05/2021	20.26

Movements of the Company's share options held by Directors and employees during the period and outstanding at 30 June 2011 are as follows:

	Number of share options					Outstanding at 30 June 2011 (unaudited)
	Outstanding at 1 January 2011 (audited)	Reclassification	Granted during the period	Exercised during the period	Forfeited during the period	
Executive Directors	433,000	2,000,000	1,000,000	(123,000)	—	3,310,000
Non-executive Director	610,000	—	—	—	—	610,000
Key management	7,489,000	(10,000)	—	(567,000)	—	6,912,000
Other employees	38,269,000	(1,990,000)	19,000,000	(1,319,000)	(519,000)	53,441,000
	<u>46,801,000</u>	<u>—</u>	<u>20,000,000</u>	<u>(2,009,000)</u>	<u>(519,000)</u>	<u>64,273,000</u>
Exercisable at 30 June 2011						<u>6,004,000</u>

The weighted average share price at the time of exercise was HKD20.67 per share.

The Group recognised total expenses of RMB13,545,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB3,082,000) in relation to share options granted by the Company.

On 31 May 2011, 20,000,000 share options were granted. The closing price of the Company's shares immediately before the grant date is HKD20.25 and the estimated fair value of the options granted on that date is HKD168,669,000 (equivalent to approximately RMB139,995,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 24. SHARE-BASED PAYMENTS (Continued)

The Binomial model has been used to estimate the fair value of the share options granted during the period ended 30 June 2011. The inputs into the model were as follows:

Share price at grant date	HKD20.25
Exercise price	HKD20.26
Expected volatility	36.5%
Expected option life	10 years
Expected dividend yield	1.0%
Risk-free interest rate	2.4%

The variables and assumptions used in computing the fair value of the share options granted are based on the management's best estimate. The value of an option varies with different variables of certain subjective assumptions.

## 25. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

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:

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Within one year	60,663	48,672
In the second to fifth year inclusive	254,346	218,911
Over five years	1,583,141	1,159,144
	<u>1,898,150</u>	<u>1,426,727</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 25. OPERATING LEASE ARRANGEMENTS (Continued)

### The Group as lessee (Continued)

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:

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Within one year	<b>23,851</b>	15,205
In the second to fifth year inclusive	<b>65,869</b>	52,000
Over five years	<b>91,083</b>	98,000
	<hr/> <b>180,803</b> <hr/>	<hr/> 165,205 <hr/>

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 after related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the six months ended 30 June 2011 amounted to approximately RMB35,965,000 (six months ended 30 June 2010: RMB24,460,000).

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 25. OPERATING LEASE ARRANGEMENTS (Continued)

### The Group as lessor

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

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Within one year	<b>21,890</b>	26,151
In the second to fifth year inclusive	<b>46,334</b>	44,627
Over five years	<b>13,806</b>	14,050
	<hr/> <b>82,030</b> <hr/>	<hr/> 84,828 <hr/>

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 2011 was RMB17,223,000 (six months ended 30 June 2010: RMB13,417,000).

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

## 26. CAPITAL COMMITMENTS

	<b>30.6.2011</b>	31.12.2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(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)	<b>2,360,504</b>	879,442
- acquisition of a property through acquisition of a subsidiary	<b>30,000</b>	—
	<hr/> <b>2,390,504</b> <hr/>	<hr/> 879,442 <hr/>

Note: Of the balance, RMB1,961,115,000 (31 December 2010: RMB456,536,000) represents capital expenditure contracted for with fellow subsidiaries of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 27. RELATED PARTY TRANSACTIONS

During the period, other than those disclosed in notes 14, 15, 16, 17, 20, 25 and 26, the Group had the following significant transactions with related parties:

### a) Transactions

Relationship with related parties	Nature of transactions	Six months ended	
		30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Fellow subsidiaries of the Group	Decoration service fee paid	46,922	2,895
	Property management fee paid	14,478	11,487
	Property and ancillary facilities rentals paid	33,675	16,146
	Carpark management service fee paid	1,488	1,030
	Project management service fee paid	375	—
	Sales of merchandise	2,036	1,233
		<b>8,735</b>	<b>3,460</b>
A company in which a fellow subsidiary of the Group has significant influence	Management service fee received	8,735	3,460
An associate	Purchase of merchandise	28,183	—

- b) During the period, the Group entered into two framework agreements respectively with Yunnan Golden Eagle Industry Co., Ltd. (雲南金鷹實業有限公司) and Kunshan Golden Eagle Properties Co., Ltd. (昆山金鷹置業有限公司), fellow subsidiaries of the Group, for the acquisition of two properties which are situated at Kunming City, Yunnan Province and Kunshan City, Jiangsu Province respectively. Details of the transactions have been disclosed in the announcement of the Company dated 28 March 2011.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011



## 27. RELATED PARTY TRANSACTIONS (Continued)

### c) Compensation of key management personnel

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

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	2,052	1,721
Retirement benefits schemes contributions	213	168
Equity-settled share-based payments	4,648	706
	<u>6,913</u>	<u>2,595</u>



# Deloitte.

## 德勤

TO THE BOARD OF DIRECTORS OF GOLDEN EAGLE RETAIL GROUP LIMITED

### INTRODUCTION

We have reviewed the interim financial information set out on pages 8 to 36, which comprises the condensed consolidated statement of financial position of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries as of 30 June 2011 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 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 Hong Kong Institute of Certified Public Accountants. 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

16 August 2011



## BUSINESS REVIEW

### Industry Overview

The momentum of global economic recovery in 2010 continued into the first half of 2011. However, there have been escalating uncertainties on the road to recovery, which resulted in the slowdown of the global economic growth. The continuous rising prices of commodity, including energy and agricultural products, led to the increase in inflation pressure, which in turn started to spread from emerging economies to developed economies. The mega earthquake and nuclear disaster in Japan, the continuing political unrest in North Africa and the continuous extension of debt crisis in Euro-zone also further increase the risk of economic slowdown.

Facing the complicated and ever-changing international environment as well as new situations and issues coming along the growth of China economy, the Chinese government has implemented proactive fiscal policies and prudent monetary policies, while reinforcing and enhancing macroeconomic control measures. All these measures have mitigated the risks of hard landing of the economy. In order to control inflation effectively, the People's Bank of China had been repeatedly adjusting the Renminbi deposit reserve ratio and the best lending rate upward with an aim to tightening liquidity and curbing the overheating economy, and thus enabling the orderly development of the economy.

According to the preliminarily data published by the National Bureau of Statistics of China, the national gross domestic product ("GDP") in the first half of 2011 reached RMB20.4 trillion, representing an increase of 9.6% over the same period last year. The total retail sales of consumer goods reached RMB8.6 trillion, representing an increase of 16.8% over the same period last year. Urban household income per capita amounted to RMB12,076, including urban disposable income per capita amounted to RMB11,041, representing an increase of 13.2% over the same period last year, or 7.6% after deducting the price factor.

Jiangsu Province is the place where the Group has already established its leading market position in the department store industry. During the first half of 2011, GDP of Jiangsu Province grew by 11.4% and total retail sales of consumer goods also grew by 17.2% over the same period last year. Urban disposable income per capita increased by 13.8% over the same period last year, or 7.9% after deducting the price factor.

Anhui Province is the Group's new focus for strategic development. During the first half of 2011, GDP of Anhui Province grew by 13.4% while its total retail sales of consumer goods grew by 17.9% over the same period last year. Urban disposable income per capita increased by 18.2% over the same period last year, or 12% after deducting the price factor.



## Business

With the united efforts of our staff, gross sales proceeds ("GSP") of the Group sustained a rapid and stable growth during the period under review, and reached RMB6.9 billion, representing an increase of 37.1% over the same period last year. Revenue amounted to RMB1.6 billion, representing an increase of 35.2% over the same period last year. Same store sales growth remained at a relatively high level and reached 28.7% year-on-year.

In order to meet the consumption demands of target customers, every chain store of the Group undertook a relatively extensive scale of spring revamp during the period under review so as to enhance its merchandise mix and sales performance. Nanjing Xinjiekou Store further enriched its portfolio of international cosmetic brands by introducing ORIGINS and KIEHL's to the store. Impressed by the Group's outstanding store performance in third-tier cities in Jiangsu Province, a number of international reputable brands made their ways to launch their outlets in the Group's chain stores. For instance, FOLLI FOLLIE, LANCOME and L'OCCITANE were introduced to Yangzhou Store, whilst HUGO BOSS and BIOTHERM were introduced to Xuzhou Store. This had further crystallised our stores' position in the high-end department store market of the respective cities.

The Group continues to focus on the development of value-added services for VIP customers. Through organizing various innovative and appealing functions and activities, the Group is able to reach its valuable VIP customers in order to have a thorough understanding of their needs and changing demands and to establish a long-term relationship with them. Moreover, the collaboration with various banks allows the sharing of valuable customer base so as to enhance customer satisfaction and loyalty. As at 30 June 2011, the Group had more than 842,000 VIP customers, and sales from VIP customers accounted for approximately 61.8% of the Group's total GSP.

In order to better cater for local consumption demands and enhance store efficiency, the management of individual store proactively takes part in the front-line operation in order to closely monitor and understand the needs of the target customers and the respective sales performance of individual brands. The Group also enlarged the scope of authorities of mature chain stores in respect of merchandising adjustments. Mature chain stores have more flexibility in introducing new brands and adjusting merchandise mix, which facilitate and enrich their merchandising portfolio to meet local market's demands and enhance the performance of newly introduced brands.

To prepare for our long-term store expansion, the Group reinforces cultivation of talents, so as to assure that the Group will have sufficient and competent human resources for our chain store network development.



## Expansion of New Stores and Chain Development

On 15 January 2011, Hefei Store, the Group's flagship store in Anhui Province, commenced soft opening. Hefei Store is located at the central business district of Hefei City, occupying a gross floor area ("GFA") of approximately 59,000 square meters. This store created synergy effect with the Group's Dadongmen Store and Baihuajing Store and established a solid foundation in the Hefei market.

On 15 April 2011, the extension of Nanjing Xianlin Store commenced operation and has enlarged the store's GFA to approximately 39,000 square meters. By introducing "Outlet Mall" business model in Nanjing for the first time, the store's ability to attract customers has been enhanced and sales performance has been improved substantially.

On 5 June 2011, Changzhou Jiahong Store with GFA of approximately 33,000 square meters commenced soft opening. The Group's two other stores in Changzhou are scheduled to be launched by 2012 and 2013. The synergy to be created among the three stores will enable the Group to establish a solid position in Changzhou.

Located on the opposite side of Kunming Store, Kunming Store Phase 2 occupies total GFA of approximately 82,000 square meters. Upon its full operation, the GFA of Kunming Store will be expanded to approximately 116,000 square meters. Certain brands at Kunming Store Phase 2 have already commenced operation since May 2011. With the successful introduction of stylish brands such as H&M, the Group intends to turn Kunming Store into a one-stop shopping destination encompassing department store, leisure, entertaining, dining, beauty and salon as well as kids outlets.

Xi'an Xiaozhai Store, located at the developed Xiaozhai business district in Xi'an with GFA of approximately 19,000 square meters, is expected to open by the end of August 2011. Leveraging on the experiences gained from the operation of former Xi'an Guomao Store, it is expected that the store will ramp up in a much shorter time.

In addition, the preparation work for the grand opening/opening of Kunming Second Store, Xuzhou Second Store, Suqian Store and Liyang Store in Jiangsu Province are now in progress as scheduled. These four new stores are expected to open by the end of 2011, and they will increase the aggregate GFA of the Group's chain stores by approximately 213,000 square meters.

Currently, the Group has secured a number of locations for its new store expansion and it is anticipated that these projects will increase the Group's GFA by approximately 800,000 square meters in the coming three years. In the meantime, the Group will continue to actively identify opportunities that can fulfill its strategies of development and investment returns.



## Outlook

Looking into the second half of the year, there are still many challenges on the way to global economic recovery. It is anticipated that financial deficit and government debt positions of developed countries are hardly optimistic. There are uncertainties as to how the governments and central banks of various developed and developing countries will deal with the global economic situation today. Despite the aforesaid, the management of the Group remains cautiously optimistic to China's overall economic development and the continuous growth in the retail market and department store industry.

In accordance with the Group's chain development strategies, the Group will increase further the number of chain stores in Jiangsu Province. As to those stores that have already established leading market positions in their respective cities, the Group will continue its development strategy of "single city, multi stores" so as to further consolidate our leading market position in Jiangsu Province. The Group will increase its efforts in expanding into neighboring provinces. Among which, Anhui Province will be the key market for future expansion. In the coming years, the Group will strive to increase market penetration in Anhui Province, and cover major cities in the province gradually. Besides, by setting foot in Xi'an, the Group will further explore opportunities for expansion in Xi'an with a view to increase its market share in the local and venture into neighboring cities. Leveraging its foothold in Kunming and the upcoming second store in the city, the Group will exert its brand influence in the local market and foster customer loyalty. The Group will also explore market opportunities in those provincial capitals with strong economic potential but less competition, so as to further expand the coverage of our chain store network.

Looking into second half of the year, we will continue to closely monitor the macroeconomic trend and changes in consumption demands. Through constant merchandising adjustments, effective marketing and promotion campaigns, operation optimization and better customer services, the Group endeavors to increase its market share and enhance customer satisfaction. We are confident of our prospects and will strive to bring fruitful returns to our shareholders.



## FINANCIAL REVIEW

### GSP and revenue

GSP of the Group grew to RMB6,903.0 million for the six months ended 30 June 2011, representing a year-on-year growth of 37.1% or RMB1,868.9 million. The growth was mainly contributed by 28.7% SSSG, the inclusion of full six months sales proceeds of stores opened/acquired in the year 2010 and the sales proceeds of stores opened in 2011.

Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store all achieved satisfactory SSSG of 16.4%, 24.1% and 31.8% respectively for the six months ended 30 June 2011. Further, younger stores like Xi'an Gaoxin Store and Yancheng Store continued to generate remarkable SSSG of 49.4% and 73.1% respectively.

With the increase in GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP decreased from 31.8% to 27.0% while the aggregate contribution to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from 57.8% to 51.3%.

During the six months ended 30 June 2011, concessionaire sales contributed 92.0% (2010: 92.6%) of the Group's GSP or increased from RMB4,660.2 million to RMB6,353.6 million and direct sales contributed 7.5% (2010: 7.0%) of the Group's GSP or increased from RMB350.3 million to RMB518.9 million.

Commission rate from concessionaire sales decreased slightly to 20.0% (2010: 20.8%). The slight decrease in commission rate was mostly due to (i) the relatively strong performance of certain product categories which carry lower commission rates, including gold, jewellery and luxury accessories and (ii) the increase in sales contribution from younger stores which carry lower commission rates as opposed to mature stores like Nanjing Xinjiekou Store. Gross profit margin from direct sales increased from 21.9% to 22.1% as a result of continuous optimization of merchandise mix. The combined gross profit margin from concessionaire sales and direct sales decreased from 20.9% to 20.2%.

In terms of percentage to GSP by merchandise categories, apparel and accessories contributed 56.5% (2010: 58.8%) of the GSP, gold, jewellery and timepieces contributed 19.4% (2010: 16.4%), cosmetics contributed 7.0% (2010: 6.7%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 17.1% (2010: 18.1%).

The Group's total revenue increased to RMB1,557.0 million, representing an increase of 35.2% 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 RMB7.3 million or 14.4% to RMB57.7 million for the six months ended 30 June 2011. The increase was mainly due to (i) the increase in income from suppliers by RMB19.2 million which was in line with the GSP growth; (ii) the increase in government grants by RMB5.7 million; and (iii) the decrease in income from customers by RMB17.0 million as a large portion of the income recognised last year was an one-off transaction.

## Changes in inventories of merchandise

Changes in inventories of merchandise represent the cost of goods sold under the direct sales business model. Changes in inventories of merchandise increased by RMB111.7 million or 47.8% to RMB345.5 million for the six months ended 30 June 2011. The increase was generally in line with the growth in direct sales.

## Employee benefits expense

Employee benefits expense increased by RMB58.3 million or 65.6% to RMB147.1 million for the six months ended 30 June 2011. The increase was mainly contributed by (i) the inclusion of full period employee benefits expense for stores opened/acquired in 2010; (ii) the inclusion of employee benefits expense for stores/additional retail spaces opened in 2011; (iii) the increase in salaries for all levels of staff; and (iv) the increase of employee share option expenses.

Employee benefits expense as a percentage to GSP increased by 0.4 percentage point to 2.5% as compared to the same period last year.

## Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and release of prepaid lease payments on land use rights increased by RMB19.1 million or 31.9% to RMB79.0 million for the six months ended 30 June 2011. The increase was primarily due to the inclusion of full period depreciation and amortisation for stores opened/acquired in 2010 and 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 remains stable at 1.4%.

## Rental expenses

Rental expenses increased by RMB18.5 million or 45.3% to RMB59.4 million for the six months ended 30 June 2011. The increase was mainly due to (i) the inclusion of full period rental expenses for stores opened/acquired in 2010 and (ii) the increase in sales contribution from 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.

Rental expenses as a percentage to GSP remains stable at 1.0%.



## Other operating expenses

Other operating expenses increased by RMB44.3 million or 27.4% to RMB206.3 million for the six months ended 30 June 2011. Other operating expenses mainly include water and electricity charges, advertising and promotion expenses, repair and maintenance expenses and property management fees. The increase was mainly due to the inclusion of full period operating expenses for stores opened/acquired in 2010 and the operating expenses incurred for the stores/additional retail spaces opened during the period under review.

Other operating expenses as a percentage to GSP decreased by 0.3 percentage point to 3.5% as compared to 3.8% for the same period last year as a result of improvement in operating leverage.

## Profit from operations

Profit from operations, which is the earnings before interest and taxes, increased by RMB160.4 million or 26.0% to RMB777.3 million for the six months ended 30 June 2011. Profit from operations as a percentage to revenue decreased to 49.9%, a 3.7 percentage point decrease as compared to 53.6% for the same period last year, mainly due to the decrease in income from customers by RMB17.0 million and the increase in employee share option expenses.

## Finance income

Finance income comprised of income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group with banks when the Group has excessive capital. Finance income increased by RMB25.2 million or 1.8 times for the six months ended 30 June 2011 which was primarily due to more capital has been placed in various short-term bank related deposits during the period under review.

## Finance costs

Finance costs increased by RMB3.4 million or 2.2 times to RMB5.0 million for the six months ended 30 June 2011. The increase was due to the increase in short-term bank borrowings.



## **Other gains and losses**

Other gains and losses mainly comprised of net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB and gains and losses arising from the Group's securities investments. Other gains and losses increased from a net loss of RMB1.8 million to a net gain of RMB12.2 million were primarily due to the increase of net foreign exchange gains of RMB13.7 million as a result of gradual appreciation of RMB during the period under review.

## **Income tax expense**

Income tax expense of the Group increased by RMB47.1 million or 28.5% to RMB212.3 million which was due to the increase in profit before income tax. The effective tax rate for the period under review was 25.7% (2010: 26.3%).

## **Profit for the period**

Profit attributable to owners of the Company increased by RMB150.2 million or 32.5% to RMB612.2 million for the six months ended 30 June 2011. The increase was mainly contributed by the increase in profits from the Group's core and non-core operations. Net profit margin to GSP remains stable at 10.4% (2010: 10.7%).

## **Capital expenditure**

Capital expenditure of the Group for the six months ended 30 June 2011 amounted to RMB745.0 million (2010: RMB552.0 million). The amount mainly includes the contractual payments made for acquisition of property, plant and equipment, land use rights and construction of greenfield projects for department store chain expansion, including acquisition via acquisition of a subsidiary, and the upgrade and/or expansion of the Group's existing retail spaces in order to further enhance the shopping environment.



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

As at 30 June 2011, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### Long position in shares of HK\$0.10 each of the Company ("Shares") or underlying shares

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Wang Hung, Roger	Interest in controlled corporation	1,327,845,000 ( <i>note 1</i> )	68.27%
Cheng Siu Ming	Beneficial Owner	3,000,000 ( <i>note 2</i> )	0.15 %
Zheng Shu Yun	Beneficial Owner	240,000 ( <i>note2</i> )	0.01%
Han Xiang Li	Beneficial Owner	610,000 ( <i>note 2</i> )	0.03%

*Note 1* : These 1,327,845,000 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 1,327,845,000 Shares under the SFO.

*Note 2*: This represents the interests in outstanding share options of the Company which give rise to interests in the underlying shares of the Company.

Save as disclosed above, as at 30 June 2011, 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 2011, 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 and underlying shares of the Company:

#### Long position in Shares

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited	Interest in controlled corporation	1,327,845,000 (Note)	68.27%
Golden Eagle International Retail Group Limited	Beneficial owner	1,327,845,000 (Note)	68.27%

*Note:* These Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang.

Save as disclosed above, as at 30 June 2011, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### SHARE OPTION SCHEME

Pursuant to the Scheme, the Company's board of directors may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Board have contributed to the Group, to subscribe for Shares for a consideration of HKD1.00 for each lot of share options granted for the primary purpose of providing incentives to directors and eligible employees, consultants and advisors. The Scheme will remain effective for a period of ten years commencing on 26 February 2006.

During the six months ended 30 June 2011, 20,000,000 share options were granted under the Scheme at the exercise price of HKD20.26 per Share exercisable from 31 May 2012 to 30 May 2021. 2,009,000 share options were exercised and 519,000 share options were forfeited. There were a total of 64,273,000 Shares available for issue pursuant to options that were granted under the Scheme, representing about 3.3 per cent. of the entire issued share capital of the Company as at the date of this report.

## Other Information



Movements of the Company's share options during the period and outstanding as at 30 June 2011 were as follows:

	Number of share options					Outstanding at 30 June 2011	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 dates immediately before the exercise dates (Note 2) HKD
	Outstanding at 1 January 2011	Reclassification	Granted during the period	Exercised during the period	Forfeited during the period						
Executive Directors	50,000	—	—	—	—	50,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	N/A
	383,000	—	—	(123,000)	—	260,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	21.44
	—	500,000	—	—	—	500,000	05 December 2008	05 December 2010 to 04 December 2018	4.20	4.19	N/A
	—	1,500,000	—	—	—	1,500,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	—	—	1,000,000	—	—	1,000,000	31 May 2011	31 May 2012 to 30 May 2021	20.26	20.25	N/A
Non-executive Director	100,000	—	—	—	—	100,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	N/A
	510,000	—	—	—	—	510,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	N/A
Key management	180,000	(30,000)	—	(110,000)	—	40,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	20.83
	1,379,000	(200,000)	—	(397,000)	—	782,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	20.63
	1,430,000	220,000	—	(60,000)	—	1,370,000	05 December 2008	05 December 2010 to 04 December 2018	4.20	4.19	19.84
	4,500,000	—	—	—	—	4,500,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	553,000	30,000	—	(156,000)	(44,000)	383,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	20.51
	5,726,000	200,000	—	(949,000)	(150,000)	4,827,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	20.43
	16,490,000	(720,000)	—	(214,000)	(325,000)	15,231,000	05 December 2008	05 December 2010 to 04 December 2018	4.20	4.19	20.19
	15,500,000	(1,500,000)	—	—	—	14,000,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	—	—	19,000,000	—	—	19,000,000	31 May 2011	31 May 2012 to 30 May 2021	20.26	20.25	N/A
	<u>46,801,000</u>	<u>—</u>	<u>20,000,000</u>	<u>(2,009,000)</u>	<u>(519,000)</u>	<u>64,273,000</u>					
Exercisable at 30 June 2011						<u>6,004,000</u>					

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

(2) The price 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.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group relies principally on cash flows generated from its operating activities as a primary source of liquidity. In order to take advantage of future RMB appreciation and interest rate spreads among different currencies, the Group borrowed short-term bank loans denominated in foreign currencies with an equivalent amount of RMB deposits as securities/guarantees. As at 30 June 2011, the Group's cash and near cash (including bank balances and cash, pledged bank deposit, structured bank deposits and investments in interest bearing instruments) were RMB2,632.3 million (31 December 2010: RMB2,746.5 million) whereas the balance of the Group's short-term bank loans were RMB843.0 million as at 30 June 2011 (31 December 2010: RMB458.4 million).

The total assets of the Group as at 30 June 2011 amounted to RMB8,590.2 million (31 December 2010 restated: RMB7,984.3 million) whereas the total liabilities amounted to RMB4,564.9 million (31 December 2010 restated: RMB4,304.1 million), resulting in a net assets position of RMB4,025.3 million (31 December 2010: RMB3,680.2 million). The gearing ratio, calculated by total bank borrowings over total assets of the Group, increased to 9.8% as at 30 June 2011 (31 December 2010: 5.7%). After excluding the effects of the cross currency interest rate swap arrangements, the adjusted gearing ratio is zero (31 December 2010: zero).

The capital commitments of the Group as at 30 June 2011 were RMB2,390.5 million (31 December 2010: RMB879.4 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, land use rights and interest in a subsidiary.

### CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no material contingent liabilities.

### PLEDGE OF ASSETS

As at 30 June 2011, bank deposit of RMB110.0 million (31 December 2010: nil) was pledged to a bank in the PRC for a short-term bank loan. 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.

## Other Information



### FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash and short-term bank loans are denominated in HKD or USD which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HKD/USD and RMB. For the period under review, the Group recorded net foreign exchange gains of RMB10.1 million (30 June 2010: net foreign exchange losses of RMB3.6 million). The Group's operating cashflows are not subject to any exchange fluctuation.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011, except for code provision A.2.1.. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Chairman of the Board takes a leading role in day-to-day management and is responsible for the effective functioning of the Board. With the support of the senior management, the Chairman is also responsible for overall strategic development of the Company. Ms. Zheng Shu Yun, one of the executive Directors, is the chief operating officer ("COO") of the Company and Ms. Tai Ping, Patricia, one of the members of senior management, is the chief financial officer ("CFO") of the Company. The COO and CFO are responsible for implementation of business strategy and management of the day-to-day operations of the Company's business. Having considered the current business operations and the aforesaid organisation structure, the Directors consider that it is not necessary to appoint a chief executive officer.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2011.

### AUDIT COMMITTEE

The principal functions of the Audit Committee, established in compliance with the Listing Rules and the Code on Corporate Governance Practices, are to review and supervise the 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 gratitude to the Board, the management and all our staff for their hard work and dedication, as well as our shareholders, business partners and customers for their continuous support to the Group.

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

Hong Kong, 16 August 2011