

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. GENERAL AND GROUP REORGANISATION

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

Pursuant to a group reorganisation (the “Reorganisation”) 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 (the “Group”) formed after the completion of the Reorganisation. 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 together with its subsidiaries are hereafter collectively referred to as the Group.

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

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS

The Group’s combined financial statements are presented in Renminbi (“RMB”), the currency in which the majority of the Group’s transactions are denominated.

Although the Group resulting from the Reorganisation, as referred to in note 1 to the combined financial statements, did not exist until 26 February 2006, the directors of the Company consider that meaningful information as regards the historical performance of the companies now comprising the Group is provided by treating the Group resulting from the Reorganisation as a continuing entity as if the group structure as at 26 February 2006 had been in existence from the beginning of the year ended 31 December 2004.

Accordingly, for the purpose of this report, the combined income statements, combined cash flow statements, and combined statement of changes in equity of the Group for the years ended 31 December 2005 and 2004, including the financial information of the companies now comprising the Group as a result of the Reorganisation as if the group structure had been in existence throughout the years ended 31 December 2005 and 2004 or since their respective dates of incorporation/establishment or date of acquisition, whichever is the shorter period and 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 combined balance sheets of the Group as at 31 December 2005 and 2004 have been prepared to present the assets and liabilities of the Group as if the group structure after the Reorganisation had been in existence as at these dates and include the assets and liabilities of the Non-listed Group as mentioned below.

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For the year ended 31 December 2005

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS *(continued)*

On 23 June 2005, pursuant to the Reorganisation, 南京金鷹國際購物集團有限公司 (for identification only, in English, Nanjing Golden Eagle International Retail Group Co., Ltd. ("NGL")) transferred out of its entire interest in the discontinued operations ("Non-listed Group", and further described in note 30) to a fellow subsidiary. Particulars of the Non-listed Group are set out in note 30. The combined income statements, combined statement of changes in equity and the combined cashflow statements for each of the years ended 31 December 2005 and 31 December 2004 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. The assets and liabilities of the Non-listed Group are included in the combined balance sheet of the Group as at 31 December 2004.

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

3. EARLY ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. For the purposes of preparing and presenting the combined financial statements for the two years ended 31 December 2005, the Group has early adopted all these new and revised HKFRS for the two years ended 31 December 2005.

The HKICPA has issued the following Standards and Interpretations ("INT") that are not yet effective. The Group has considered the following Standards and Interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS1 (Amendment)	Capital Disclosures ¹
HKAS19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS21 (Amendment)	Net Investment in a Foreign Operation ²
HKAS39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS39 (Amendment)	The Fair Value Option ²
HKAS39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments: Disclosures ¹
HK (IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease ²
HK (IFRIC) – Int 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK (IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment ³
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

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

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

³ Effective for annual periods beginning on or after 1 December 2005

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

4. SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the combined 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.

The combined financial statements has been prepared under the historical cost basis except for certain financial instruments which are measured at fair values set out below. The principal accounting policies adopted are as follows:

Business combinations

A subsidiary of the Company represents an entity controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

The acquisition of subsidiaries, other than under the 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.

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.

Goodwill/discount on acquisition

Goodwill arising on the acquisition of a subsidiary or an associate represents excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Capitalised goodwill arising on acquisition of a subsidiary is presented separately in the combined balance sheet. Capitalised goodwill arising on acquisition of an associate is included in the cost of the investments of the relevant associate. For the purpose of impairment testing, goodwill arising from acquisition is allocated to each of the Group's cash-generating units or Group's generating units that are expected to benefit from the synergies of the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when 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 cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 recognised directly in the combined income statements. An impairment for goodwill is not reversed in a subsequent period.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Discount on acquisitions arising on acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in income statement.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the combined financial statements using the equity method of accounting except when the investment is classified as held for sale in which case it is accounted for under HKFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, investments in associates are carried in the combined balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed while service revenue is recognised when the 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 is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and accumulated impairment loss, if any. The cost of investment property is depreciated over 30 years using straight line method. Gains or losses arising from disposal of the property is determined as difference between the sale proceeds and the carrying amount of the property and is recognised in the income statement.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and any identified impairment loss at the balance sheet date.

Construction in progress is stated at cost which includes all construction costs and other direct costs attributable to such projects including borrowing costs capitalised in accordance with the Group's accounting policy. It is not depreciated until completion of construction. Costs of completed construction works are transferred to appropriate category of property, plant and equipment.

For the cost of land use right and building in the People's Republic of China ("the PRC") where the cost of land use right cannot be reliably separated from the cost of land use right and building, the cost of land use right and building 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.

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 income statement in the year in which the item is derecognised.

Land use rights

Payments for obtaining land use rights are considered as operating lease payment and charged to the income statement over the period of the right using the straight line method.

Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. The cost of merchandise is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment loss (other than goodwill)

If the recoverable amount of an asset is estimated to be less than its carrying amount of the asset, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial assets

Trade and other receivables/amounts due from fellow subsidiaries and bank deposits

Trade and other receivables and amounts due from fellow subsidiaries and bank deposits are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are classified as available-for-sale, and are measured at subsequent reporting dates at fair value. For available-for-sale investments, gains and losses arising from 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 on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liability and equity

Financial liabilities and equity instruments 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 after deducting all of its liabilities.

Trade and other payables/amounts due to related companies, fellow subsidiaries, and bank borrowings

Trade and other payables, amounts due to related companies, fellow subsidiaries, and bank borrowings are initially measured at fair value and are subsequently measured at amortised cost using effective interest method.

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 net profit as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 profit 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.

Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

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 income statement and are reported separately as "other income".

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, having the most significant effect on the carrying amounts of assets and liabilities recognised in the combined financial statements, are as follows:

Inventories

Note 4 describes that inventories are stated at the lower of cost and net realisable value. Net realisation value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. Procedurewise, the sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the combined financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the combined financial statements.

Trade receivables

Note 4 describes that trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In estimating the recoverability of the amounts, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the combined financial statements in light of the historical records of the Group and the circumstances of the PRC department store industry and relevant industries of the Group's discontinued operations in the PRC as a whole.

Depreciation

The management exercises their judgement in estimating the useful lives of the property, plant and equipment as set out in Note 4.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment 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 2005, the carrying amount of the Group's goodwill was RMB22,651,000 (2004: RMB181,204,000) after the recognition of an impairment loss of nil for the year ended 31 December 2005 (2004: RMB2,635,000).

6. GROSS SALES PROCEEDS, TURNOVER AND SEGMENT INFORMATION

Gross sales proceeds

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Gross direct sales	308,689	1,494	310,183	216,868	785	217,653
Concessionaire sales	2,543,557	43,345	2,586,902	1,883,624	21,917	1,905,541
Sales of goods	–	139,319	139,319	–	323,390	323,390
Rental income	6,423	39,624	46,047	6,562	47,352	53,914
Service income	–	32,233	32,233	–	31,490	31,490
	2,858,669	256,015	3,114,684	2,107,054	424,934	2,531,988

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

6. GROSS SALES PROCEEDS, TURNOVER AND SEGMENT INFORMATION (continued)

Turnover

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 the operations from sales of automobiles and related products, department store operations in the first-tier cities in the PRC, sales of goods, property rentals and services (collectively referred to as "Discontinued operations") as detailed below:

	2005			2004		
	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	250,081	1,277	251,358	174,839	671	175,510
– income from concessionaire sales	483,266	6,186	489,452	300,298	3,264	303,562
– rental income	6,423	–	6,423	6,562	–	6,562
Sales of automobile and related products	–	–	–	–	129,124	129,124
Sales of goods	–	139,319	139,319	–	194,266	194,266
Rental income	–	39,624	39,624	–	47,352	47,352
Service income	–	32,233	32,233	–	31,490	31,490
	739,770	218,639	958,409	481,699	406,167	887,866

Segment information

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

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 and sales of automobile and related products, rental and others. Details of the Group's segment information are set out as follows:

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For the year ended 31 December 2005

6. GROSS SALES PROCEEDS, TURNOVER AND SEGMENT INFORMATION (continued)

	Continuing operations	Discontinued operations				Subtotal of discontinued operations RMB'000	Total RMB'000
	Operations of department stores RMB'000	Sales of goods RMB'000	Sales of automobile and related products RMB'000	Rental RMB'000	Others RMB'000		
For the year ended 31 December 2005							
TURNOVER							
External sales	739,770	146,782	-	39,624	32,233	218,639	958,409
SEGMENT RESULTS							
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 operating income	8,026	1,903	-	-	463	2,366	10,392
Realised loss on investments						(83,958)	(83,958)
Profit from operations							263,248
Finance costs							(63,354)
Share of result of associates						(622)	(622)
Profit before taxation							199,272
Taxation							(97,282)
Profit for the year							101,990
At 31 December 2005							
ASSETS							
Segment assets	2,031,688	-	-	-	-	-	2,031,688
Deferred tax assets	1,816	-	-	-	-	-	1,816
Combined assets							2,033,504
LIABILITIES							
Segment liabilities	652,690	-	-	-	-	-	652,690
Bank borrowings	931,800	-	-	-	-	-	931,800
Taxation	29,496	-	-	-	-	-	29,496
Deferred tax liabilities	39,385	-	-	-	-	-	39,385
Combined liabilities							1,653,371
OTHER INFORMATION							
Capital additions	8,877	6,899	-	-	-	6,899	15,776
Depreciation:							
- 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

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For the year ended 31 December 2005

6. GROSS SALES PROCEEDS, TURNOVER AND SEGMENT INFORMATION *(continued)*

	Continuing operations	Discontinued operations					Subtotal of discontinued operations	Total
	Operations of department stores	Sales of goods	Sales of automobile and related products	Rental	Others	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the year ended								
31 December 2004								
TURNOVER								
External sales	481,699	198,201	137,717	47,352	22,897	406,167	887,866	
SEGMENT RESULTS	147,943	(30,657)	(6,050)	(12,420)	818	(48,309)	99,634	
Interest income	1,330	206	-	116	12	334	1,664	
Discount on acquisition credited to income	-	-	-	-	-	6,630	6,630	
Gain on disposal of a subsidiary	-	-	5,924	-	-	5,924	5,924	
(Loss) gain on disposal of investments	(56)	(53)	858	-	-	805	749	
Other operating income	7,280	181	240	-	-	421	7,701	
Dividend income	-	1,930	-	-	-	1,930	1,930	
Impairment of goodwill	-	-	(2,635)	-	-	(2,635)	(2,635)	
Unallocated corporate expenses	-	-	-	-	-	(1,013)	(1,013)	
Profit from operations							120,584	
Finance costs							(70,199)	
Profit before taxation							50,385	
Taxation							(38,350)	
Profit for the year							12,035	
At 31 December 2004								
ASSETS								
Segment assets	1,183,493	736,445	-	538,366	18,198	1,293,009	2,476,502	
Interests in associates	1,400	-	-	-	-	30,557	31,957	
Deposit made for acquisition of investee companies	-	-	-	-	-	318,500	318,500	
Deferred tax assets	6,215	-	-	-	-	-	6,215	
Unallocated corporate assets	-	-	-	-	-	178,186	178,186	
Combined assets							3,011,360	
LIABILITIES								
Segment liabilities	543,625	335,196	-	277,491	12,400	625,087	1,168,712	
Bank borrowings							1,304,282	
Taxation							8,365	
Deferred tax liabilities							31,673	
Unallocated corporate liabilities							96,296	
Combined liabilities							2,609,328	
OTHER INFORMATION								
Capital additions	7,654	161,551	-	1,971	20	163,542	171,196	
Depreciation:								
- property, plant and equipment	31,166	1,876	1,763	3,938	850	8,427	39,593	
- investment properties	-	-	-	3,947	-	3,947	3,947	
Loss on disposal of property, plant and equipment	179	292	-	436	-	728	907	
Operating lease rentals in respect of land use rights	1,550	1,700	-	6,225	-	7,925	9,475	

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

7. ANALYSIS OF COMBINED BALANCE SHEETS

	Notes	2005			2004		
		Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Non-current assets							
Investment properties	15	-	-	-	-	117,570	117,570
Property, plant and equipment	16	903,008	-	903,008	927,942	203,864	1,131,806
Land use rights							
– non-current portion	17	54,914	-	54,914	56,429	481,009	537,438
Goodwill	18	22,651	-	22,651	10,946	170,258	181,204
Interests in associates	19	-	-	-	1,400	30,557	31,957
Investments	20	-	-	-	5,000	185,428	190,428
Deposits for acquisition of properties		54,000	-	54,000	-	-	-
Deposits made for the acquisition of investee company		-	-	-	-	318,500	318,500
Deferred tax assets	21	1,816	-	1,816	6,215	-	6,215
		1,036,389	-	1,036,389	1,007,932	1,507,186	2,515,118
Current assets							
Land use rights – current portion	17	1,504	-	1,504	1,504	12,537	14,041
Inventories		63,291	-	63,291	48,977	33,172	82,149
Trade and other receivables	22	39,380	-	39,380	26,915	56,629	83,544
Amounts due from fellow subsidiaries	23	673,372	-	673,372	3,036	173,301	176,337
Bank balances and cash		219,568	-	219,568	102,744	37,427	140,171
		997,115	-	997,115	183,176	313,066	496,242
Current liabilities							
Trade and other payables	25	646,131	-	646,131	539,983	546,986	1,086,969
Amounts due to fellow subsidiaries	26	6,559	-	6,559	3,145	174,397	177,542
Amounts due to related companies	26	-	-	-	497	-	497
Taxation		29,496	-	29,496	8,039	326	8,365
Bank loans due within one year	27	651,800	-	651,800	697,600	428,933	1,126,533
		1,333,986	-	1,333,986	1,249,264	1,150,642	2,399,906
Net current (liabilities) assets		(336,871)	-	(336,871)	(1,066,088)	(837,576)	(1,903,664)
Total assets less current liabilities		699,518	-	699,518	(58,156)	669,610	611,454
Non-current liabilities							
Bank loans due after one year	27	280,000	-	280,000	140,000	37,749	177,749
Deferred tax liabilities	21	39,385	-	39,385	31,673	-	31,673
		319,385	-	319,385	171,673	37,749	209,422
		380,133	-	380,133	(229,829)	631,861	402,032
Capital and reserves							
Paid-in capital	28			157,550			257,550
Reserves				215,563			48,642
Equity attributable to equity holders of the Company				373,113			306,192
Minority interests				7,020			95,840
				380,133			402,032

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

8. ANALYSIS OF COMBINED CASH FLOW STATEMENTS

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Operating activities						
Profit (loss) before taxation	329,589	(130,317)	199,272	129,279	(78,894)	50,385
Adjustments for:						
Interest income	(21,940)	(126)	(22,066)	(1,330)	(334)	(1,664)
Interest expenses	35,403	27,951	63,354	27,218	42,981	70,199
Dividend income	-	-	-	-	(1,930)	(1,930)
Share of results of associates	-	622	622	-	-	-
Depreciation of property, plant and equipment	30,832	11,428	42,260	31,166	8,427	39,593
Depreciation of investment properties	-	3,356	3,356	-	3,947	3,947
Operating lease rentals in respect of land use rights	1,515	5,950	7,465	1,550	7,925	9,475
Impairment loss of goodwill	-	-	-	-	2,635	2,635
Discount on acquisitions credited to income	(249)	-	(249)	-	(6,630)	(6,630)
Loss (gain) on disposal of property, plant and equipment	138	(40)	98	179	728	907
Gain on disposal of subsidiaries	-	-	-	-	(5,924)	(5,924)
Gain on disposal of interests in associates	(37)	-	(37)	-	-	-
Loss (gain) on disposal of investments	-	-	-	56	(805)	(749)
Realised loss on investments	-	83,958	83,958	-	-	-
Operating cash flows before movements in working capital	375,251	2,782	378,033	188,118	(27,874)	160,244
(Increase) decrease in inventories	(14,077)	3,681	(10,396)	(9,422)	(2,168)	(11,590)
Decrease (increase) in trade and other receivables	6,083	(721,516)	(715,433)	(5,815)	43,847	38,032
Decrease (increase) in amounts due from related parties	(173)	-	(173)	3	-	3
(Decrease) increase in trade and other payables	(2,179)	618,781	616,602	154,355	(159,256)	(4,901)
Cash from (used in) operations	364,905	(96,272)	268,633	327,239	(145,451)	181,788
PRC income tax paid	(68,890)	(326)	(69,216)	(13,864)	(591)	(14,455)
Net cash from (used in) operating activities	296,015	(96,598)	199,417	313,375	(146,042)	167,333
Investing activities						
Interest received	1,591	126	1,717	1,330	334	1,664
Dividends received	-	-	-	-	1,930	1,930
(Advances to) repayments from fellow subsidiaries	(1,366)	40,733	39,367	21,567	(100,853)	(79,286)
Purchase of property, plant and equipment	(5,286)	(6,899)	(12,185)	(7,654)	(33,682)	(41,336)
Purchase of investment properties	-	-	-	-	(305)	(305)
Proceeds from disposal of property, plant and equipment	2,841	1,256	4,097	-	1,130	1,130
Acquisition of subsidiaries (net of cash and cash equivalents acquired) (Note 29)	(14,293)	-	(14,293)	-	(57,069)	(57,069)
Acquisition of additional interest in subsidiaries	(16,363)	-	(16,363)	-	-	-
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of) (Note 30)	-	-	-	-	2,931	2,931
Proceeds from transfer-out of subsidiaries (net of cash and cash equivalents transferred out) (Note 30)	-	(22,036)	(22,036)	-	-	-
Purchase of an associate	-	-	-	(1,400)	-	(1,400)
Proceeds from disposal of investment in an associate	1,437	-	1,437	-	-	-
Purchases of investments	-	(145,998)	(145,998)	(5,000)	(138,799)	(143,799)
Proceeds from disposal of investments	-	-	-	9	15,005	15,014
Deposits paid for acquisition of investee companies	-	(43,000)	(43,000)	-	(318,500)	(318,500)
Deposit for acquisition of properties	(54,000)	-	(54,000)	-	-	-
Net cash (used in) from investing activities	(85,439)	(175,818)	(261,257)	8,852	(627,878)	(619,026)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

8. ANALYSIS OF COMBINED CASH FLOW STATEMENTS *(continued)*

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Financing activities						
Interest paid	(35,370)	(26,134)	(61,504)	(27,171)	(42,603)	(69,774)
Capital contributions from minority owners of subsidiaries	-	-	-	-	161,348	161,348
Advances from fellow subsidiaries	2,920	89,183	92,103	3,145	154,736	157,881
Advances from related parties	-	-	-	497	-	497
New bank loans raised	1,054,600	91,128	1,145,728	783,600	352,100	1,135,700
Repayment of bank loans	(960,400)	(74,690)	(1,035,090)	(665,600)	(260,656)	(926,256)
Net cash from financing activities	61,750	79,487	141,237	94,471	364,925	459,396
Inter-group elimination	(155,502)	155,502	-	(419,796)	419,796	-
Net increase (decrease) in cash and cash equivalents	116,824	(37,427)	79,397	(3,098)	10,801	7,703
Cash and cash equivalents at the beginning of the year	102,744	37,427	140,171	105,842	26,626	132,468
Cash and cash equivalents at the end of the year	219,568	-	219,568	102,744	37,427	140,171
Analysis of the balances of cash and cash equivalents:						
Bank balances and cash	219,568	-	219,568	102,744	37,427	140,171

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

9. OTHER OPERATING INCOME

	2005			2004		
	Continuing operations <i>RMB'000</i>	Discontinued operations <i>RMB'000</i>	Total <i>RMB'000</i>	Continuing operations <i>RMB'000</i>	Discontinued operations <i>RMB'000</i>	Total <i>RMB'000</i>
Government grants and subsidies*	1,781	463	2,244	540	–	540
Income from karaoke operation	3,788	–	3,788	4,516	–	4,516
Interest income	21,940	126	22,066	1,330	334	1,664
Gain (loss) on disposal of investments	–	–	–	(56)	805	749
Gain on disposal of a subsidiary	–	–	–	–	5,924	5,924
Discount on acquisition	249	–	249	–	6,630	6,630
Gain on disposal of interests in associates	37	–	37	–	–	–
Dividend income	–	–	–	–	1,930	1,930
Income from goods storage and loading	–	1,611	1,611	–	–	–
Others	2,457	292	2,749	2,224	421	2,645
	30,252	2,492	32,744	8,554	16,044	24,598

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

10. PROFIT (LOSS) FROM OPERATIONS

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Profit (loss) from operations has been arrived at after charging:						
Directors' remuneration (Note 11)	162	-	162	118	-	118
Other staff's retirement benefits scheme contributions	5,197	6,923	12,120	4,280	7,664	11,944
Other staff costs	28,625	26,425	55,050	26,935	32,825	59,760
	33,984	33,348	67,332	31,333	40,489	71,822
Auditors' remuneration	841	591	1,432	121	455	576
Depreciation on property, plant and equipment	30,832	11,428	42,260	31,166	8,427	39,593
Depreciation on investment properties	-	3,356	3,356	-	3,947	3,947
Impairment loss of goodwill	-	-	-	-	2,635	2,635
Loss (gain) on disposal of property, plant and equipment	138	(40)	98	179	728	907
Operating lease rentals in respect of						
- land and buildings	11,520	1,691	13,211	6,461	3,525	9,986
- land use rights	1,515	5,950	7,465	1,550	7,925	9,475

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors for the year are as follows:

	2005 RMB'000	2004 RMB'000
Directors' fees	-	-
Other emoluments for non-executive directors	-	-
Other emoluments for executive directors		
- salaries and allowances	151	109
- retirement benefits scheme contributions	11	9
	162	118

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Mr. Wong Chi Keung	–	–
Mr. Wang Yao	–	–
Mr. Lau Shek Yau, John	–	–
	–	–

There were no other emolument payable to the independent non-executive directors for the year ended 31 December 2005 (2004: nil).

(B) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

	Fees <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
2005				
Executive directors:				
Mr. Wang Hung, Roger	–	–	–	–
Mr. Han Xiang Li	–	–	–	–
Mr. Wang Wei	–	151	11	162
	–	151	11	162
Non-executive directors:				
Mr. Mohammed K. Ghods	–	–	–	–
	–	151	11	162

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(B) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS (continued)

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2004				
Executive directors:				
Mr. Wang Hung, Roger	–	–	–	–
Mr. Han Xiang Li	–	–	–	–
Mr. Wang Wei	–	109	9	118
	–	109	9	118
Non-executive directors:				
Mr. Mohammed K. Ghods	–	–	–	–
	–	109	9	118

(C) FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included one director for the year ended 31 December 2005 (2004: one), details are set out above. The emoluments of the remaining four (2004: four) highest paid individuals are as follows:

	2005 RMB'000	2004 RMB'000
Salaries and allowances	525	501
Retirement benefits scheme contributions	30	27
	555	528

The remuneration of the remaining four highest paid individuals fell within the following bands is as follows:

	2005 No. of employees	2004 No. of employees
HK\$0 to HK\$1,000,000 (Equivalent to RMB0 to RMB1,040,000)	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 (2004: nil).

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

12. TAXATION

	2005			2004		
	Continuing operations <i>RMB'000</i>	Discontinued operations <i>RMB'000</i>	Total <i>RMB'000</i>	Continuing operations <i>RMB'000</i>	Discontinued operations <i>RMB'000</i>	Total <i>RMB'000</i>
The (charge) credit comprises:						
PRC income tax calculated at applicable income tax rate on the estimated assessable profit for the year	(89,950)	4,779	(85,171)	(21,013)	(403)	(21,416)
Deferred taxation (<i>note 21</i>)	(12,111)	-	(12,111)	(16,934)	-	(16,934)
	(102,061)	4,779	(97,282)	(37,947)	(403)	(38,350)

The charges for the two years ended 31 December 2005 is reconciled to the profit (loss) before taxation as follows:

Profit (loss) before taxation	329,589	(130,317)	199,272	129,279	(78,894)	50,385
Tax at the applicable tax rate of 33%	(108,764)	43,005	(65,759)	(42,662)	26,035	(16,627)
Tax effect of expenses not deductible for tax purposes	(218)	(205)	(423)	(38)	(1,272)	(1,310)
Tax effect of income not taxable for tax purposes	1,728	-	1,728	-	4,146	4,146
Tax effect of tax losses not recognised	(232)	(10,620)	(10,852)	(1,872)	(22,695)	(24,567)
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	8	-	8
Others (<i>Note</i>)	4,909	(4,909)	-	6,617	(6,617)	-
Tax charge for the year	(102,061)	4,779	(97,282)	(37,947)	(403)	(38,350)

Note: For the two years 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

13. DIVIDENDS

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

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful with regards to the purpose of these combined financial statements.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the combined profit attributable to the equity holders of the Company and on the 1,687,500,000 shares in issue during these years on the assumption that the Reorganisation has been effective on 1 January 2004.

15. INVESTMENT PROPERTIES

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
COST						
At 1 January	-	121,517	121,517	-	-	-
Acquired on acquisition of subsidiaries	-	-	-	-	121,212	121,212
Additions	-	-	-	-	305	305
Disposal of subsidiaries/ transfer-out of discontinued operations	-	(121,517)	(121,517)	-	-	-
At 31 December	-	-	-	-	121,517	121,517
DEPRECIATION						
At 1 January	-	3,947	3,947	-	-	-
Provided for the year	-	3,356	3,356	-	3,947	3,947
Eliminated on disposal of subsidiaries/transfer-out of discontinued operations	-	(7,303)	(7,303)	-	-	-
At 31 December	-	-	-	-	3,947	3,947
NET BOOK VALUE	-	-	-	-	117,570	117,570

All the Group's investment properties are held for rental purposes under operating leases and are situated in the PRC. They were disposed of during the year ended 31 December 2005 pursuant to the Reorganisation.

The fair value of the Group's investment properties at 31 December 2004 was RMB136,815,000. The fair value has been arrived at based on a valuation carried out by Sallmanns (Far East) Limited, independent valuers not connected with the Group. The valuation which conforms with Hong Kong Institute of Surveyors Valuation Standards on Properties was determined by reference to recent market prices for similar properties.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Leasehold improvement	Motor vehicles	Plant and machinery	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CONTINUING OPERATIONS							
COST							
At 1 January 2004	955,946	15,284	103,523	2,147	27,895	–	1,104,795
Additions	1,252	6,022	13	31	127	209	7,654
Disposals	–	(1,083)	–	(31)	(2)	–	(1,116)
Transfer	–	–	–	–	209	(209)	–
At 31 December 2004	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
DEPRECIATION							
At 1 January 2004	60,552	5,327	77,350	1,187	8,746	–	153,162
Provided for the year	17,374	2,889	8,104	281	2,518	–	31,166
Eliminated on disposals	–	(929)	–	(7)	(1)	–	(937)
At 31 December 2004	77,926	7,287	85,454	1,461	11,263	–	183,391
Provided for the period	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
NET BOOK VALUES							
At 31 December 2005	859,664	12,869	13,708	1,344	14,744	679	903,008
At 31 December 2004	879,272	12,936	18,082	686	16,966	–	927,942

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvement 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 2004	66,374	1,815	-	496	1,726	-	70,411
Acquired on acquisition of subsidiaries	74,023	5,011	-	2,133	46,157	2,536	129,860
Additions	2,768	2,957	3,857	1,172	1,171	21,757	33,682
Disposals	(810)	(756)	-	(818)	(236)	-	(2,620)
Transfers	-	17	650	-	427	(1,094)	-
Disposal of subsidiaries	(14,505)	(2,201)	-	(1,583)	(3,152)	-	(21,441)
At 31 December 2004	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	-	-	-	-	-	-	-
DEPRECIATION							
At 1 January 2004	-	160	-	32	103	-	295
Provided for the year	2,426	655	285	555	4,506	-	8,427
Eliminated on disposals	(437)	(63)	-	(217)	(45)	-	(762)
Eliminated on disposal of subsidiaries	(697)	(570)	-	(241)	(424)	-	(1,932)
At 31 December 2004	1,292	182	285	129	4,140	-	6,028
Provided for the period	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	-	-	-	-	-	-	-
NET BOOK VALUES							
At 31 December 2005	-	-	-	-	-	-	-
At 31 December 2004	126,558	6,661	4,222	1,271	41,953	23,199	203,864

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
TOTAL							
COST							
At 1 January 2004	1,022,320	17,099	103,523	2,643	29,621	–	1,175,206
Acquired on acquisition							
of subsidiaries	74,023	5,011	–	2,133	46,157	2,536	129,860
Additions	4,020	8,979	3,870	1,203	1,298	21,966	41,336
Disposals	(810)	(1,839)	–	(849)	(238)	–	(3,736)
Transfers	–	17	650	–	636	(1,303)	–
Disposal of subsidiaries	(14,505)	(2,201)	–	(1,583)	(3,152)	–	(21,441)
At 31 December 2004	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
DEPRECIATION							
At 1 January 2004	60,552	5,487	77,350	1,219	8,849	–	153,457
Provided for the year	19,800	3,544	8,389	836	7,024	–	39,593
Eliminated on disposals	(437)	(992)	–	(224)	(46)	–	(1,699)
Eliminated on disposal of subsidiaries	(697)	(570)	–	(241)	(424)	–	(1,932)
At 31 December 2004	79,218	7,469	85,739	1,590	15,403	–	189,419
Provided for the period	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
NET BOOK VALUES							
At 31 December 2005	859,664	12,869	13,708	1,344	14,744	679	903,008
At 31 December 2004	1,005,830	19,597	22,304	1,957	58,919	23,199	1,131,806

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	2005 RMB'000	2004 RMB'000
The net book value of the Group's property interests situated in the PRC comprises:		
Land and buildings held under medium-term lease	364,065	502,527
Long-term lease	495,599	503,303
	859,664	1,005,830

17. LAND USE RIGHTS

	2005			2004		
	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	57,933	493,546	551,479	59,483	17,821	77,304
Acquired on acquisition of subsidiaries	-	-	-	-	492,782	492,782
Released to income statement during the year	(1,515)	(5,950)	(7,465)	(1,550)	(7,925)	(9,475)
Disposal of subsidiaries /transfer-out of discontinued operations	-	(487,596)	(487,596)	-	(9,132)	(9,132)
At the end of the year	56,418	-	56,418	57,933	493,546	551,479
Less: Amount to be amortised within one year	(1,504)	-	(1,504)	(1,504)	(12,537)	(14,041)
Non-current portion	54,914	-	54,914	56,429	481,009	537,438

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

18. GOODWILL

	Continuing operations <i>RMB'000</i>	Discontinued operations <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
At 1 January 2004	10,216	6,089	16,305
Arising on acquisition of subsidiaries	–	172,893	172,893
Arising on acquisition of additional equity interest in subsidiaries	730	–	730
Disposal of subsidiaries	–	(8,724)	(8,724)
At 31 December 2004	10,946	170,258	181,204
Arising on acquisition of subsidiaries	11,705	–	11,705
Disposal of subsidiaries/transfer-out of discontinued operations	–	(170,258)	(170,258)
At 31 December 2005	22,651	–	22,651
IMPAIRMENT			
At 1 January 2004	–	6,089	6,089
Impairment loss recognised during the year	–	2,635	2,635
Disposal of subsidiaries/transfer-out of discontinued operations	–	(8,724)	(8,724)
At 31 December 2004 and 2005	–	–	–
CARRYING VALUES			
At 31 December 2005	22,651	–	22,651
At 31 December 2004	10,946	170,258	181,204

Impairment testing of goodwill

Goodwill acquired has been allocated to the cash-generating unit of the respective companies.

The recoverable amounts of these subsidiaries have been determined based on the value in use calculation of the respective companies. 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 beyond one year is approximately 5%. No growth has been projected beyond the three-year period.

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES

	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	-	-	-	1,400	30,557	31,957

20. INVESTMENTS

	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments						
– listed securities in the PRC	-	-	-	-	171,740	171,740
– unlisted securities in the PRC, at cost	-	-	-	5,000	13,688	18,688
	-	-	-	5,000	185,428	190,428
Market value of listed securities	-	-	-	-	171,740	171,740

21. DEFERRED TAXATION

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

	Accelerated depreciation allowances		Start up cost		Compensation to employees		Allowance for bad and doubtful debts		Tax losses		Total	
	Continuing Operations	Discontinued operations	Continuing Operations	Discontinued operations	Continuing Operations	Discontinued operations	Continuing Operations	Discontinued operations	Continuing Operations	Discontinued operations	Continuing Operations	Discontinued operations
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2004	23,883	-	23,883	(842)	-	(3,132)	-	(2,049)	-	(9,336)	-	8,524
Charge to profit or loss for the year (note 10)	7,790	-	7,790	497	-	735	-	-	-	7,912	-	16,934
31 December 2004	31,673	-	31,673	(345)	-	(2,397)	-	(2,049)	-	(1,424)	-	25,458
Charge to profit or loss for the year (note 10)	7,712	-	7,712	119	-	807	-	2,049	-	1,424	-	12,111
31 December 2005	39,385	-	39,385	(226)	-	(1,590)	-	-	-	-	-	37,569

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

21. DEFERRED TAXATION (continued)

	2005 RMB'000	2004 RMB'000
Deferred tax liabilities	39,385	31,673
Deferred tax assets	(1,816)	(6,215)
	37,569	25,458

22. TRADE AND OTHER RECEIVABLES

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Trade receivables	-	-	-	-	10,804	10,804
Notes receivables	-	-	-	-	1,237	1,237
Advance payments to suppliers	2,406	-	2,406	729	13,794	14,523
Deposits made for purchase of goods	1,676	-	1,676	3,012	-	3,012
PRC value added tax receivables	14,078	-	14,078	9,140	581	9,721
Receivables from banks for credit card sales	9,761	-	9,761	6,169	1,916	8,085
Rental deposits	7,710	-	7,710	1,010	-	1,010
Other receivables	3,749	-	3,749	6,855	28,297	35,152
	39,380	-	39,380	26,915	56,629	83,544

For continuing operations, trading transactions are mainly on cash basis, either in cash, debit card or credit card payments. For discontinued operations, payment terms with customers are mainly on credit together with deposits. Invoices to outsider customers are normally payable within 90 to 180 days of issuance. The following is an aged analysis of trade receivables at the balance sheet date:

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Age						
0 to 60 days	-	-	-	-	9,607	9,607
61 to 90 days	-	-	-	-	-	-
91 to 180 days	-	-	-	-	50	50
Over 180 days	-	-	-	-	1,147	1,147
	-	-	-	-	10,804	10,804

The directors consider the carrying amount of trade and other receivables approximates its fair value.

23. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries as at 31 December 2005 were mainly arisen from the transfer-out of Discontinued operations. Included in the amounts due from fellow subsidiaries were an amount of RMB602,674,000 due from 南京金鷹國際投資管理有限公司 (Golden Eagle International Investment Management Co., Ltd.) which was unsecured and carried interest at 5.58% per annum while the remaining balance was unsecured and non-interest bearing. The directors consider the carrying amount of amounts due from fellow subsidiaries approximates its fair value. The amount was fully settled on 20 March 2006.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

All bank balances and cash at 31 December 2004 and 2005 were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The directors consider the amount of bank balances and cash approximates its fair value. The Group's objective is to maintain a balance between continuity of funding and flexibility through raising bank borrowings. In the opinion of the directors, most of the borrowings that mature within one year are able to revolve and the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

Credit risk

The Group's principal financial assets are trade and other receivables, amount due from fellow subsidiaries, and bank balances and cash, their carrying amounts of which are recognised on the combined balance sheet, represent the Group's maximum exposure to credit risk in relation to financial assets.

The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

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.

Fair value interest rate risk

The Group's exposure to fair value interest rate risk arising from the impact of rate changes on fixed interest bearing financial assets and liabilities is minimal. Interest bearing financial assets are mainly balances with banks which are all short term in nature. Interest bearing financial liabilities are mainly bank borrowings with fixed interest rates. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

25. TRADE AND OTHER PAYABLES

	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	408,792	-	408,792	389,041	101,753	490,794
Advances from customers	-	-	-	-	41,375	41,375
Consumers' deposits	143,145	-	143,145	85,550	6,555	92,105
Interest payable on bank and other borrowings	92	-	92	91	20,266	20,357
Other tax payables	60,719	-	60,719	26,116	2,746	28,862
Renovation retention	1,763	-	1,763	4,356	-	4,356
Provision for staff compensation	-	-	-	-	77,475	77,475
Payroll and welfare payables	1,211	-	1,211	4,487	41,388	45,875
Payables for acquisition of land use rights	-	-	-	-	173,469	173,469
Suppliers' deposits	17,547	-	17,547	15,005	18,527	33,532
Other payables	12,862	-	12,862	15,337	63,432	78,769
	646,131	-	646,131	539,983	546,986	1,086,969

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

Age	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0 to 30 days	339,993	-	339,993	227,321	79,624	306,945
31 to 60 days	56,996	-	56,996	134,615	116	134,731
61 to 90 days	677	-	677	10,520	-	10,520
Over 90 days	11,126	-	11,126	16,585	22,013	38,598
	408,792	-	408,792	389,041	101,753	490,794

The directors consider the carrying amount of trade and other payables approximates its fair value.

26. AMOUNTS DUE TO FELLOW SUBSIDIARIES/RELATED COMPANIES

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

A shareholder of the Company has beneficial interests in the related companies. The directors consider the carrying amount of amounts due to fellow subsidiaries and related companies approximates its fair values. The amounts due to related companies were fully settled during the year.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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27. BANK LOANS

	2005			2004		
	Continuing operations <i>RMB'000</i>	Discontinued operations <i>RMB'000</i>	Total <i>RMB'000</i>	Continuing operations <i>RMB'000</i>	Discontinued operations <i>RMB'000</i>	Total <i>RMB'000</i>
Bank loans						
– short-term	611,800	–	611,800	622,600	428,933	1,051,533
– long-term	320,000	–	320,000	215,000	37,749	252,749
	931,800	–	931,800	837,600	466,682	1,304,282
Bank loans						
– secured	773,000	–	773,000	533,800	189,200	723,000
– unsecured	158,800	–	158,800	303,800	277,482	581,282
	931,800	–	931,800	837,600	466,682	1,304,282
The bank loans are repayable as follows:						
Within one year or on demand	651,800	–	651,800	697,600	428,933	1,126,533
Between one and two years	165,000	–	165,000	140,000	5,096	145,096
Between two and five years	115,000	–	115,000	–	32,653	32,653
	931,800	–	931,800	837,600	466,682	1,304,282
Less: Amount due within one year included in current liabilities	(651,800)	–	(651,800)	(697,600)	(428,933)	(1,126,533)
Amount due after one year	280,000	–	280,000	140,000	37,749	177,749

The bank loans at 31 December 2004 and 2005 were denominated in RMB and carried interest at fixed rates ranging from 4.8% to 6.7% (2004: 4.8% to 7.9%) per annum respectively. The directors consider that the carrying amounts of bank loans approximate their fair value.

28. PAID-IN CAPITAL

For the purpose of the preparation of these combined financial statements, the balance of paid-in capital at 31 December 2004 and 2005 represented the paid-in capital of NGL which became subsidiaries of the Company pursuant to the Reorganisation on 26 February 2006.

The Company was incorporated in the Cayman Islands on 20 September 2005 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.

On 21 September 2005, one share of HK\$0.10 each was allotted and issued for cash at par to the subscriber as the initial capital of the Company.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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29. ACQUISITION OF SUBSIDIARIES

The Group has acquired certain subsidiaries during the year ended 31 December 2004 and 2005. These acquisitions had been accounted for by the acquisition method of accounting. Details of the net assets acquired are set out as follows:

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Net assets (liabilities) acquired:						
Investment properties	-	-	-	-	121,212	121,212
Property, plant and equipment	3,591	-	3,591	-	129,860	129,860
Land use rights	-	-	-	-	492,782	492,782
Investments	-	-	-	-	15,987	15,987
Deferred tax assets	-	-	-	-	-	-
Inventories	237	-	237	-	45,517	45,517
Trade and other receivables	13,551	-	13,551	-	118,666	118,666
Bank balances and cash	18,207	-	18,207	-	29,931	29,931
Trade and other payables	(7,822)	-	(7,822)	-	(702,779)	(702,779)
Taxation	(397)	-	(397)	-	(513)	(513)
Bank loans	-	-	-	-	(384,238)	(384,238)
Minority interests	(6,572)	-	(6,572)	-	47,682	47,682
Net assets (liabilities)	20,795	-	20,795	-	(85,893)	(85,893)
Goodwill	11,705	-	11,705	-	172,893	172,893
Total consideration	32,500	-	32,500	-	87,000	87,000
Satisfied by:						
Cash	32,500	-	32,500	-	87,000	87,000
Analysis of outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:						
Cash consideration	(32,500)	-	(32,500)	-	(87,000)	(87,000)
Bank balances and cash acquired	18,207	-	18,207	-	29,931	29,931
	(14,293)	-	(14,293)	-	(57,069)	(57,069)

The directors consider the book value of the acquired subsidiaries approximates its fair value at the date of acquisition. In 2005, if the acquisitions of subsidiaries in the continuing operations had been completed on 1 January 2005, the combined revenue for the year ended 31 December 2005 would have been RMB747,979,000 and combined profit for the year ended 31 December 2005 would have been RMB226,402,000 respectively. The pro forma information is for illustrative purposes only and is 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 is it intended to be a projection for future results. No pro forma information for the discontinued operations has been presented as it is not practical to collect the relevant information.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

On 23 June 2005, pursuant to the Reorganisation, NGL transferred out its entire interest in the following subsidiaries and associates (hereinafter collectively referred to as the Non-listed Group) to a fellow subsidiary.

Name of company	Country and date of establishment	Issued and fully paid registered capital	Attributable equity interest of the Group	Principal activity
<i>Subsidiaries:</i>				
南京新百投資控股集團有限公司 (Nanjing Xinbai Investment Holding Group Company Limited) [†]	PRC 18 June 2002	RMB400,000,000	61.24%	Investment holding
南京市五金機械總公司 (Nanjing Ironware & Machinery Company Limited) [†]	PRC 21 June 1991	RMB9,992,000	61.24%	Trading of ironwares
南京市化工原料總公司 (Nanjing Chemical Materials Company Limited) [†]	PRC 20 March 1991	RMB4,520,000	61.24%	Trading of chemicals
南京金橋實業有限公司 (Nanjing Golden Bridge Company Limited) [†]	PRC 10 December 1990	RMB53,884,900	61.63%	Property investment
南京金橋廣告有限公司 (Nanjing Golden Bridge Advertisement Company Limited) [†]	PRC 30 April 1996	RMB200,000	61.63%	Provision of advertising services
南京金橋裝飾工程有限公司 (Nanjing Golden Bridge Decoration Company Limited) [†]	PRC 8 April 1998	RMB510,000	61.63%	Provision of decoration services
南京金鷹新百交家電商城有限公司 (Nanjing Golden Eagle Xinbai Home Electric Appliances Company Limited) ^{††}	PRC 23 July 2004	RMB20,000,000	60.63%	Trading of household electronic appliances
南京交電家電(集團)有限公司 (Nanjing Home Electric Appliance (Group) Company Limited) [†]	PRC 28 June 1994	RMB20,000,000	61.24%	Trading of household electronic appliances
南京金碧輝煌餐飲文化有限公司 (Nanjing Jinbihuihuang Cuisine Culture Company Limited) [†]	PRC 17 December 2001	RMB3,000,000	59.83%	Provision of entertainment services
南京金碧輝煌海港酒樓有限公司 (Nanjing Jinbihuihuang Harbour Restaurant Company Limited) [†]	PRC 25 February 2002	RMB1,000,000	35.90%	Provision of catering services
南京新百化工原料有限公司 (Nanjing Xinbai Chemical Materials Company Limited) ^{††}	PRC 26 November 2004	RMB5,000,000	61.28%	Trading of chemicals

[†] Acquired in 2004

^{††} Established in 2004

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30. DISPOSAL OF SUBSIDIARIES/TRANSFER-OUT OF DISCONTINUED OPERATIONS (continued)

Name of company	Country and date of establishment	Issued and fully paid registered capital	Attributable equity interest of the Group	Principal activity
<i>Subsidiaries:</i>				
南京新百家電有限公司 (Nanjing Xinbai Home Electric Appliance Company Limited) ^{††}	PRC 18 November 2004	RMB500,000	61.28%	Trading of household electronic appliances
南京新百五金機械有限公司 (Nanjing Xinbai Metalware & Machinery Company Limited) ^{††}	PRC 18 November 2004	RMB500,000	61.28%	Trading of metalwares
上海金鷹國際購物中心有限公司 (Shanghai Golden Eagle International Shopping Centre Company Limited)	PRC 9 June 2004	RMB20,000,000	60%	Operation of department stores
南京華美聯合營銷管理有限公司 (Nanjing Huamei Joint Marketing and Management Company Limited) [#]	PRC 29 March 2000	RMB5,000,000	99%	Trading of commodities
南京交家電有限責任公司 (Nanjing Home Electric Appliances Company Limited) [†]	PRC 13 October 2000	RMB20,000,000	55%	Trading of household electronic appliances
<i>Associates:</i>				
南京金鷹國際汽車銷售服務集團有限公司 (Nanjing Golden Eagle International Automobile Sales and Services Group Company Limited) ("IASS")	PRC 24 March 2003	RMB50,000,000	30%	Trading of automobiles and related products
南京蘇星汽車銷售服務有限公司 (Nanjing Suxing Automobile Sales and Services Company Limited) [#]	PRC 26 July 2001	RMB2,000,000	21%	Trading of automobiles and related products
南京蘇星汽車修理有限公司 (Nanjing Suxing Automobile Repairs Company Limited) ^{##}	PRC 21 January 1988	RMB13,340,000	21%	Provision of automobile maintenance services
上海大眾汽車南京蘇星銷售服務有限公司 (Shanghai Volkswagen Automobile Nanjing Suxing Sales and Services Company Limited) ^{##}	PRC 16 July 1999	RMB2,800,000	21%	Trading of automobiles and related products
廣州市萬程汽車銷售服務有限公司 (Guangzhou Wancheng Automobile Sales and Services Company Limited) ^{##}	PRC 30 August 2002	RMB2,200,000	27%	Trading of automobiles and related products
中山市德誠亞飛汽車連鎖有限公司 (Zhongshan Decheng Yafei Automobile Chain Store Company Limited) ^{##}	PRC 30 August 2002	RMB2,000,000	27%	Trading of automobiles and related products
中山市日豐汽車服務有限公司 (Zhongshan Ririfeng Automobile Services Company Limited) ^{##}	PRC 1 August 2001	RMB3,000,000	27%	Trading of automobiles and related products
雲南金鷹實業有限公司 (Yunnan Golden Eagle Industry Company Limited)	PRC 23 July 2001	RMB40,000,000	50%	Not yet commenced operation

[#] Acquired in 2002

^{##} Acquired in 2003

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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30. DISPOSAL OF SUBSIDIARIES/TRANSFER-OUT OF DISCONTINUED OPERATIONS *(continued)*

In 2004, the Group disposed of part of its interest in IASS. IASS was principally engaged in trading of automobiles and related products.

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Net assets disposed of:		
Property, plant and equipment	–	19,509
Land use rights	–	9,132
Inventories	–	18,691
Trade and other receivables	–	38,489
Bank balances and cash	–	17,069
Trade and other payables	–	(55,044)
Bank borrowings	–	(9,000)
Minority interests	–	(14,213)
Net assets	–	24,633
Transfer to interest in associate	–	(10,557)
Gain on disposal	–	5,924
Total consideration	–	20,000
Satisfied by:		
Cash received	–	20,000
Analysis of the net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	–	20,000
Bank balances and cash of subsidiaries disposed of	–	(17,069)
	–	2,931

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

30. DISPOSAL OF SUBSIDIARIES/TRANSFER-OUT OF DISCONTINUED OPERATIONS *(continued)*

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 cities, sales of goods, property rentals and services. The net assets at the date of transfer-out were as follows:

	2005 RMB'000	2004 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Within one year	29,018	-	29,018	7,168	1,237	8,405
In the second to fifth year inclusive	101,474	-	101,474	23,486	414	23,900
Over 5 years	254,580	-	254,580	-	-	-
	385,072	-	385,072	30,654	1,651	32,305

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.

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:

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Within one year	2,744	-	2,744	2,205	70,643	72,848
In the second to fifth year inclusive	4,188	-	4,188	3,805	4,280	8,085
Over 5 years	1,597	-	1,597	-	-	-
	8,529	-	8,529	6,010	74,923	80,933

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For the year ended 31 December 2005

32. CAPITAL COMMITMENTS

	2005 RMB'000	2004 RMB'000
Capital expenditure contracted for but not provided in the combined financial statements in respect of acquisition of property, plant and equipment	68,110	–

33. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2005 and 31 December 2004.

34. PLEDGE OF ASSETS

At 31 December 2005 and 31 December 2004, the respective balance sheet dates, the Group has pledged certain buildings, investment properties and land use rights to secure the credit facilities granted by banks to the Group. The carrying values of these assets pledged at the balance sheet date are as follows:

	2005			2004		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Buildings	747,503	–	747,503	589,621	48,438	638,059
Investment properties	–	–	–	–	117,570	117,570
Land use rights	56,418	–	56,418	57,933	324,453	382,386
	803,921	–	803,921	647,554	490,461	1,138,015

35. 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.

No forfeited contributions are available to reduce the contribution payable in the future years.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

36. RELATED PARTY TRANSACTIONS

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

Relationship with related parties	Nature of transactions	2005 RMB	2004 RMB
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	3,000	1,615
Companies in which a director of the Company, Mr. Wang Hung, Roger, has beneficial interests	Renovation service fee paid	6,048	7,500
	Property management fee paid	8,122	6,811
	Property rentals paid	450	450
	Property rentals received	–	1,010
	Parking fee paid	2,105	1,960
	Interest income on amount due from a fellow subsidiary	20,353	–

Pursuant to the Reorganisation, the Group transferred out the Non-listed Group to a fellow subsidiary in June 2005. Details of the transfer-out are set out in Note 30.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2005

37. PARTICULARS OF SUBSIDIARIES

At 31 December 2005, the Company has the following 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*	British Virgin Islands 12 May 2005	Shares – US\$1	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.)	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 – RMB157,550,000	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
揚州金鷹國際實業有限公司 (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
蘇州金鷹國際購物中心有限公司 (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
南通金鷹國際購物中心有限公司 (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
西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Company Limited) #	PRC 4 November 2003 as a limited liability company for a term of 39 years	Registered capital – RMB30,000,000	75%	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) #	PRC 8 December 2003 as a limited liability company for a term of 39 years	Registered capital – RMB1,000,000	77.5%	Operation of department store

* directly held by the Company

acquired in June 2005

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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38. SUBSEQUENT EVENTS

- (i) On 26 February 2006, written resolutions of the sole shareholder were passed, pursuant to which:
 - (a) The authorised share capital of the Company was increased to HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each.
 - (b) A share option scheme for the employees, executives and officers of the Company and any of the subsidiaries was adopted.
 - (c) Subject to certain conditions which were subsequently fulfilled, the Company issued 112,500,000 new ordinary shares of HK\$0.10 each ("New Issue") for cash at HK\$3.15 per share.
 - (d) Subject to the share premium account of the Company being credited as a result of the New Issue, the Directors of the Company were authorised to capitalise HK\$128,249,999.9 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,282,499,999 shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 8 March 2006 in proportion to their then respective existing shareholdings in the Company and the Directors allotted and issued such shares as aforesaid and gave effect to the capitalisation issue and the shares allotted and issued rank *pari passu* with all shares then in issue.
- (ii) 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 (note a) 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 as directed by GEICO and Mr. Wang.
- (iii) On 21 March 2006, the Company completed its listing of 1,800,000,000 shares and the Company's shares were listed on the Main Board of the Stock Exchange.
- (iv) On 27 March 2006, over-allotment option was exercised and a further 16,875,000 new ordinary shares of HK\$0.10 each were issued. At 27 March 2006, the Company's issued share capital comprised 1,816,875,000 shares of HK\$0.10 each.

Note a:

On 12 May 2005, Goldjoint was incorporated in the British Virgin Islands ("BVI") with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each of which 1 subscriber's share of US\$1 was allotted to GEICO for cash at par.

On 12 July 2005, Nanjing Golden Eagle International Group Hi-tech Industry Co., Ltd. ("Golden Eagle Hi-tech"), Nanjing Golden Eagle International Group Jin Hua Mei Industry Co., Ltd. ("Jin Hua Mei") and Goldjoint entered into a sale and purchase agreement. Pursuant to such agreement, Golden Eagle Hi-tech and Jin Hua Mei agreed to transfer its 99% and 1% shareholding interests respectively in NGL to Goldjoint at a total consideration of RMB180,000,000. Such acquisition of shareholding has been approved by the Ministry of Commerce and NGL has been converted into a wholly foreign-owned enterprise on 13 October 2005 and obtained its corporate legal entity business license on the same date.