1. GENERAL AND BASIS OF PREPARATION OF 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 parent and ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands.

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

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

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements for the year ended 31 December 2006 have been prepared using the principles of merger accounting. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the year ended 31 December 2005 have been prepared as if the group structure had been in existence throughout the year ended 31 December 2005 or since their respective dates of incorporation/establishment or date of acquisition, whichever is the shorter period. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the year ended 31 December 2005 also include the income and expenses, gains and losses and the cash flow items of the Non-listed Group (as defined below) from the date of acquisition up to the date of transfer-out to the fellow subsidiary as mentioned below.

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

On 23 June 2005, pursuant to the Reorganisation, 南京金鷹國際購物集團有限公司(Nanjing Golden Eagle International Retail Group Co., Ltd. ("NGL")) transferred out its entire interest in the Discontinued operations (as defined in note 6) ("Non-listed Group") to a fellow subsidiary at a consideration of RMB616,333,000. The Non-listed Group comprised certain subsidiaries and associates together with other related assets engaged in sales of automobiles and its related products, operation of department store in the first tier city in the People's Republic of China ("PRC"), sales of goods, property rentals and services rendered. The consolidated income statements, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2005 include the results and cashflows of the Non-listed Group from the respective dates of acquisition of the companies in the Non-listed Group up to the effective date of their transfer-out. No assets and liabilities of the Non-listed Group are included in the consolidated balance sheets of the Group as at 31 December 2005 and 31 December 2006.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

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

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives[5]
HK(IFRIC) - INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions[7]
HK(IFRIC) - INT 12	Service concession arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 March 2006
4 Effective for annual periods beginning on or after 1 May 2006
5 Effective for annual periods beginning on or after 1 June 2006
6 Effective for annual periods beginning on or after 1 November 2006
7 Effective for annual periods beginning on or after 1 March 2007
8 Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries, other than under the Group Reorganisation, is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities meeting the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the interests. The excess of the cost of acquisition over the carrying amounts of net assets attributable to the interests is recognised as goodwill.

Goodwill

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Rental income, including rentals invoiced in advance, from land and buildings let under operating leases is recognised on a straight line basis over the period of the respective leases.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses at the balance sheet date.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. For the cost of land use right and building in the PRC where the cost of land use right cannot be reliably separated, the entire lease is classified as a finance lease and is depreciated and amortised over the term of the land use right using the straight line method.

The cost of buildings is depreciated over 20 to 63 years using the straight line method.

The cost of leasehold improvements is depreciated on a straight line basis over the period of the respective leases or 5 years, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives and after taking into account the estimated residual value, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is dereognised.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount of the assets (cash-generating unit), the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land use rights

Interest in leasehold land use rights is accounted for as prepaid lease payment and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing cost

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as 'other income'.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets comprise principally loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and amounts due from fellow subsidiaries) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Convertible bonds

Convertible bonds issued by the Group that contain liability and embedded derivatives (including conversion option, issuer early redemption option and holder early redemption option) which are not closely related to the host contract are classified separately into respective items on initial recognition. Conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a derivative financial instrument. At the date of issue, both the liability component and derivative component are recognised at fair value.

In subsequent periods, the liability component is carried at amortised cost using the effective interest method, and the derivative component is measured at fair value with changes in fair value recognised in profit or loss. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid (if any) is added to the carrying amount of the liability component.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their fair values at the date of issue. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities including bank loans, trade and other payables, amount due to a former minority investor of subsidiaries and amounts due to fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derivatives are initially recognised at fair value at date of issue and are subsequently measured at fair value at each balance sheet date, with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management has made various estimates and assumptions based on past experiences, expectation of the future and other information. The estimates and underlying assumptions are reviewed on an ongoing basis. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2006 and 31 December 2005, the carrying amount of the Group's goodwill was RMB26,035,000 and RMB22,651,000, respectively, and no impairment loss was recognised during both years.

Convertible bonds

Note 3 also describes that derivatives are measured at fair value. The conversion option and other derivatives (including issuer early redemption option and holder early redemption option) of the convertible bonds are measured at their fair value using the Binomial model. The model involves assumptions on the Group's share price volatility, discount rate, expected credit rating, market yield and stock price. Should these assumptions change, there might be material change to the fair value of these derivatives. The management exercises their judgement in estimating these assumptions.

5. FINANCIAL INSTRUMENTS

5A. Financial risk management objectives and polices

The Group's major financial instruments include equity investments, borrowings, trade and other receivables, trade and other payables, derivative financial instruments, convertible bonds and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

Certain of the Group's trade and other receivables, bank balances and cash and convertible bonds are denominated in Hong Kong dollars ("HKD") or United States dollars ("USD"). There may be foreign currency risk attributable to the fluctuation in the exchange rate between USD/HKD and RMB (the functional currency of the respective group entities). As at 31 December 2006, financial assets or liabilities denominated other than RMB include trade and other receivables of HKD8,155,000, bank balances and cash of HKD32,990,000 and USD68,229,000, derivative financial instruments of HKD224,300,000 and convertible bonds of HKD793,100,000. The Group currently has not entered into any contracts to hedge its foreign currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Cash flow interest rate risk

Interest bearing financial assets are mainly bank balances carried at prevailing market rate, that exposed the Group to cash flow interest rate risk. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Fair value interest rate risk

The convertible bonds are carried at zero coupon and subject to effective interest rate. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

5. FINANCIAL INSTRUMENTS (Continued)

5A. Financial risk management objectives and polices (Continued)

Market risk (Continued)

Fair value risk on derivatives

The Group is required to estimate the fair value of the derivative component of the convertible bonds at each balance sheet date with changes in fair value to be recognised in the consolidated income statements as long as the convertible bonds are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate and the Company's share market price.

Other equity price risk

The Group is exposed to equity security price risk. The Group has appointed a designated team to monitor closely the price movement of its investments. In this regard, the directors of the Group consider that the price risk is mitigated.

Credit risk

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated financial statements.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables and amounts due from fellow subsidiaries at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are state-owned banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

5. FINANCIAL INSTRUMENTS (Continued)

5A. Financial risk management objectives and polices (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with the relevant covenants.

5B. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate; and
- the fair value of option-based derivatives is estimated using the Binomial option pricing model.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	2006		2005	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Convertible bonds	**796,828**	**796,677**	—	—

6. TURNOVER

	2006			2005		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Revenue from department store operations						
— direct sales	282,126	—	282,126	250,081	1,277	251,358
— income from concessionaire sales	603,987	—	603,987	483,266	6,186	489,452
— rental income	13,668	—	13,668	6,423	—	6,423
Sales of goods	—	—	—	—	139,319	139,319
Rental income	—	—	—		39,624	39,624
Service income	—	—	—	—	32,233	32,233
	899,781	—	899,781	739,770	218,639	958,409

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

Gross sales proceeds

	2006			2005		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
From department store operations						
— direct sales	334,849	—	334,849	308,689	1,494	310,183
— concessionaire sales	3,227,672	—	3,227,672	2,543,557	43,345	2,586,902
— rental income	14,471	—	14,471	6,423	—	6,423
Sales of goods	—	—	—	—	139,319	139,319
Rental income	—	—	—	—	39,624	39,624
Service income	—	—	—	—	32,233	32,233
	3,576,992	—	3,576,992	2,858,669	256,015	3,114,684

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

7. SEGMENT INFORMATION

Geographical segments

All of the Group's assets and liabilities are located in the PRC and the operations of the Group during the year ended 31 December 2006 and 31 December 2005 were substantially carried out in the PRC. Accordingly, no analysis by geographical area of operations are presented.

Business segments

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

7. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2006

The Group's revenue and profit for the year are substantially derived from the segment of department store activities.

For the year ended 31 December 2005

	Continuing operations	Discontinued operations					
	Operations of department stores	Sales of goods	Sales of automobile and related products	Property rental	Others	Subtotal of Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER							
External sales	739,770	146,782	—	39,624	32,233	218,639	958,409
SEGMENT RESULTS	334,740	(19,544)	—	3,872	(4,606)	(20,278)	314,462
Interest income	21,940	69	—	57	—	126	22,066
Discount on acquisition credited to income	249	—	—	—	—	—	249
Gain on disposal of interest in associates	37	—	—	—	—	—	37
Other income	8,026	1,903	—	—	463	2,366	10,392
Realised loss on investments	—					(83,958)	(83,958)
Finance costs	(35,403)					(27,951)	(63,354)
Share of result of associates	—					(622)	(622)
Profit before taxation	329,589					(130,317)	199,272
Income tax expense	(102,061)					4,779	(97,282)
Profit for the year	227,528					(125,538)	101,990
OTHER INFORMATION							
Capital additions	8,877	6,899	—	—	—	6,899	15,776
Depreciations:							
— property, plant and equipment	30,832	3,002	—	2,471	5,955	11,428	42,260
— investment properties	—	—	—	3,356	—	3,356	3,356
Loss (gain) on disposal of property, plant and equipment	138	(67)	—	27	—	(40)	98
Operating lease rentals in respect of land use rights	1,515	1,281	—	4,669	—	5,950	7,465

8. OTHER INCOME

	2006			2005		
	Continuing operations RMB'000	**Discontinued operations RMB'000**	**Total RMB'000**	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Interest income	**61,912**	**—**	**61,912**	21,940	126	22,066
Income from karaoke operation	**4,356**	**—**	**4,356**	3,788	—	3,788
Government grants and subsidies*	**3,129**	**—**	**3,129**	1,781	463	2,244
Discount on acquisition	**—**	**—**	**—**	249	—	249
Gain on disposal of interests in associates	**—**	**—**	**—**	37	—	37
Income from goods storage and loading	**—**	**—**	**—**	—	1,611	1,611
Others	**7,085**	**—**	**7,085**	2,457	292	2,749
	76,482	**—**	**76,482**	30,252	2,492	32,744

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

9. FINANCE COSTS

	2006			2005		
	Continuing operations RMB'000	**Discontinued operations RMB'000**	**Total RMB'000**	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Interest on:						
Bank borrowings wholly repayable within five years	**25,061**	**—**	**25,061**	35,403	27,951	63,354
Effective interest expense on convertible bonds (note 28)	**15,272**	**—**	**15,272**	—	—	—
	40,333	**—**	**40,333**	35,403	27,951	63,354

10. INCOME TAX EXPESNE (CREDIT)

	2006			2005		
	Continuing operations RMB'000	**Discontinued operations RMB'000**	**Total RMB'000**	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
The charge (credit) comprises:						
PRC income tax calculated at applicable income tax rate on the estimated assessable profit for the year	**130,446**	**—**	**130,446**	89,950	(4,779)	85,171
Deferred taxation (note 20)	**1,849**	**—**	**1,849**	12,111	—	12,111
	132,295	**—**	**132,295**	102,061	(4,779)	97,282

10. INCOME TAX EXPESNE (CREDIT) (Continued)

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in Hong Kong during the two years ended 31 December 2006. Subsidiaries located in PRC are subject to PRC income tax rate of 33% (2005: 33%), pursuant to the relevant PRC income tax laws. The charges for the two years ended 31 December 2006 can be reconciled to the profit (loss) before taxation as follows:

	2006			2005		
	Continuing operations RMB'000	**Discontinued operations RMB'000**	**Total RMB'000**	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Profit (loss) before taxation	**361,888**	**—**	**361,888**	329,589	(130,317)	199,272
Tax at the applicable tax rate of 33%	**119,423**	**—**	**119,423**	108,764	(43,005)	65,759
Tax effect of expenses not deductible for tax purposes	**14,766**	**—**	**14,766**	218	205	423
Tax effect of income not taxable for tax purposes	**(1,957)**	**—**	**(1,957)**	(1,728)	—	(1,728)
Tax effect of tax losses not recognised	**63**	**—**	**63**	232	10,620	10,852
Tax effect of deductible temporary difference attributable to unrealised loss on investments not recognised	**—**	**—**	**—**	—	22,492	22,492
Utilisation of tax losses not previously recognised	**—**	**—**	**—**	(516)	—	(516)
Others (Note)	**—**	**—**	**—**	(4,909)	4,909	—
Tax charge for the year	**132,295**	**—**	**132,295**	102,061	(4,779)	97,282

Note:

For the year ended 31 December 2005, the Group incurred tax deductible interest expenses on bank borrowings for acquisition of certain investments. Pursuant to the Reorganisation, these interest expenses were attributable to the Discontinued operations following the relevant investments being taken up by the Discontinued operations. However, the tax benefit on the deductibility of interest expenses for PRC tax purpose was still enjoyed by a subsidiary included in the Continuing operations and was not attributable to Discontinued operations for tax purpose.

11. PROFIT (LOSS) FOR THE YEAR

	2006			2005		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Profit (loss) for the year has been arrived at after charging:						
Directors' remuneration	1,468	—	1,468	162	—	162
Other staff:						
Retirement benefits scheme contributions	6,264	—	6,264	5,197	6,923	12,120
Equity-settled share-based payments	4,701	—	4,701	—	—	—
Salaries and other benefits	70,008	—	70,008	28,625	26,425	55,050
	82,441	—	82,441	33,984	33,348	67,332
Auditors' remuneration	1,180	—	1,180	841	591	1,432
Foreign exchange losses	25,054	—	25,054	—	—	—
Depreciation on property, plant and equipment	38,543	—	38,543	30,832	11,428	42,260
Depreciation on investment properties	—	—	—	—	3,356	3,356
Loss on disposal of property, plant and equipment	630	—	630	138	(40)	98
Impairment loss recognised in respect of trade and other receivables	62	—	62	—	—	—
Operating lease rentals in respect of						
— land and buildings (included in selling expenses)	24,666	—	24,666	11,520	1,691	13,211
— land use rights	1,504	—	1,504	1,515	5,950	7,465
and after crediting:						
Foreign exchange gains	10,069	—	10,069	—	—	—

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Company's directors were as follows:

	2006					2005				
		Other emoluments					Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits/ pension schemes RMB'000	Share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits/ pension schemes RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors										
Mr. Wang Hung, Roger	–	–	–	–	–	–	–	–	–	–
Mr. Han Xiang Li	–	172	9	315	496	–	–	–	–	–
Mr. Wang Wei	–	217	15	278	510	–	151	11	–	162
Sub-total	–	389	24	593	1,006	–	151	11	–	162
Non-executive directors										
Mr. Mohammed K. Ghods	–	–	–	–	–	–	–	–	–	–
Independent non-executive directors										
Mr. Wong Chi Keung	151	–	–	55	206	–	–	–	–	–
Mr. Wang Yao	100	–	–	28	128	–	–	–	–	–
Mr. Lau Shek Yau, John	100	–	–	28	128	–	–	–	–	–
Sub-total	351	–	–	111	462	–	–	–	–	–
Total	351	389	24	704	1,468	–	151	11	–	162

During the year, Mr Mohammed K. Ghods retired as non-executive director of the Company.

Of the five individuals with the highest emoluments in the Group, one (2005: one) was a director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2005: four) individuals were as follows:

	2006 RMB'000	2005 RMB'000
Salaries and allowances	**1,831**	525
Retirement benefits scheme contributions	**8**	30
	1,839	555

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	2006 RMB'000	2005 RMB'000
Nil to HKD1,000,000 (Equivalent to RMB0 to RMB1,004,700)	3	4
HKD1,000,001 to HKD2,000,000 (Equivalent to RMB1,004,701 to RMB2,009,400)	1	—
	4	4

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

13. DIVIDENDS

	2006 RMB'000	2005 RMB'000
Dividends recognised as distributions during the year:		
Interim – RMB3.8 fen per share (2005: nil)	67,960	—
Final, proposed – RMB2.5 fen per share (2005: nil)	45,422	—

The final dividend of RMB2.5 fen (2005: nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

No dividends had been paid or declared by the Company during the year ended 31 December 2005. However, NGL had distributed dividends in 2005 to their then owners prior to the Reorganisation. The dividends were fully settled in December 2005.

14. EARNINGS (LOSS) PER SHARE

For Continuing operations and Discontinued operations

The calculation of the basic earnings (loss) per share from Continuing operations and Discontinued operations is based on the consolidated profit attributable to the ordinary equity holders of the Company and on the weighted average number of ordinary shares in issue of 1,788,596,000 shares (2005: 1,687,500,000) during the year ended 31 December 2006 on the assumption that the Reorganisation has been effective on 1 January 2005.

No diluted earnings per shares has been presented because the exercise price of the Company's options after adjustment (for future services to be rendered according to HKFRS 2 "Share-based Payment") was higher than the average market price for shares during the year and assuming the conversion of the Company's outstanding convertible bonds would result in an increase in profit per share from Continuing operations.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS							
COST							
At 1 January 2005	957,198	20,223	103,536	2,147	28,229	—	1,111,333
Acquired on acquisition of subsidiaries	—	282	2,083	796	430	—	3,591
Additions	266	3,237	854	171	79	679	5,286
Disposals	(2,979)	(1,384)	—	(239)	—	—	(4,602)
At 31 December 2005	954,485	22,358	106,473	2,875	28,738	679	1,115,608
Additions	350,710	6,209	—	1,638	789	115,667	475,013
Transfers	45,544	8,492	54,515	—	7,795	(116,346)	—
Disposals/ written-off	—	(1,334)	(5,785)	(129)	(2)	—	(7,250)
At 31 December 2006	1,350,739	35,725	155,203	4,384	37,320	—	1,583,371
DEPRECIATION							
At 1 January 2005	77,926	7,287	85,454	1,461	11,263	—	183,391
Provided for the year	17,141	3,300	7,311	349	2,731	—	30,832
Eliminated on disposals	(246)	(1,098)	—	(279)	—	—	(1,623)
At 31 December 2005	94,821	9,489	92,765	1,531	13,994	—	212,600
Provided for the year	17,000	5,196	12,445	1,187	2,715	—	38,543
Eliminated on disposals/ written-off	—	(1,141)	(5,303)	(107)	(1)	—	(6,552)
At 31 December 2006	111,821	13,544	99,907	2,611	16,708	—	244,591
CARRYING VALUES							
At 31 December 2006	1,238,918	22,181	55,296	1,773	20,612	—	1,338,780
At 31 December 2005	859,664	12,869	13,708	1,344	14,744	679	903,008

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
DISCONTINUED OPERATION							
COST							
At 1 January 2005	127,850	6,843	4,507	1,400	46,093	23,199	209,892
Additions	1,362	347	178	1,861	1,175	1,976	6,899
Disposals	(461)	(1,145)	—	(1,061)	(74)	—	(2,741)
Transfers	—	—	3,655	—	673	(4,328)	—
Disposal of subsidiaries/ transfer-out of Discontinued operations	(128,751)	(6,045)	(8,340)	(2,200)	(47,867)	(20,847)	(214,050)
At 31 December 2005 and 2006	—	—	—	—	—	—	—
DEPRECIATION							
At 1 January 2005	1,292	182	285	129	4,140	—	6,028
Provided for the year	5,440	689	777	936	3,586	—	11,428
Eliminated on disposals	(263)	(640)	—	(591)	(31)	—	(1,525)
Eliminated on disposal of subsidiaries/transfer-out of Discontinued operations	(6,469)	(231)	(1,062)	(474)	(7,695)	—	(15,931)
At 31 December 2005 and 2006	—	—	—	—	—	—	—
CARRYING VALUES							
At 31 December 2005 and 2006	—	—	—	—	—	—	—

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL							
COST							
At 1 January 2005	1,085,048	27,066	108,043	3,547	74,322	23,199	1,321,225
Acquired on acquisition of subsidiaries	—	282	2,083	796	430	—	3,591
Additions	1,628	3,584	1,032	2,032	1,254	2,655	12,185
Disposals	(3,440)	(2,529)	—	(1,300)	(74)	—	(7,343)
Transfers	—	—	3,655	—	673	(4,328)	—
Disposal of subsidiaries/ transfer-out of Discontinued operations	(128,751)	(6,045)	(8,340)	(2,200)	(47,867)	(20,847)	(214,050)
At 31 December 2005	954,485	22,358	106,473	2,875	28,738	679	1,115,608
Additions	350,710	6,209	—	1,638	789	115,667	475,013
Transfers	45,544	8,492	54,515	—	7,795	(116,346)	—
Disposals/ written-off	—	(1,334)	(5,785)	(129)	(2)	—	(7,250)
At 31 December 2006	1,350,739	35,725	155,203	4,384	37,320	—	1,583,371
DEPRECIATION							
At 1 January 2005	79,218	7,469	85,739	1,590	15,403	—	189,419
Provided for the year	22,581	3,989	8,088	1,285	6,317	—	42,260
Eliminated on disposals	(509)	(1,738)	—	(870)	(31)	—	(3,148)
Eliminated on disposal of subsidiaries/ transfer-out of Discontinued operations	(6,469)	(231)	(1,062)	(474)	(7,695)	—	(15,931)
At 31 December 2005	94,821	9,489	92,765	1,531	13,994	—	212,600
Provided for the year	17,000	5,196	12,445	1,187	2,715	—	38,543
Eliminated on disposals/ written-off	—	(1,141)	(5,303)	(107)	(1)	—	(6,552)
At 31 December 2006	111,821	13,544	99,907	2,611	16,708	—	244,591
CARRYING VALUES							
At 31 December 2006	1,238,918	22,181	55,296	1,773	20,612	—	1,338,780
At 31 December 2005	859,664	12,869	13,708	1,344	14,744	679	903,008

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2006 RMB'000	2005 RMB'000
The carrying value of the Group's property interests situated in the PRC comprises:		
Land and buildings held under medium-term lease	**751,054**	364,065
Long-term lease	**487,864**	495,599
	1,238,918	859,664

16. LAND USE RIGHTS

	2006			2005		
	Continuing operations RMB'000	**Discontinued operations RMB'000**	**Total RMB'000**	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
CARRYING VALUE						
At the beginning of the year	**56,418**	**—**	**56,418**	57,933	493,546	551,479
Released to consolidated income statement during the year	**(1,504)**	**—**	**(1,504)**	(1,515)	(5,950)	(7,465)
Disposal of subsidiaries	**—**	**—**	**—**	—	(487,596)	(487,596)
At the end of the year	**54,914**	**—**	**54,914**	56,418	—	56,418
Less: Amount to be amortised within one year	**(1,504)**	**—**	**(1,504)**	(1,504)	—	(1,504)
Non-current portion	**53,410**	**—**	**53,410**	54,914	—	54,914

The amount represents the prepayment of rentals for land use rights situated in the PRC for a period ranged from 40 to 50 years.

17. DEPOSITS FOR ACQUISITION OF A SUBSIDIARY

At 31 December 2006, the amount represents deposits paid by the Group in connection with the acquisition of 100% interests in 鷹威企業有限公司 (Eagle Ride Ventures Limited, "Eagle Ride"). Eagle Ride is a company incorporated in the British Virgin Islands and it has a controlling interest in another entity which owns a property in PRC. The acquisition has not been completed at the date of this report.

18. GOODWILL

	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
COST AND CARRYING VALUES			
At 1 January 2005	10,946	170,258	181,204
Arising on acquisition of subsidiaries	11,705	—	11,705
Eliminated on disposal of subsidiaries/ transfer-out of Discontinued operations	—	(170,258)	(170,258)
At 31 December 2005	22,651	—	22,651
Arising on acquisition of additional interest in subsidiaries	3,384	—	3,384
At 31 December 2006	26,035	—	26,035

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to five individual cash generating units (CGUs), including five subsidiaries in the segment of operation of department store in the PRC. The carrying amounts of goodwill as at 31 December 2006 allocated to these unites are as follows:

	2006 RMB'000
Operation of department stores	
Xuzhou Golden Eagle International Industry Company Limited	**731**
Yangzhou Golden Eagle International Industry Company Limited	**481**
Nantong Golden Eagle International Shopping Centre Company Limited	**9,735**
Xi'an Golden Eagle International Shopping Centre Company Limited	**6,717**
Xi'an Golden Eagle International Trading Shopping Centre Company Limited	**8,371**
	26,035

During the year ended 31 December 2006, the management of the Group determines that there are no impairments of any of its CGUs containing goodwill. The recoverable amounts of these subsidiaries have been determined based on the value in use calculation of the respective company, containing similar key assumptions. To calculate this, cash flow projections are based on financial budgets approved by management covering a three-year period. The discount rate applied to the cash flow projections is approximately 9.53%.

18. GOODWILL

Key assumptions used in the value in use calculation

The following describes each key assumption on which management has based its cash flow projections when undertaking the impairment testing of goodwill.

Store revenue – the bases used to determine the future earning potential are historical sales and population growth, taking into account economy outlook.

Cost of sales and operating expenses – the bases used to determine the values assigned are cost of merchandise purchased for resale, staff headcount and other operating costs. Value assigned to the key assumption reflects past experience and management commitment to maintain its cost of sales and operating expenses to an acceptable level.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2006	2005
	RMB'000	RMB'000
Non-current listed investments:		
— equity securities listed in PRC — at fair value	**24,966**	—

20. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

	Accelerated depreciation allowances RMB'000	Start up cost RMB'000	Compensation to employees RMB'000	Impairment loss recognised in respect of trade and other receivables RMB'000	Tax losses RMB'000	Prepaid rental RMB'000	Revaluation of investment RMB'000	Total RMB'000
At 1 January 2005	31,673	(345)	(2,397)	(2,049)	(1,424)	—	—	25,458
Charge (credit) to consolidated income statement for the year (note 10)	7,712	119	807	2,049	1,424	—	—	12,111
At 31 December 2005	39,385	(226)	(1,590)	—	—	—	—	37,569
Charge (credit) to consolidated income statement for the year (note 10)	7,430	(3,729)	1,590	(17)	(2,594)	(831)	—	1,849
Charge to equity for the year	—	—	—	—	—	—	1,298	1,298
At 31 December 2006	46,815	(3,955)	—	(17)	(2,594)	(831)	1,298	40,716

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

	2006 RMB'000	2005 RMB'000
Deferred tax liabilities	**48,113**	39,385
Deferred tax assets	**(7,397)**	(1,816)
	40,716	37,569

21. TRADE AND OTHER RECEIVABLES

	2006	2005
	RMB'000	RMB'000
Trade receivables	14,759	9,761
Advance payments to suppliers	8,552	2,406
Rental deposits	5,166	7,710
Deposits made for purchase of goods	600	1,676
Other receivables	20,540	17,827
Less: accumulated impairment on other receivables	(62)	—
	49,555	39,380

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.

22. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2006	2005
	RMB'000	RMB'000
南京金鷹國際投資管理有限公司 (Golden Eagle International Investment Management Co., Ltd.)	—	*602,674
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.)	—	*38,149
徐州金鷹國際置業有限公司 (Xuzhou Golden Eagle International properties Co., Ltd.)	—	*30,263
南通金鷹國際物業管理有限公司 ("Nantong Golden Eagle International Properties Management Co., Ltd.")	1,128	766
徐州金鷹國際物業管理有限公司 ("Xuzhou Golden Eagle International Properties Management Co., Ltd.")	1,445	1,190
Others	116	330
	2,689	673,372

* The amounts were unsecured and bear interest at 5.58% per annum, and other amounts are unsecured, interest-free and repayable within one year.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interest at prevailing market rate at 0.72% (2005: 0.72%).

24. TRADE AND OTHER PAYABLES

	2006 RMB'000	2005 RMB'000
Trade payables	**452,931**	408,792
Consumers' deposits	**281,585**	143,145
Other tax payables	**81,619**	60,719
Purchase of property, plant and equipments	**58,120**	—
Suppliers' deposits	**21,639**	17,547
Payroll and welfare payables	**6,454**	1,211
Renovation retention	**1,847**	1,763
Interest payable on bank and other borrowings	**—**	92
Other payables	**25,467**	12,862
	929,662	646,131

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

	2006 RMB'000	2005 RMB'000
0 to 30 days	**363,379**	339,993
31 to 60 days	**62,804**	56,996
61 to 90 days	**9,071**	677
Over 90 days	**17,677**	11,126
	452,931	408,792

25. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	2006 RMB'000	2005 RMB'000
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**	4,123
南京金鷹國際物業管理有限公司 ("Nanjing Golden Eagle International Properties Management Co., Ltd.")	**1,494**	2,388
Others	**571**	48
	7,984	6,559

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

26. AMOUNT DUE TO A FORMER MINORITY INVESTOR OF SUBSIDIARIES

At 31 December 2006, the balance represents amount payable to a former minority investor for the acquisition of an additional 25% interest in 西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Company Limited). The amount was paid in January 2007.

27. BANK LOANS

	2006	2005
	RMB'000	RMB'000
Bank loans		
— short-term	—	611,800
— ong-term	—	320,000
	—	931,800
Bank loans		
— secured	—	773,000
— unsecured	—	158,800
	—	931,800
The bank loans are repayable as follows:		
Within one year or on demand	—	651,800
Between one and two years	—	165,000
Between two and five years	—	115,000
	—	931,800
Less: Amount due within one year included in current liabilities	—	(651,800)
Amount due after one year	—	280,000

The bank loans at 31 December 2005 were denominated in RMB (functional currency of respective group entity) and carried interest at fixed rates ranging from 4.8% to 6.7% per annum respectively. The bank loans were fully repaid during the year.

28. CONVERTIBLE BONDS

The Company issued a zero coupon convertible bonds due 2011 in the aggregate principal amount of HKD1,000,000,000 (the "Bonds") on 23 October 2006.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on and after 30 October 2006 up to and including 16 October 2011 into fully paid ordinary shares with a par value of HKD0.10 each of the Company ("Shares") at an initial conversion price of HKD6.42 per Share. The Bonds will not bear interest except in limited circumstances as set out in the Company's offering circular (the "Offering Circular") in connection with the Bonds dated 18 October 2006. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 127.70 per cent. of their principal amount on 23 October 2011.

Issuer early redemption option

At any time after 23 October 2009 but not less than seven business days prior to 23 October 2011, the Company may redeem the Bonds, in whole but not in part, at the early redemption amount ("Early Redemption Amount") if the closing price of the Shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount for each Bond divided by the conversion ratio. The Early Redemption Amount is determined so that it represents for the holders a gross yield of 4.95% on a semi-annual basis. The Company may also redeem the outstanding Bonds in whole only but not part at their Early Redemption Amount if at any time the aggregate principal amount of the Bonds outstanding is less than 5% of the aggregate principal amount originally issued.

Holder early redemption option

The Bonds may be redeemed at the option of the holders at the Early Redemption Amount on 23 October 2009 or on the occurrence of a change of Company's control or delisting of the Company's Shares.

The gross proceeds net of transaction costs received from the issue of the Bonds have been split into liability component and derivative component (comprises of embedded derivatives which are considered as not closely related to the host liability component) as follows:

(i) Liability component represents the present value of the contractual stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

 The interest charged for the year is calculated by applying an effective interest rate of approximately 10.42% to the liability component since the Bonds were issued.

(ii) Derivative component represents:

 (i) The fair value of the option of the holders to convert the Bonds into Shares of the Company at an initial conversion price of HKD6.42 per Share.

 (ii) The fair value of the option of the Company to early redeem the Bonds.

 (iii) The fair value of the option of the holders to require the Company to early redeem the Bonds.

28. CONVERTIBLE BONDS (Continued)

The movement of the liability component and derivative component for the year is set out as below:

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
Convertible bonds:			
At date of issue on 23 October 2006, net proceeds	789,569	202,594	992,163
Exchange realignment	(8,013)	(2,056)	(10,069)
Effective interest expense charged during the year (note 9)	15,272	—	15,272
Changes on fair value	—	24,816	24,816
As at 31 December 2006	796,828	225,354	1,022,182

29. SHARE CAPITAL/PAID-IN CAPITAL

	Number of shares	Value HKD'000
Authorised:		
Ordinary shares of HKD0.10 each		
At date of incorporation and at 31 December 2005	3,800,000	380
Increase during the year	4,996,200,000	499,620
At 31 December 2006	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HKD0.10 each		
At date of incorporation and at 31 December 2005	1	—
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Reorganisation	405,000,000	40,500
Capitalisation issue of shares	1,282,499,999	128,250
Issue of new shares upon listing of the Company's shares on the Stock Exchange	129,375,000	12,938
At 31 December 2006	1,816,875,000	181,688

29. SHARE CAPITAL/PAID-IN CAPITAL (Continued)

	RMB'000
Shown in the consolidated financial statements at 31 December 2006 as	187,029

Details of the changes in the Company's share capital for the year ended 31 December 2006 are as follows:

(a) The Company was incorporated in the Cayman Islands on 20 September 2005 with an authorised share capital of HKD380,000 divided into 3,800,000 shares of HKD0.10 each.

(b) By written resolutions of the then sole shareholder of the Company dated 26 February 2006, the authorised share capital of the Company was increased to HKD500,000,000 divided into 5,000,000,000 shares of HKD0.10 each.

(c) On 26 February 2006, the Company acquired the entire issued share capital of Goldjoint from GEICO and agreed to set off an indebtedness owed by Goldjoint to Mr. Wang Hung, Roger ("Mr. Wang") and in consideration of which, the Company allotted and issued 405,000,000 shares, credited as fully paid, to Golden Eagle International Retail Group Limited, incorporated in the Cayman Islands and 100% owned by GEICO, as directed by GEICO and Mr. Wang.

(d) The directors of the Company were authorised to capitalise HKD128,249,999.9 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,282,499,999 shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 8 March 2006 in proportion to their then respective existing shareholdings in the Company and the directors allotted and issued such shares as aforesaid and gave effect to the capitalisation issue and the shares allotted and issued rank pari passu with all shares then in issue.

(e) The Company issued 112,500,000 new ordinary shares of HKD0.10 each ("New Issue") for cash at HKD3.15 per share by way of public offer and placement.

(f) The Company's shares are listed on the Main Board of the Stock Exchange on 21 March 2006.

(g) On 27 March 2006, over-allotment option was exercised and a further 16,875,000 new ordinary shares of HKD0.10 each were issued. At 27 March 2006, the Company's issued share capital comprised 1,816,875,000 shares of HKD0.10 each.

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

30. RESERVES

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

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

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

31. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme approved by written resolutions of the sole shareholder of the Company dated 26 February 2006 (the "Share Option Scheme"), the Company may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Company's board of directors (the "Board"), has or had made contribution to the Group to subscribe for shares in the Company for a consideration of HKD1 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.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD 5 million must be approved in advance by the Company's shareholders.

31. SHARE-BASED PAYMENTS (Continued)

Options granted must be taken up within 30 days of the date of grant, upon payment of HKD 1.00 per each lot of option. The exercise price is determined by the directors of the Company, and will not be less than the higher 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.

Details of specific categories of options are as follows:

Option series	Share option granted	Date of grant	Vesting proportion	Exercise period	Exercise price
					HKD
2006A	5,370,000	28/04/2006	20%	28/04/2007 ~ 27/04/2012	4.35
			20%	28/04/2008 ~ 27/04/2012	4.35
			20%	28/04/2009 ~ 27/04/2012	4.35
			20%	28/04/2010 ~ 27/04/2012	4.35
			20%	28/04/2011 ~ 27/04/2012	4.35
2006B	400,000	20/10/2006	100%	20/10/2007 ~ 20/03/2009	4.80
	17,600,000	20/10/2006	20%	20/10/2007 ~ 19/10/2012	4.80
	18,000,000		20%	20/10/2008 ~ 19/10/2012	4.80
			20%	20/10/2009 ~ 19/10/2012	4.80
			20%	20/10/2010 ~ 19/10/2012	4.80
			20%	20/10/2011 ~ 19/10/2012	4.80

During the year ended 31 December 2006, options were granted on 28 April 2006 and 20 October 2006. The closing price of the Company's shares immediately before the grant date is HKD4.45 and HKD4.70 respectively. The estimated fair values of the options granted on those dates are HKD8,303,000 and HKD28,912,000 respectively.

31. SHARE-BASED PAYMENTS (Continued)

The Binomial model has been used to estimate the fair value of the options. The inputs into the model were as follows:

Option series	Grant date share price HKD	Exercise price HKD	Expected volatility	Expected option life Years	Annual dividend yield	Risk-free interest rate
Independent non-executive directors:						
2006B	4.73	4.80	35.0%	2.2	0.337%	3.85%
Executive directors:						
2006A	4.32	4.35	37.7%	4.8 – 5.8	0.337%	4.642%
2006B	4.73	4.80	35.0%	3.9 – 4.6	0.337%	3.96%
Key management:						
2006B	4.73	4.80	35.0%	3.9 – 4.6	0.337%	3.96%
Other employees:						
2006A	4.32	4.35	37.7%	3.0 – 5.6	0.337%	4.642%
2006B	4.73	4.80	35.0%	3.0 – 5.1	0.337%	3.96%

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Due to the insufficient data of the Company historical stock price before the grant date, volatility of companies containing with similar business running model was selected to estimate the Company's expected volatility. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

Details of the share options granted during the current year and outstanding at 31 December 2006 are as follows:

	Granted during the year	Forfeited during the year	Outstanding at 31 December 2006
Independent non-executive directors	400,000	—	400,000
Executive directors	1,850,000	—	1,850,000
Key management	4,150,000	—	4,150,000
Other employees	16,970,000	(370,000)	16,600,000
	23,370,000	(370,000)	23,000,000
Exercisable at 31 December 2006			—

The Group recognised the total expense of RMB5,405,000 for the year ended 31 December 2006 in relation to share options granted by the Company.

32. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2005, the Group acquired certain subsidiaries. These acquisitions had been accounted for by the acquisition method of accounting. Details of the net assets acquired were set out as follows:

	2005		
	Continuing operations	**Discontinued operations**	**Total**
	RMB'000	RMB'000	RMB'000
Net assets acquired:			
Property, plant and equipment	3,591	—	3,591
Inventories	237	—	237
Trade and other receivables	13,551	—	13,551
Bank balances and cash	18,207	—	18,207
Trade and other payables	(7,822)	—	(7,822)
Taxation	(397)	—	(397)
Minority interests	(6,572)	—	(6,572)
Net assets	20,795	—	20,795
Goodwill	11,705	—	11,705
Total consideration	32,500	—	32,500
Satisfied by:			
Cash	32,500	—	32,500
Analysis of outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:			
Cash consideration	(32,500)	—	(32,500)
Bank balances and cash acquired	18,207	—	18,207
	(14,293)	—	(14,293)

32. ACQUISITION OF SUBSIDIARIES (Continued)

The directors considered the carrying amount of the acquired subsidiaries before combination approximates its fair value at the date of acquisition. Goodwill arose from the acquisition was attributable to the anticipated profitability of the subsidiaries' operation, the anticipated future operating synergies and market development.

The acquisition of subsidiaries contributed RMB5,483,000 and RMB1,121,000 to the Group's turnover and consolidated profit for the year ended 31 December 2005, respectively, for the period between the date of acquisition and 31 December 2005.

In 2005, if the acquisitions of subsidiaries in the continuing operations had been completed on 1 January 2005, the consolidated revenue for the year ended 31 December 2005 would have been RMB747,979,000 and consolidated profit for the year ended 31 December 2005 would have been RMB226,402,000 respectively. The pro forma information was for illustrative purposes only and were not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2005, nor was it intended to be a projection for future results.

33. DISPOSAL OF SUBSIDIARIES/TRANSFER-OUT OF DISCONTINUED OPERATIONS

In June 2005, the Group transferred out the subsidiaries and associates of the Non-listed Group together with other related assets to a fellow subsidiary at a consideration of RMB616,333,000. The Non-listed Group was engaged in sales of automobiles and its related products, operation of department store in the PRC first-tier city, sales of goods, property rentals and services rendered. The net assets at the date of transfer-out were as follows:

	2005
	RMB'000
Net assets of subsidiaries transferred out:	
Investment properties	114,214
Property, plant and equipment	198,119
Land use rights	487,596
Goodwill	13,610
Investments	279,753
Inventories	29,491
Trade and other receivables	695,635
Bank balances and cash	22,036
Trade and other payables	(1,196,128)
Taxation	(435)
Bank borrowings	(483,120)
Minority interests	(59,389)
Net assets	101,382
Goodwill	156,648
	258,030
Interests in associates and other related assets transferred out:	
Interests in associates	29,935
Investments	21,900
Deposits made for the acquisition of investee company	361,500
Net current account balances	(52,073)
	361,262
Total net assets transferred out	619,292
Amount credited to equity	97,041
Amount debited to paid-in capital	(100,000)
	616,333
Satisfied by:	
Amounts due from fellow subsidiaries	616,333
Analysis of the net outflow of cash and cash equivalents in connection with the transfer-out of subsidiaries:	
Cash consideration received	—
Bank balances and cash of subsidiaries transferred out	(22,036)
	(22,036)

The considerations were settled through current account with the fellow subsidiary representing the major non-cash transaction during the year ended 31 December 2005.

34. OPERATING LEASE ARRANGEMENTS

The Group as leasee

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:

	2006	2005
	RMB'000	RMB'000
Within one year	**14,819**	29,018
In the second to fifth year inclusive	**56,177**	101,474
Over five years	**26,723**	254,580
	97,719	385,072

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:

	2006	2005
	RMB'000	RMB'000
Within one year	**2,525**	3,450
In the second to fifth year inclusive	**9,200**	12,000
Over five years	**6,900**	12,000
	18,625	27,450

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.

34. 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:

	2006 RMB'000	2005 RMB'000
Within one year	**3,032**	2,744
In the second to fifth year inclusive	**4,123**	4,188
Over five years	**760**	1,597
	7,915	8,529

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 year ended 31 December 2006 was RMB8,640,000 (2005: RMB824,000).

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

35. CAPITAL COMMITMENTS

	2006 RMB'000	2005 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
— in respect of acquisition of property, plant and equipment	**214,010**	68,110
— in respect of acquisition of a subsidiary	**36,744**	—
	250,754	68,110

36. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged certain of its assets to secure the credit facilities granted by banks to the Group. The carrying values of these assets pledged at the balance sheet date were as follows:

	2006 RMB'000	2005 RMB'000
Buildings	**—**	747,503
Land use rights	**—**	56,418
	—	803,921

37. RETIREMENT BENEFITS SCHEME

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement of RMB6,288,000 (2005: RMB 12,131,000) represents contributions payable to the scheme by the Group in respect of the current accounting period. All the contributions had been paid over to the scheme as at 31 December 2006.

38. RELATED PARTY TRANSACTIONS

During the year, other than those information disclosed in notes 12, 22, 25, 26, 31, 33 and 34, the Group has the following significant transactions with related companies:

a) Transactions

Relationship with related parties	**Nature of transactions**	**2006 RMB'000**	2005 RMB'000
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	**2,650**	3,000
Companies in which a director of the Company, Mr. Wang Hung, Roger, has beneficial interests	Decoration service fee paid	**32,020**	6,048
	Property management fee paid	**13,290**	8,122
	Property rentals paid	**450**	450
	Property rentals received	**4,722**	—
	Parking fee paid	**3,296**	2,105
	Interest income on amount due from a fellow subsidiary	**7,969**	20,353
	Project management fee paid	**2,256**	—
	Management service fee received	**114**	—

38. RELATED PARTY TRANSACTIONS (Continued)

b) Compensation of key management personnel

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

	2006 RMB'000	2005 RMB'000
Salaries and allowances	3,107	676
Retirement benefits scheme contributions	86	41
Share-based payments	1,388	—
	4,581	717

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Country and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group	Principal activity
Goldjoint Group Limited ("Goldjoint ") (Note 1)	British Virgin Islands 12 May 2005	Shares – USD1	100%	Investment holding
南京金鷹國際購物集團有限公司 (Nanjing Golden Eagle International Retail Group Co., Ltd.) (Note 2)	PRC 12 May 2000 as a limited liability company for a term of 42 years and converted into a wholly-foreign owned enterprise on 19 October 2005 for a term of 30 years	Registered capital – RMB775,550,000	100%	Operation of department store
徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Company Limited)	PRC 15 July 2003 as a limited liability company for a term of 50 years	Registered capital – RMB60,000,000	100%	Operation of department store

39. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Country and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group	Principal activity
揚州金鷹國際有限公司 (Yangzhou Golden Eagle International Industry Company Limited)	PRC 15 February 2001 as a limited liability company for a term of 19 years	Registered capital – RMB40,000,000	100%	Operation of department store
蘇州金鷹國際有限公司 (Suzhou Golden Eagle International Shopping Centre Company Limited)	PRC 12 July 2002 as a limited liability company	Registered capital – RMB20,000,000	100%	Operation of department store
南通金鷹國際有限公司 (Nantong Golden Eagle International Shopping Centre Company Limited)	PRC 24 October 1997 as a limited liability company for a term of 50 years	Registered capital – RMB20,000,000	100%	Operation of department store
西安金鷹國際有限公司 (Xi'an Golden Eagle International Shopping Centre CompanyLimited) ("Xi'an Golden Eagle") (Note 3)	PRC 4 November 2003 as a limited liability company for a term of 39 years	Registered capital – RMB30,000,000	100%	Operation of department store
西安金鷹國貿購物中心有限公司 (Xi'an Golden Eagle International Trading Shopping Centre Company Limited) ("Xi'an Golden Eagle Trading") (Note 4)	PRC 8 December 2003 as a limited liability company for a term of 39 years	Registered capital – RMB1,000,000	100%	Operation of department store
上海金鷹實業有限公司 (Shanghai Golden Eagle Industry Company Limited)	PRC 13 April 2006 as a limited liability company for a term of 30 years	Registered capital – RMB5,000,000	100%	Trading

39. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Country and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group	Principal activity
泰州金鷹貿易有限公司 (Taizhou Golden Eagle Retail Company Limited)	PRC 18 May 2006 as a limited liability company for a term of 30 years	Registered capital – RMB40,000,000	100%	Operation of department store

Note 1: The shares are directly held by the Company.

Note 2: The original registered capital was RMB157,550,000 and Goldjoint held 100% of its equity interest. According to a directors' meeting held on 5 April 2006, the registered capital was increased to RMB775,550,000 and the additional capital of RMB618,000,000 was fully injected by Goldjoint in 2006.

Note 3: On 18 December 2006, NGL entered into an equity transfer agreement with the minority investor of Xi'an Golden Eagle for the acquisition of its total capital of RMB7,500,000, representing 25% of its registered capital therein, at a total cash consideration of RMB8,000,000. After the acquisition of this additional 25% equity interest, Xi'an Golden Eagle became a 100% subsidiary of the Group.

Note 4: Xi'an Golden Eagle held 90% of the equity interest of Xi'an Golden Eagle Trading and NGL held another 10% of its equity interest. After the acquisition of the additional 25% equity interest of Xi'an Golden Eagle, Xi'an Golden Eagle Trading became a 100% subsidiary of the Group.

40. COMPARATIVE FIGURES

Lease payments and management fee in respect of shops rented, of RMB15,899,000 included in administrative expenses in prior year were reclassified to selling expenses in the consolidated income statement to give a fairer presentation and to conform with current year's presentation.