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

To Be The Best In Our Field

2007 Annual Report
年報

金鷹
GOLDEN EAGLE

金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

Contents

Corporate Profile

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

As at the date of this report, the Group has ten self-owned and one managed stylish premium department stores under the service logo in Jiangsu province, Shaanxi province, Yunnan province and Shanghai. With our customer oriented approach, the Group offers quality products and services to customers. The Group positions itself as a mid-and high-end department store chain and aims at providing a series of stylish and premium merchandise from internationally and domestically renowned brand names, including apparel and accessories, cosmetics, gold, jewelry and timepieces, health products, household products, handicrafts, gifts, tobacco and wines, home appliances and electronic/ telecommunication products, food stuff, sportswear and sportsgear, children's wear, toys and children's goods and others.

Having operated for 12 years, the Group has developed a reputable service. The Group's department stores are principally located in prime shopping districts in their respective cities. With the exception of Suzhou Store, Xi'an Guomao Store and Naijing Zhujiang Store, all of the Group's department stores are located on the Group's own properties. The Group pays special attention to the needs of customers. Through the devoted effort of the Group, we have more than 480,000 VIP members as at 31 December 2007. The Group has developed a standardized management system and corporate culture and achieve ISO9001 Quality Management System. The Group also developed the ERP system for the centralized management of chain stores. The ERP system makes the immediate transmission and common use of the data of ten stores possible. The Group is now operating ten chain department stores and has already achieved economies of scale and the unification of domestic operation strategies and international management vision.

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

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

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KYI - 1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Mr. Mak Yun Kuen *CPA, ACCA*

QUALIFIED ACCOUNTANT

Mr. Mak Yun Kuen *CPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Mr. Mak Yun Kuen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS IN THE PRC

Bank of China
Agricultural Bank of China
China Merchants Bank
Industrial and Commercial Bank of China

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
ABN AMRO Bank

AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISORS

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

COMPLIANCE ADVISOR

Piper Jaffray Asia Limited
(formerly known as Goldbond Capital (Asia) Limited)
39th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

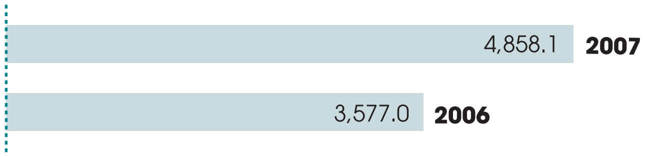
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

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

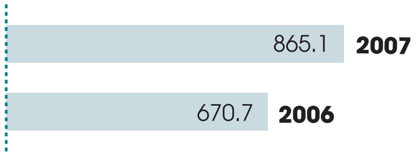
Financial Highlights

GROSS SALES PROCEEDS (RMB MILLION)



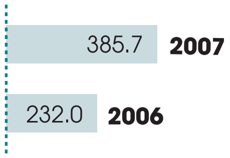
+35.8%

GROSS PROFIT (RMB MILLION)



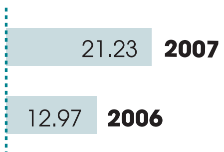
+29.0%

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS (RMB MILLION)



+66.3%

EARNINGS PER SHARE (RMB FEN)



+63.7%

	2003	2004	2005	2006	2007	2006 vs 2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	+/-%
Financial Result						
Gross sales proceeds (note 1)	1,442,121	2,107,054	2,858,669	3,576,992	4,858,110	35.8%
Turnover	303,540	481,699	739,770	899,781	1,107,505	23.1%
Gross profit	203,780	327,074	532,726	670,675	865,107	29.0%
Profit for the year	34,376	91,332	227,528	229,593	385,735	68.0%
Profit attributable to equity holders of the Company	35,345	91,970	225,954	231,997	385,735	66.3%
Earnings per share (RMB fen) (note 2)	2.09	5.45	13.39	12.97	21.23	63.7%
Balance Sheet Summary						
Non-current assets	1,246,109	2,515,118	1,036,389	1,787,144	2,040,958	
Curreny assets	315,903	496,242	997,115	1,228,102	1,885,618	
Total assets	1,562,012	3,011,360	2,033,504	3,015,246	3,926,576	
Curreny liabilities	1,024,075	2,399,906	1,333,986	1,221,522	1,717,061	
Non-current liabilities	188,883	209,422	319,385	844,941	873,036	
Net Assets	349,054	402,032	380,133	948,783	1,336,479	
Represented by:-						
Owners' equity	306,872	306,192	373,113	948,783	1,336,479	
Minority interests	42,182	95,840	7,020	—	—	
Total equity	349,054	402,032	380,133	948,783	1,336,479	

Notes:-

(1) Gross sales proceeds represent the gross amount of direct sales, concessionaire sales and rental income charged to customers.

(2) The calculation of the basic earnings per share for the year ended 31 December 2005 was 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 for the purpose of listing has been effective on 1 January 2003.

Chairman's Statement

INTRODUCTION

The Group has made significant progress in 2007. With the hard work of the management and staff of the Company and the support of our business partners, the Group continued to record rapid but steady growth in results of 2007. Kunming Store and Nanjing Zhujiang Store have successfully commenced business and the quality of internal management and customer services has been enhanced. We hereby report that the gross sales proceeds ("GSP") of the Group for the year amounted to about RMB4,858.11 million, representing an increase of about 35.8%. The same store sales growth maintained its leading position in the industry with an increase of about 25.8%. Net profit attributable to our shareholders increased by about 66.3%.

INDUSTRY OVERVIEW

According to the annual economic figures published by China Statistical Bureau, the PRC economy continued to grow at a stable but fast pace during the year 2007 with its gross domestic product ("GDP") increased of about 11.4% as compared to the last year. In 2007, the total retail sales of consumer goods and the per capita disposable income of urban residents in the PRC increased by about 16.8% and about 12.2% respectively as compared to the last year.

In 2007, for the Jiangsu Province, the major market where the Group operates, its GDP increased of about 14.8% as compared to the last year. The total retail sales of consumer goods rose by about 18.3% and the per capita disposable income of urban residents increased by about 12.2% as compared to last year. The economic growth in Jiangsu Province outperformed the average national level and ranked no. 3 of the highest GDP province in the PRC.

In 2007, the second year of the 11th Five-Year Plan, the PRC government implemented various policies to maintain the healthy growth momentum of the economy, expand domestic demand, adjust the correlation between investment and consumption and increase the contribution of consumption to economic growth. Among the 11.4% growth in GDP in 2007, about 4.4% were contributed by consumption. It is expected that consumption would be the major vehicle to the economic growth in the PRC in the near future.

OUTLOOK

The Directors believe that, in 2008, as China is going to host the Olympic Games, the economy of China will continue to achieve distinguished results and consumption will be boosted. Promoting internal demand will be one of the principal tasks among the PRC government's efforts on the economy. The rise of the middle-class and the increase in consumption power will give an impetus to the continuous growth of the department store sector.

Chairman's Statement

In the new year, the Group will continue to expand our network and endeavour for a breakthrough in development mode based on the existing mode. We will expand in target cities through mergers and acquisitions of players in the industry, building and leasing properties and participation in the management of associate companies. We will also build up strategic cooperation relationship with renowned property intermediaries and real estate developers and expand our business coverage in order to achieve our strategic goal of a nationwide expansion.

The Group will continue to strive for innovative operation and operation improvement. We will also encourage our staff to attain continued education and promote knowledge management and sharing. In order to maintain sustainable corporate development, we foster a good corporate spirit and enhance the coherence and adherence among our staff by placing emphasis on team spirit and devotion on services.

I would like to extend my gratitude to our shareholders, brand suppliers, business partners, the competent authorities of the government and loyal customers for their support and help during the year under review. I would also like to express my appreciation to the management and our staff, who together have contributed to the sustainable development for the Group with their wisdom and dedication over the year. The Directors believe that, with the full contribution by the management and our entire staff, the Group will be able to capture the opportunities in the future face any challenges. We will also be able to maximise our corporate value and create greater return for our shareholders.

Golden Eagle Retail Group Limited
Wang Hung, Roger
Chairman

1 April 2008

Report of the Chief Operating Officer

After a year of endeavour of the entire staff of the Group, we have made marked progress in opening of new stores, results improvement and management enhancement. We are pleased to present the annual report of the year to our shareholders. We hereby report that in 2007, the Group's GSP amounted to about RMB4,858.11 million, representing a year-on-year increase of about 35.8%. Profits attributable to the shareholders reached about RMB385.7 million, representing a year-on-year increase of about 66.3%. Earnings per share reached about RMB fen 21.23, representing a year-on-year increase of about 63.7%. In 2007, the Group opened 2 new stores, namely Kunming Store and Nanjing Zhujian Store, raising the total number of stores to 10, and total GFA to about 288,000 sq.m.

BUSINESS REVIEW

In order to upgrade the brand mix and enhance the basis of their performance, the Group carried out large-scale "spring adjustment and autumn adjustment" by re-defining merchandise mix, reorganising and upgrading brand mix and revamping sales counters with an aim to meet the consumption demands of our target customers more precisely in a changing market.

Driven by the advanced domestic consumption pattern and the continuous upgrade of our carried brand mix, the average per ticket sales of our chain stores in 2007 amounted to about RMB451, representing an increase of 12.2% as compared to the last year. The same store sales growth and sales per unit area growth were maintained at a high level.

We are devoted to strengthening the liaison with our brand suppliers and establishing good relationship with them in order to ensure the growth in our results and maintaining the advantage of our brand mix. The Group completed the establishment of an initial structure of the purchase team and gradually enlarged our directly-sales brand purchase development. The Group also finalised our directly-sales autumn and winter product mix.

In order to enhance management efficiency and to minimise operating costs, the Group optimised and reconstructed the existing management procedures of our operating department, and improved the supervision for frontline operating staff. The mutual management between suppliers and the stores was established.

In 2007, the Group has introduced several renowned luxurious brands such as SHU UEMURA, CPB, PAL ZILERI, GUCCI, HERMES, FERRAGAMO and IT, etc. The Group has also started to establish strategic cooperation relationships with famous international brands in order to upgrade its brand mix to higher end.

During the year 2007, the Group continued its efforts in VIP promotion programs by launching various events to promote the BOC Golden Eagle affinity credit card in cooperation with the Bank of China so as to enhance the recognition of the affinity credit card and attract quality customers. As at 31 December 2007, the Group had approximately 480,000 VIP customers and the purchases from such VIP customers accounted for about 63.7% of the GSP of the Group.

Promotion campaigns and designs of the stores are essential for maintaining the vitality of department stores. During the major festivals in 2007, the Group has strengthened its promotion campaigns and enriched the contents and cultural elements of the activities. In addition, the Group has reinforced the natural connection between store designs and promotion campaigns so as to enhance the attractiveness of the Stores.

In order to optimise our services, the Group has launched the "Nationwide Replacing and Returning Programme", resolving customers' hassles of replacing or returning goods at different stores.

People are crucial to our future development. The Group values staff internal training. We provide study trips to the management, allowing them to pay visits to Japan and Hong Kong to learn from the operation experiences of high-end department stores. Position exchange programmes are available to the outstanding management with an aim to boost our staff's business skills and development potential. We recruit the best people from fresh graduates, postgraduates and new staff. With the systematic training of staff for our talent reserve, we are able to meet the strategic needs of our national expansion.

OPENING OF NEW STORES AND DEVELOPMENT OF CHAIN STORES

The soft opening of the Group's first chain store in the southwest region, Kunming Store, was held on 1 August 2007. Situated at the prime commercial area of Qingnian Road Commercial area, it enjoys favourable geographical conditions and is successfully positioned as a high-end department store.

On 28 December 2007, the soft opening of the second chain store in Nanjing, Zhujiang Store, took place. Zhujiang Store is located above a subway station, which is the most convenient shopping spot for shoppers in the northern area of Nanjing. The opening of Zhujiang store expanded the Group's market share in the market of Nanjing and consolidated the leading role of the Group in the department store industry in Jiangsu province.

The preparation of other two chain stores of the Group, Huai An Store and Yancheng Store, both located in Jiangsu province is entering into a critical phase. It is expected that the soft opening of the Huai An Store will take place in the third quarter of 2008 and that of Yancheng Store will take place in the fourth quarter of 2008. The successful opening of Huai An Store and Yancheng Store will be crucial for the Group's further development in Jiangsu Province.

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

OUTLOOK

In 2008, the economy of the PRC will continuously grow in a fast pace and the total sales of consumer goods and the resident's income will remain on an upward track. The PRC government will further enhance the domestic demand and promote the advancement of consumption pattern. The management believe that the optimistic macro economy will further boost the domestic demand and stimulate consumption of the public, and will have a positive impact on the sales performance of the Group.

The Group will put more effort in expanding our chain store network by setting up chain stores within Jiangsu province's area where its coverage has yet to be extended. We are also going to build up strategic network in the neighbouring provinces of Jiangsu province. We will further expand in the southwest and northwest regions, based on the current development of Kunming Store and Xi'an Gaoxin Store.

The Group will spare no effort in the preparation of Huai'an Store and Yancheng Store to ensure these two stores can be opened as scheduled. We will also carry out various measures to strengthen our management in budget, cost control, provisions for contracts, management innovation for higher profitability of our existing stores. Meanwhile, we will improve the performance of our new stores by effective product mix adjustment and promotion campaigns and speed up the training of our staff to increase their contribution to the Group.

We put emphasis on the training and nurturing of people and put more resources on corporate human resources. We carry out long-term and systematic training of our staff and endeavour to enhance the overall quality and professional skills of our staff, so as to make available the necessary talents for our strategic expansion.

I would like to take this opportunity to extend my gratitude to the care and confidence of our shareholders. I would also like to express my sincere appreciation for the hard work of the management and the staff, the trust and guidance of members of the board and the strong support of our business partners. We enjoyed a rewarding year in 2007 and we are optimistic that 2008 will also be a fruitful year. All members of the Company are fully confident and believe that by the concerted efforts of every one, the support and trust of our business partners and the faithfulness to their duties of our management, we shall be more aggressive and proactive to go for new attainments and maximise the returns for our shareholders.

Golden Eagle Retail Group Limited
Zheng Shuyun
Chief Operating Officer

1 April 2008

FINANCIAL REVIEW

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

	2007	2006
	RMB'000	RMB'000
As reported	**385,735**	231,997
Add:		
Administrative expenses directly linked to IPO	**—**	18,211
Fair value changes on embedded financial derivatives	**14,890**	24,816
Interest expenses on convertible bonds	**80,477**	15,272
Less:		
Interest income from listing proceeds on IPO	**—**	(28,006)
	481,102	262,290

Excluding the impact of IPO and convertible bonds, profits attributable to the shareholders of the Company grew to about RMB481.1 million for the year 2007, a growth of about 83.4% or RMB218.8 million from that of the year 2006. The growth is mainly contributed by the growth in the GSP and turnover and other operating income which are analyzed in following paragraphs:

Gross sales proceeds and turnover

GSP grew to about RMB4,858.1 million for the year 2007, representing a growth of about 35.8% or RMB1,281.1 million from that of the year 2006. The growth was mainly contributed by the same store growth of about 25.8% for the year 2007, the rapid growth in new stores such as Xi'an Gaoxin Store and Taizhou Store and the opening of Kunming Store and Nanjing Zhujiang Store. Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store, being the stores of the Group (the "Stores") that experienced the highest same store growth of about 26.9%, 29.4% and 38.2% respectively for the year 2007. By enhancing the merchandise mix of the Stores, upgrading the brands towards higher end and strengthening of promotional activities during the year 2007, the Group has effectively attracted the attention of its target customers and recorded a remarkable growth in terms of the GSP.

Regarding the contribution to GSP by the Stores during the year 2007, Nanjing Xinjiekou Store remained the largest contributor which contributed about 47.0% or RMB2,282.6 million of the total GSP. New stores with less than 24 months operation contributed about 9.4% of the total GSP, compared to about 2.1% in 2006. And as a result, the contribution to GSP by Nanjing Xinjiekou Store as a percentage of the GSP has decreased during the year 2007 from about 50.3% in 2006 to about 47.0%.

During the year 2007, concessionaire sales contributed about 92.2% (2006: about 90.2%) of the GSP and direct sales contributed about 7.5% (2006: about 9.4%) of the GSP.

The commission rate for concessionaires was about 20.6% for the year 2007 (2006: about 21.9%). The decrease in commission rate was mainly due to (1) the percentage change of categories within the merchandise mix of the Group. The growth in the sales of products with lower commission rates such as gold, jewellery and watches increased comparatively faster in the year 2007; (2) sales from newly-opened stores such as Xi'an Gaoxin Store, which carried lower commission rates, increased rapidly; (3) the more discount offered to our VIP customers who are more loyal to the Group. The Directors intend to maintain the commission rate by conducting periodic review and to enhance and strengthen the merchandise mix with a view to provide better shopping experience for the customers and to strengthen the Group's business.

Turnover increased by about RMB207.7 million or 23.1%, from about RMB899.8 million in the year 2006 to about RMB1,107.5 million in the year 2007. The increase in turnover was in line with the GSP growth.

Cost of sales

Cost of sales represented the cost of goods sold under the direct sales method. It has increased by about RMB13.3 million or 5.8% from about RMB229.1 million in the year 2006 to about RMB242.4 million in the year 2007. The increase was generally in line with the increase in direct sales in the year 2007.

Selling and administrative expenses

Selling and administrative expenses increased by about RMB39.5 million, or 12.3% from about RMB320.1 million in the year 2006 to RMB359.6 million in 2007. The increase in selling and administrative expenses was mainly incurred by the newly operated stores. For the ratio of selling and administrative expenses to GSP, it dropped from 10.5% in the year 2006 to 8.7% in the year 2007.

Selling expenses increased by about RMB54.1 million, or 31.1%, from about RMB174.1 million in the year 2006 to about RMB228.2 million in the year 2007. The increase was mainly due to those sales promotion activities operated by newly operated stores, such as Xi'an Gaoxin Store and Taizhou store. To consider the same store growth in selling expenses, the increase in the year 2007 was only about 3.5%.

Administrative expenses decreased by about RMB14.6 million, or 10.0% from about RMB146.0 million in the year 2006 to about RMB131.4 million in the year 2007. The decrease in administrative expenses was mainly due to the effective cost control policy adopted by the Group and no IPO expenses and exchange loss in the year 2007. Excluding the impact of IPO expenses and exchange loss, administrative expenses increased by about 16.7%, which was mainly incurred by the new stores.

Other operating income

Other operating income increased by about RMB111.5 million or 145.8 % from about RMB76.5 million in the year 2006 to about RMB188.0 million in the year 2007. The increase was mainly due to the reinvestment incentive grant from the PRC government, gain on disposal of short-term investment and the foreign exchange gains from liabilities in Hong Kong Dollars.

Finance cost

The interest expenses increased by about RMB40.2 million or 99.8% from about RMB40.3 million in the year 2006 to about RMB80.5 million in the year 2007. The increase in interest expenses was mainly due to the effective interest expense (for accounting purposes only) on convertible bonds of about RMB80.5 million in the year 2007. Other than the impact on convertible bonds, no interest expenses were paid in the year 2007.

Taxation

The increase in taxation charge for the year 2007 was mainly due to the increase in the profit before taxation of the Company and non tax deductible expenses, such as the impact on convertible bonds. The applicable income tax rate for the Group during the year 2007 was 33%.

Profit for the year

Profit for the year increased by about RMB156.1 million or 68.0% from about RMB229.6 million in the year 2006 to about RMB385.7 million in the year 2007.

Net current assets

The net current assets increased by about RMB158.1 million from about RMB6.6 million in the year 2006 to about RMB168.6 million in the year 2007. The improvement was mainly due to the operating cash flow generated during the year 2007.

LIQUIDITY AND FINANCIAL RESOURCES

During the year 2007, the Group's source of fund was cash generated from operating activities. As at 31 December 2007, the Group's bank balances and cash in hand were about RMB1,747.9 million (2006: RMB1,099.2 million) whereas the convertible bonds were about RMB820.0 million (2006: RMB796.8 million).

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2007, no property, plant and equipment of the Group were pledged to for securing general banking facilities of the Group (2006: Nil).

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

Most of the Group's revenues and operating costs were denominated in RMB. As the proceeds from the IPO and the issuing of convertible bonds were received in Hong Kong Dollars, the Group is exposed to foreign exchange risks. In the year 2007, the Group has recorded a net exchange gains of about RMB41.4 million. The Group's operating cash flow or liquidity is not subject to any exchange fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 31 December 2007.

SEGMENT INFORMATION

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

EMPLOYEES

As at 31 December 2007, the Company had about 2,900 employees. Staff remuneration is paid in accordance with relevant policies in Hong Kong and the PRC. Other corresponding benefits include MPF (Mandatory Provident Fund) contribution, social insurance, share options scheme, pension, unemployment insurance, housing fund, etc.

GEARING RATIO

As at 31 December 2007, the total assets of the Group amounted to about RMB3,926.6 million (2006: RMB3,015.2 million) whereas the convertible bonds amounted to about RMB820.0 million (2006: RMB796.8 million). The gearing ratio, as calculated by the total bank borrowings and convertible bonds over total assets, was about 20.9%, which shown a decrease from about 26.4% as at 31 December 2006.

DIRECTORS

Executive Directors

Mr. Wang Hung, Roger (王恒), aged 59, the chairman of the Company, is responsible for the major decision-making of the Group. Mr. Wang obtained a bachelor degree in Laws from Chinese Culture University of Taiwan and a MBA degree from Southeastern Louisiana University of the US in 1969 and 1973 respectively. Mr. Wang set up Transpacific Management Inc. in the US and became its president in 1978. He established Golden Eagle International Group in 1992 and has been the chairman since then. At present, Mr. Wang is also the honourary chairperson of 南京市海外聯誼會 (The Association of Overseas Affairs of Nanjing City), the vice-chairman, standing associate (常務理事) and associate (理事) of Nanjing Association of Enterprises with Foreign Investment, the best foreign investor (最佳外商) and outstanding general manager (優秀總經理). He also received the award of an honourary citizen of Nanjing in the past. He possesses over 29 years of experience in the development and management of real estate and department store retailing.

Mr. Han Xiang Li (韓相禮), aged 43, is an executive Director and the chief financial officer of the Group, senior accountant and a member of the Chinese Institute of Certified Public Accountants. Mr. Han obtained a bachelor degree from Nanjing University of Finance and Economy (南京財經大學) in July 1986 and a MBA degree from the Nanjing University-Cornell University EMBA program in December 2007. Mr. Han joined the Golden Eagle International Group in March 2000 and has held his current position since August 2005. He is responsible for the financial management and corporate finance matters of the Group. Mr. Han has over 21 years of experience in financial management.

Independent non-executive Directors

Mr. Wong Chi Keung (黃之強), aged 53, holds a MBA degree from the University of Adelaide in Australia. Mr. Wong is a fellow of the Association of Chartered Certified Accountants, CPA Australia and Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Chartered Institute of Management Accountants. Mr. Wong was a director, deputy general manager, group financial controller and company secretary for over 10 years in Guangzhou Investment Company Ltd, a listed company on the Stock Exchange. Mr. Wong is a managing director of Greater China Corporate Consultancy & Services Limited. He also acts as an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, FU JI Food and Catering Services Holdings Limited, Great Wall Motor Company Limited, International Entertainment Corporation, Pac MOS Technologies Holdings Ltd, Paliburg Holdings Ltd, Regal Hotels International Holdings Ltd, TPV Technology Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited and China Nickel Resources Holdings Company Limited, all of which are listed companies on the Stock Exchange. Mr. Wong has over 28 years of experience in finance, accounting and management.

Mr. Wang Yao (王耀), aged 49, obtained a PhD degree in engineering from the Harbin Institute of Technology (哈爾濱工業大學) in March 1989. Mr. Wang is a vice secretary-general of China General Chamber of Commerce (中國商業聯合會) and the Minister (部長) of Industrial Development Department and Information Department of China General Chamber of Commerce (中國商業聯合會). Mr. Wang is also an assistant supervisor (副主任) and chief engineer (總工程師) of Information Centre of Commerce of the PRC (中華全國商業信息中心). He also acts as an independent non-executive director of Bosideng International Holdings Limited, a company listed on the Stock Exchange. He conducts research on retail market in the PRC, macro economy and retail data statistics and analysis and also provides retail marketing consultancy service for government. He also published periodic report on China consumables retail market monitoring and forecasting from 1997 to 2007.

Mr. Lau Shek Yau, John (劉石佑), aged 60, graduated from the University of Hong Kong with a bachelor's degree in Social Sciences in 1971. Mr. Lau is currently the managing director of Cargo Services Far East Limited (嘉宏航運有限公司) ("CSFE") and the director of Far East Cargo Line Limited and Xin Hai Hua Enterprises Limited. He has over 31 years of experience in the cargo transportation business and international trade industry. Mr. Lau also acts as an independent non-executive director of Nanjing Sample Technology Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He is appointed as a committee member of the Chinese People's Political Consultative Conference Nanjing Committees (中國人民政治協商會議南京市委員會) in the tenth and eleventh elections.

SENIOR MANAGEMENT

Mr. Xu Gengfa (徐更發), aged 49, the chief executive officer of the Group, is responsible for the overall strategic planning and management of the Group. Mr. Xu holds a Bachelor of Law degree from the Fudan University of China and a MA degree from the Syracuse University of the United States in 1982 and 1992 respectively. Mr. Xu has accumulated over 15 years of experience in strategic planning and group management from multinational corporations in China and the United States. Mr. Xu joined the Group in March 2008.

Ms. Zheng Shu Yun (鄭淑雲), aged 62, senior accountant, is the chief operation officer of the Group since June 2006. Ms. Zheng obtained a diploma in the Graduate School of the Chinese Academy of Social Science in 1990. Ms. Zheng joined the Group in September 1995 and was promoted to vice president in January 2003. Ms. Zheng has nearly 41 years of experience in accounting and financial resources management. She is responsible for the daily operation of the Group.

Mr. Huang Yong Hua (黃永華), aged 42, senior economist, is the vice president of the Group. Mr. Huang joined the Golden Eagle International Group in March 2001 and has held his current position since January 2003. He obtained a bachelor degree in Engineering from China Textile University (中國紡織大學) in July 1987. Mr. Huang obtained a MBA degree from the Nanjing University-Cornell University EMBA program in December 2007. He also takes up the roles as an external volunteer instructor of master students of business administration of the Nanjing University and a committee member of the accreditation committee of advanced economic series of the Nanjing City. He is responsible for administration management and legal affairs of the Group.

Mr. Wang Wei (王瑋), aged 36, is the vice president of the Group. Mr. Wang obtained a MBA from the Nanjing University in June 2002. He joined the Group in February 2001 as the vice president of the Group. Mr. Wang is responsible for the opening of chain stores of the Group. Mr. Wang has over nine years of experience in business development as well as marketing and project planning.

Mr. Su Jie (蘇杰), aged 34, is the vice president of the Group. He obtained his bachelor's degree in economics from Nanjing University in July 1996, and obtained his MBA from Nanjing University in June 2002. Mr. Su joined the Golden Eagle International Group in July 2001 and held the position of deputy director of the corporate development department. He later held the position of deputy general manager and general manager of Nanjing Golden Eagle International Automobile Sales and Services Group Limited. In May 2006, he was transferred to the present position. Mr. Su is responsible for the merchandising of the Group.

Mr. Shao Yong (邵勇), aged 43, senior economist, is the vice president of the Group and general manager of Xuzhou region. He obtained a bachelor degree in Economics from Anhui's Institute of Finance & Trade (安徽財貿學院) in 1991. He possesses over 14 years of experience in retail management. Mr. Shao joined the Group in December 2002 and has held the positions of the vice general manager and general manager of Xuzhou Store. He was promoted to the present position in November 2006. He is responsible for the daily operation and management of Xuzhou Store and the business development of the northern part of Jiangsu province.

Mr. Wang Jian Ping (王建平), aged 38, is the assistant to the president of the Group. He obtained a master degree in Computer Applications (計算機應用) from Nanjing University of Aeronautics and Astronautics in April 1995. Mr. Wang joined the Group in November 2002 as the head of the information technology department of the Group and took up the responsibility of the development, implementation and daily management and maintenance of the information technology system of the Group. He was promoted to the present position in March 2005.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Mak Yun Kuen (麥潤權), aged 32, has been the Company's qualified accountant and Company secretary since July 2006. Mr. Mak graduated from Lingnan University with a bachelor degree in Business Administration (Honours) and is a member of the Hong Kong Institute of Certified Public Accountants and a member of Association of Chartered Certified Accountants. Mr. Mak has about nine years of experience in the field of auditing and accounting. Mr. Mak is employed on a full-time basis and is a member of senior management.

The Company is committed to establish and ensure a high standard on the corporate governance practices which emphasise on quality Board of Directors (the "Board"), sound and efficient internal control and the accountability and transparency to the equity holders. The directors of the Company (the "Directors") are in the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practice (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2007 (the "Relevant Period").

The Company's corporate governance structure includes the Board and three committees under the Board, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"). The Board stipulates the terms of reference of all committees and specifies therein clearly the power and responsibilities of the committees.

BOARD OF DIRECTORS

The Board comprises two executive Directors, Mr. Wang Hung, Roger and Mr. Han Xiang Li; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Board.

For details of the Directors' biographical information, please refer to the section headed "Biographies of Directors and Senior Management" of this report.

The principal functions of the Board are to consider and approve the strategies, financial objectives, annual budget, investment proposals and assume the responsibilities of accounts and corporate governance of the Company. The day-to-day operations of the Group are delegated to the management of the Group.

The Chairman is responsible for the orderly conduct and operation of the Board while the executive Director other than the Chairman are responsible for the daily operation of the Group. During the Relevant Period, no chief executive officer has been appointed by the Company. Mr. Han Xiang Li, one of the executive Directors, is the chief financial officer of the Company and Ms. Zheng Shu Yun, one of the members of the senior management, is the chief operating officer of the Company. Subsequently after the Relevant Period, on 26 March 2008, Mr, Xu Gengfa has been appointed as the chief executive officer of the Group.

At each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from rotation in accordance with the Company's articles of association. Independent non-executive Directors were appointed for a term of one year subject to retirement by rotation at the annual general meeting of the Company.

During the Relevant Period, four Board meetings were held. Before a Board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the Code. Their individual attendance of the four Board meetings was as follows:—

Mr. Wang Hung, Roger (3/4), Mr. Han Xiang Li (4/4), Mr. Wong Chi Keung (4/4), Mr. Wang Yao (4/4) and Mr. Lau Shek Yau, John (3/4).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the Directors, all of them have confirmed that they have complied with the Model Code during the Relevant Period.

The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

ACCOUNTABILITY AND AUDIT AND AUDITORS' REMUNERATION

The Directors acknowledge their responsibility for preparation of the combined financial statements of the Group. This responsibility has also been mentioned in the report of the Auditors on page 35 of this report.

The statement by the auditors of the Company about their reporting responsibilities are set out on page 35 of this report. The auditors of the Company received about RMB2.0 million for the provision of audit services for the year ended 31 December 2007.

INTERNAL CONTROL

During the Relevant Period, the Directors had conducted a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group. The internal control department continued to pay attentions on the internal control matters and 2 semi-annual internal reports had been delivered to all the Directors including the independent non-executive Directors.

AUDIT COMMITTEE

The Audit Committee, established in compliance with the Listing Rules including the Code, comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John. Mr. Wong Chi Keung is the Chairman of the Audit Committee.

The principal functions of the Audit Committee are to review and supervise the Group's statutory audit, interim and annual accounts of the Group and the system of internal controls.

During the Relevant Period, two meetings of the Audit Committee were held. Their individual attendance was as follows:— Mr. Wong Chi Keung (2/2), Mr. Wang Yao (2/2) and Mr. Lau Shek Yau, John (1/2).

During the Relevant Period, the Audit Committee had reviewed the Group's interim and annual results and internal control system. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the year ended 31 December 2006 and for the six months ended 30 June 2007;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the Company to comply with the Listing Rules and other statutory requirements;

(c) reviewed the effectiveness of internal control system;

(d) reviewed the findings and recommendations of the internal control department on the operations and performance of the Group; and

(e) reviewed and recommended for approval by the board the 2007 audit scope and auditors' remuneration.

REMUNERATION COMMITTEE

The Remuneration Committee, established in compliance with the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee are to review, develop and approve the Group's policy on remuneration of all the Directors and senior management for the purpose of retaining and attracting talent to manage the Group effectively and to determine the specific remuneration packages of all executive Directors and senior management. For the avoidance of doubt, the Directors and their associates do not participate in the decisions in relation to their own remuneration.

During the Relevant Period, one meeting of the Remuneration Committee was held. Their individual attendance was as follows:—

Mr. Wang Hung, Roger (1/1), Mr. Wong Chi Keung (1/1) and Mr. Lau Shek Yau, John (0/1).

During the Relevant Period, the Remuneration Committee had reviewed the Group's policy on remuneration of all the Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee, established in compliance with the Listing Rules including the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Nomination Committee.

The principal functions of the Nomination Committee are to review the structure of the Board, assess the independence of independent non-executive Directors and make recommendations on relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee will make recommendations to the Board on the appointment of Directors and senior management. Potential new directors are selected on the basis of their qualifications, skills and experience that the Directors consider will make a positive contribution to the performance of the Board.

During the Relevant Period, no new director of the Company had been appointed and no meeting was held by the Nomination Committee. The Nomination Committee will meet as and when required.

SHAREHOLDER RELATIONS

During the Relevant Period, the annual general meeting is the principal channel at which the Chairman and Directors may interface directly with the shareholders of the Company. As part of a regular programme of shareholder relation, the executive Directors and the qualified accountant of the Company held briefings and attended road-shows with institutional shareholders and financial analysts to engage in two-way communications on the Company's performance, plans and objectives.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") entered into between the Company and Mr. Wang Hung, Roger, GEICO Holdings Limited and Golden Eagle International Retail Group Limited, the controlling shareholders of the Company (collectively the "Covenantors"), the Covenantors have given certain undertakings and the terms and conditions set out in the Deed of Non-Competition (including but not limited to the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal) provided by the Covenantors (collectively the "Undertakings"). Details of the Undertakings are set out in the paragraph headed "Deed of non-competition" of the Directors' Report on page 33 of this report.

The Covenantors have made an annual declaration confirming that they have fully complied with the Undertakings. The independent non-executive Directors have also reviewed whether the Covenantors have fully complied with the Undertakings and they are satisfied that the Covenantors have in full compliance of the Undertakings.

The Directors have pleasure in presenting the 2007 report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are development and operation of stylish premium department store chain in the PRC.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2007 are set out under the consolidated income statement on pages 36.

The Directors now recommend the payment of a final dividend of RMB4.3 fen per share (2006: RMB2.5 fen) to the shareholders on the register of members of the Company on 28 May 2008, amounting to RMB78,144,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in Note 28 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserves available for distribution to shareholders amounted to about RMB796,891,000 (2006: RMB484,137,000).

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors
Wang Hung, Roger *(Chairman)*
Han Xiang Li
Wang Wei *(retired on 30 May 2007)*

Independent non-executive Directors.
Wong Chi Keung
Wang Yao
Lau Shek Yau, John

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographies of Directors and Senior Management".

According to Article 87 of the Articles of Association of the Company, Messrs. Han Xiang Li and Wong Chi Keung should be retired by rotation and Messrs. Han Xiang Li and Wong Chi Keung, being eligible, had offered themselves for election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of HK$0.10 each of the Company

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Wang Hung, Roger ("Mr. Wang")*(Note)*	Interest in controlled corporations	1,308,546,000	72.01%

Note : These 1,308,546,000 Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr.Wang. Mr. Wang is deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,308,546,000 Shares under the SFO.

Long position in underlying Shares

On 26 May 2006, options to subscribe for 250,000 Shares were granted under the share option scheme of the Company (the "Scheme") to Mr. Han Xiang Li at the exercise price of HK$4.35 per Share exercisable from 28 April 2007 to 27 April 2012. On 20 November 2006, options to subscribe for 750,000 Shares were further granted under the Scheme to Mr. Han Xiang Li at the exercise price of HK$4.80 per Share exercisable from 20 October 2007 to 19 October 2012. On 20 November 2006, options to subscribe for a total of 400,000 Shares were granted under the Scheme to the independent non-executive Directors at the exercise price of HK$4.80 per Share exercisable from 20 October 2007 to 20 March 2009. During the year 2007, options to subscribe for 100,000 Shares held by Mr. Wang Yao were exercised. Details of the remaining options are as follows :

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Han Xiang Li	1,000,000	0.06%
Wong Chi Keung	200,000	0.01%
Wang Yao	—	—
Lau Shek Yau, John	100,000	0.01%

Save as disclosed above, as at 31 December 2007, none of the Directors of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2007, so far as is known to the Directors, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in shares of the Company

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited *(Note 1)*	Interest in controlled corporation	1,308,546,000	72.01%
Golden Eagle International Retail Group Limited *(Note 1)*	Beneficial owner	1,308,546,000	72.01%
JP Morgan Chase & Co. *(Note 2)*	Interest in controlled corporation	126,629,485	6.97%

Notes :

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

2. JP Morgan Chase & Co. and its controlled corporations held 126,629,485 Shares, of which 69,969,911 Shares were held by JP Morgan Chase & Co. and its controlled corporations as investment manager and 56,659,574 Shares as custodian/approved lending agent.

Save as disclosed above, as at the 31 December 2007, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Pursuant to the Scheme, the Company's board of directors (the "Board") may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Board has or had made contribution to the Group to subscribe for shares in the Company for a consideration of HKD1 for each lot of share options granted. The Scheme will remain valid for a period of ten years commencing on 26 February 2006.

The purpose of the Scheme is to enable the Company to grant options to the above eligible participants as incentives and rewards for their contribution to the Company or such subsidiaries. There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of listing of shares of the Company, 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 are at the date grant, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director or his/her/its associates in the 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HKD1.00 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.

For the year ended 31 December 2007, no share options were granted,552,000 share options were forfeited and 352,000 share options were exercised. Accordingly, there were a total of 22,096,000 shares available for issue under the Scheme, representing about 1.2 per cent. of the issued share capital of the Company as at the date of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS

Save as provided in the paragraph headed "Connected Tranactions" below, no contracts of significance, to which the Company, its holding company, a fellow subsidiaries or subsidiaries was party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Zhujiang Tenancy Agreement

On 28 August 2007, the Group entered into a tenancy agreement of Nanjing Zhujiang Store with Nanjing Zhujiang No.1 Properties Development Limited for a term of 20 years commencing from the soft opening date of Nanjing Zhujiang Store to secure tenancy for a department store premise in Nanjing (the "Zhujiang Tenancy Agreement"). On 17 December 2007, Rhine Team Limited (a company wholly owned by GEICO) acquired Greater China International Holdings Limited, the holding company of Nanjing Zhujiang No.1 Properties Development Limited and therefore the Zhujiang Tenancy Agreement became a continuing connected transaction. The entering into of this agreement allows the Group to secure tenancy for a department store which is located in Nanjing.

On 14 March 2008, the Company entered into a management consultancy agreement (the "Management Consultancy Agreement) with Shanghai Golden Eagle International Shopping Centre Co., Ltd. ("Shanghai Shopping") for a term commencing from 14 March 2008 and expiring on 31 December 2010. Shanghai Shopping is an indirectly-owned subsidiary of GEICO and therefore a connected person of the Company. Under the Management Consultancy Agreement, the Company agreed to provide merchandising services and management consultancy services for the daily operation of Shanghai Shopping at a quarterly fee equivalent to 1.5% of the gross sales proceed excluding value added tax plus 5% of the rental income of Shanghai Shopping.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Lease of office premise from Golden Eagle Hi-tech by Nanjing Xinjiekou Store

A lease agreement for the eighth floor (about 2,788 sq.m.) of the Golden Eagle International Plaza (the "Tenancy Agreement") was entered into between Nanjing Xinjiekou Store and Golden Eagle International Group Hi-tech Industry Co., Ltd. (the "Golden Eagle Hi-tech") on 28 December 2004 for a term of 10 years commencing from 1 January 2005. Golden Eagle Hi-tech is a limited liability company established in the PRC and a connected person (as defined in the Listing Rules) of the Company as it is a subsidiary of GEICO Holdings Limited which is in turn wholly-owned by Mr. Wang Hung, Roger, a director of the Company. Under the Tenancy Agreement, for the first three years, annual rent is RMB3.0 million, following which, annual rent will be determined between the parties on arm's length basis and with reference to the prevailing market rate. The consideration paid by Nanjing Xinjiekou Store to Golden Eagle Hi-tech under the Tenancy Agreement during the year ended 31 December 2007 amounted to RMB2.3 million. The entering into of the Tenancy Agreement allows the Group to secure tenancy for an office premise which is of close proximity to Nanjing Xinjiekou Store.

Lease of Counter Areas for tobacco sales

In order to carry on tobacco sales without permission under the Administration on ForeignInvestment Commercial Sector, the Group leased Counter Areas for the sale of tobacco so as to maintain a share in the revenue in the tobacco business. On 7 October 2005, Nanjing Xinjiekou Store, Nantong Store, Yangzhou Store, Suzhou Store and Xuzhou Store (collectively, the "Five Subsidiaries") entered into lease agreements (the "Tobacco Lease Agreements") for a term of three years from 8 October 2005 to 7 October 2008 with the following respective connected persons, companies in which a director of the Company, Mr. Wang Hung, Roger, has beneficial interests, of the Company:

(A) Goldstar Hotel

(B) Nantong Golden Eagle Properties

(C) Yangzhou Golden Eagle Properties

(D) Suzhou Golden Eagle Properties

(E) Xuzhou Golden Eagle Properties

Pursuant to the Tobacco Lease Agreements, the Five Subsidiaries will lease Counter Areas to the respective connected persons for the operation of tobacco sales at a fee equivalent to 60% of gross profit generated by such connected persons, which was determined after arm's length negotiations between the parties thereto the agreements. Transactions from the lease of counter areas for tobacco sales were discontinued after 31 January 2008 and on 18 December 2007, the parties thereto the agreement in relation to the lease of counter areas for tobacco sales had agreed to terminate such agreement with effect from 31 January 2008. The Company is of the view that such transactions in 2008 will be less than HK$1 million and classified as exempted connected transactions under Rule 14A.31. The consideration paid by the abovementioned connected persons to the Five Subsidiaries under the Tobacco Lease Agreements for the year ended 31 December 2007 amounted to about RMB3.8 million.

Carpark Management Services Agreement

As part of the Group's value-added services, on 26 February 2006, Nanjing Xinjiekou Store and Nanjing Golden Eagle Properties as well as Xuzhou Store and Xuzhou Golden Eagle Properties entered into a carpark management services agreement (the "Carpark Management Services Agreement") for a term of two years expiring on 31 December 2007 pursuant to which Nanjing Golden Eagle Properties and Xuzhou Golden Eagle Properties shall provide free carparks to Nanjing Xinjiekou Store and Xuzhou Store's customers under certain conditions. A director of the Company, Mr. Wang Hung, Roger, has beneficial interests in Nanjing Golden Eagle Properties and Xuzhou Golden Eagle Properties. The carpark management service fee paid by the Group for the year ended 31 December 2007 amounted to about RMB4.2 million.

Project Management Services Agreement

On 26 February 2006, Golden Eagle International Group and Nanjing Xinjiekou Store entered into a project management services agreement (the "Project Management Services Agreement") for a term of two years expiring on 31 December 2007 pursuant to which Golden Eagle International Group will provide project management services for the construction of the Group's new stores, in particular Taizhou Store. The project management services will include design, purchase of building materials and construction of the Group's new stores, in particular Taizhou Store. With the exception of Nanjing Xinjiekou Store, other department stores owned by the Group were acquired by the Group when the constructions of the buildings were completed and only renovation and decoration works were required.

Pursuant to the Project Management Services Agreement, Golden Eagle International Group will provide project management services to the Group at a fee equivalent to 1.8%-2.0% of the budgeted cost agreed by both parties and in the event that the actual cost is lower than the budgeted cost agreed by both parties, an incentive fee equivalent to 40% cost saving will be paid to Golden Eagle International Group. These fees were determined after arm's length negotiation between the parties and with reference to the prevailing market rate and on terms no worse off than the Group can obtain in the market and no less favourable than terms offered by Golden Eagle International Group to other independent third parties. The consideration paid by Nanjing Xinjiekou Store to Golden Eagle International Group under the Project Management Services Agreement for the year ended 31 December 2007 amount about RMB1.9 million.

Property Management Services Agreement

Nanjing Golden Eagle Properties, a company in which a director of the Company, Mr. Wang Hung, Roger, has beneficial interests, and Nanjing Xinjiekou Store have agreed under the property management services agreement (the "Property Management Services Agreement") that Nanjing Golden Eagle Properties shall provide property management services to the Stores for a term of two years expiring on 31 December 2007. The property management services will include the provision of property (interior) maintenance, cleaning, environmental and greenery services by Nanjing Golden Eagle Properties to the Stores and other new department stores of the Group. Pursuant to the Property Management Services Agreement, Nanjing Golden Eagle Properties will provide property management services to the Stores at a fee equivalent to the actual cost incurred plus a mark-up of 8%, which was determined after arm's length negotiations between the parties and with reference to the prevailing market rate. The consideration paid by the Stores to Nanjing Golden Eagle Properties under the Property Management Services Agreement for the year ended 31 December 2007 amounted to about RMB11.9 million.

Decoration Services Agreement

On 26 February 2006, Nanjing Xinjiekou Store and Nanjing Golden Eagle Decoration, a company in which a director of the Company, Mr. Wang Hung, Roger, has beneficial interests, entered into a decoration services agreement (the "Decoration Services Agreement") pursuant to which Nanjing Golden Eagle Decoration shall provide decoration services to the Stores for a term of two years expiring on 31 December 2007. The decoration services will include the provision of decoration services to the existing and new department stores of the Group by Nanjing Golden Eagle Decoration.

Pursuant to the Decoration Services Agreement, Nanjing Golden Eagle Decoration will provide the decoration services to the Stores at rates to be determined after arm's length negotiations and on terms no worse off than the Group can obtain in the market and no less favourable than terms offered by Nanjing Golden Eagle Decoration to other independent third parties. The consideration paid by the Stores to Nanjing Golden Eagle Decoration under the Decoration Services Agreement for the year ended 31 December 2007 amounted to about RMB31.6 million.

Particulars to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board.

Each of the independent non-executive Directors has confirmed that all the above continuing connected transactions have been entered into by the Group in the ordinary and usual course of its business, either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties, and in accordance with the terms of the relevant agreements governing the above continuing connected transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DEED OF NON-COMPETITION

The independent non-executive Directors believe that the exercise or non-exercise of each of the Right of First Refusal, the Shanghai Shopping Option and the Xinbai Shopping Option (all as defined in the Prospectus of the Company dated 8 March 2006 (the "Prospectus")) is yet to conclude, on the basis that:-

(a) Mr. Wang and the companies controlled by him will not dispose all or part of the equity interest in Shanghai Shopping and Xinbai Shopping to third parties;

(b) The net loss of Shanghai Shopping for the year ended 31 December 2007 amounted to about RMB6.8 million and the Directors are not able to predict when Shanghai Shopping will be profit-making;

(c) The reason for not including Xinbai Shopping as part of the Group as disclosed in the prospectus has not changed, and the Directors are of the view that exercising the option for Xinbai Shopping is not in the interest of the Group.

Accordingly, the independent non-executive Directors do not consider it necessary for the Company to exercise or not to exercise the Right of First Refusal, the Shanghai Shopping Option and the Xinbai Shopping Option (all as defined in the Prospectus) at this moment.

Mr. Wang Hung, Roger, GEICO Holdings Limited and Golden Eagle International Retail Group Limited (the "Covenantors") have made an annual declaration confirming that they have fully complied with the Undertakings (as defined in the Prospectus). The independent non-executive Directors have also reviewed whether the Covenantors have fully complied with the Undertakings and they are satisfied that the Covenantors have in full compliance of the Undertakings.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers taken together were less than 30% of the Group's total sales for the year. The aggregate purchases attributable to the Group's five largest suppliers taken together were less then 30% of the Group's total purchases for the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practical date prior to the issue of this annual report, to the best knowledge of the directors and based on the information publicly available to the Company, there is sufficient public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of the association and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

A resolution to reappoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wang Hung, Roger
Chairman

1 April 2008

Deloitte.
德勤

TO THE MEMBERS OF GOLDEN EAGLE RETAIL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 92, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	**2007**	2006
		RMB'000	RMB'000
Revenue	6	**1,107,505**	899,781
Cost of sales		**(242,398)**	(229,106)
Gross profit		**865,107**	670,675
Other income	8	**187,955**	76,482
Selling expenses		**(228,179)**	(174,075)
Administrative expenses		**(131,420)**	(146,045)
Finance costs	9	**(80,477)**	(40,333)
Changes in fair value of derivative financial instruments	27	**(14,890)**	(24,816)
Profit before tax		**598,096**	361,888
Income tax expense	10	**(212,361)**	(132,295)
Profit for the year	11	**385,735**	229,593
Attributable to:			
Equity holders of the Company		**385,735**	231,997
Minority interests		**—**	(2,404)
		385,735	229,593
Earnings per share			
- Basic (RMB fen per share)	14	**21.23**	12.97
- Diluted (RMB fen per share)	14	**21.19**	n/a
Dividends per share			
- Interim (RMB fen per share)	13	**—**	3.8
- Proposed final (RMB fen per share)	13	**4.3**	2.5
		4.3	6.3

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,699,504**	1,338,780
Land use rights - non-current portion	16	**178,569**	53,410
Deposits for acquisition of property, plant and equipment		**49,338**	5,000
Deposits for acquisition of a subsidiary	17	**—**	331,556
Goodwill	18	**26,035**	26,035
Available-for-sale investments	19	**76,864**	24,966
Deferred tax assets	20	**10,648**	7,397
		2,040,958	1,787,144
Current assets			
Inventories		**66,979**	75,120
Trade and other receivables	21	**63,782**	49,555
Land use rights - current portion	16	**4,794**	1,504
Amounts due from fellow subsidiaries	22	**2,157**	2,689
Bank balances and cash	23	**1,747,906**	1,099,234
		1,885,618	1,228,102
Current liabilities			
Trade and other payables	24	**1,373,817**	929,662
Amounts due to fellow subsidiaries	25	**19,673**	7,984
Amount due to a former minority investor of a subsidiary	26	**2,000**	4,000
Current tax liabilities		**81,327**	54,522
Derivative financial instruments	27	**240,244**	225,354
		1,717,061	1,221,522
Net current assets		**168,557**	6,580
Total assets less current liabilities		**2,209,515**	1,793,724
Non-current liabilities			
Convertible bonds	27	**819,968**	796,828
Deferred tax liabilities	20	**53,068**	48,113
		873,036	844,941
Net assets		**1,336,479**	948,783

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007	2006
		RMB'000	RMB'000
Capital and reserves			
Share capital	28	**187,063**	187,029
Reserves		**1,149,416**	761,754
Total equity		**1,336,479**	948,783

The consolidated financial statements on pages 37 to 92 were approved and authorised for issue by the board of directors on 1 April 2008 and are signed on its behalf by:

WANG HUNG, ROGER
DIRECTOR

HAN XIANG LI
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital RMB'000	Investment revaluation reserve RMB'000	Share premium RMB'000	Share options reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006	157,550	—	—	—	101,368	39,155	75,040	373,113	7,020	380,133
Gain on fair value changes of available-for-sales investments	—	3,933	—	—	—	—	—	3,933	—	3,933
Deferred tax	—	(1,298)	—	—	—	—	—	(1,298)	—	(1,298)
Net income recognised directly in equity	—	2,635	—	—	—	—	—	2,635	—	2,635
Profit for the year	—	—	—	—	—	—	231,997	231,997	(2,404)	229,593
Total (expenses) income recognised for the year	—	2,635	—	—	—	—	231,997	234,632	(2,404)	232,228
Amount arising on group reorganisation	(157,550)	—	—	—	157,550	—	—	—	—	—
Amount arising on acquisition of Nanjing Golden Eagle Interational Retail Group Co., Ltd. pursuant to the group reorganisation	—	—	—	—	(180,000)	—	—	(180,000)	—	(180,000)
Issue of new shares as consideration for the acquisition of Goldjoint Group Limited ("Goldjoint") pursuant to the group reorganisation	41,690	—	—	—	(41,690)	—	—	—	—	—
Setoff of an indebtedness owed by Goldjoint on group reorganisation	—	—	—	—	180,000	—	—	180,000	—	180,000
Capitalisation on issue of shares	132,021	—	(132,021)	—	—	—	—	—	—	—
Issue of new shares upon listing of the Company's shares on the Stock Exchange	13,318	—	406,195	—	—	—	—	419,513	—	419,513
Transaction costs attributable to issue of new shares	—	—	(15,920)	—	—	—	—	(15,920)	—	(15,920)
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	—	(4,616)	(4,616)
Appropriation	—	—	—	—	—	13,194	(13,194)	—	—	—
Recognition of share-based payments	—	—	—	5,405	—	—	—	5,405	—	5,405
Dividends	—	—	—	—	—	—	(67,960)	(67,960)	—	(67,960)
At 31 December 2006	187,029	2,635	258,254	5,405	217,228	52,349	225,883	948,783	—	948,783
At 1 January 2007	187,029	2,635	258,254	5,405	217,228	52,349	225,883	948,783	—	948,783
Gain on fair value changes of available-for-sales investments	—	39,482	—	—	—	—	—	39,482	—	39,482
Deferred tax	—	(9,556)	—	—	—	—	—	(9,556)	—	(9,556)
Net income recognised directly in equity	—	29,926	—	—	—	—	—	29,926	—	29,926
Profit for the year	—	—	—	—	—	—	385,735	385,735	—	385,735
Total income recognised for the year	—	29,926	—	—	—	—	385,735	415,661	—	415,661
Exercise of share options	34	—	1,935	(444)	—	—	—	1,525	—	1,525
Appropriation	—	—	—	—	—	29,494	(29,494)	—	—	—
Recognition of share-based payments	—	—	—	15,932	—	—	—	15,932	—	15,932
Dividends	—	—	—	—	—	—	(45,422)	(45,422)	—	(45,422)
At 31 December 2007	187,063	32,561	260,189	20,893	217,228	81,843	536,702	1,336,479	—	1,336,479

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	NOTE	2007 RMB'000	2006 RMB'000
Operating activities			
Profit before tax		**598,096**	361,888
Adjustments for:			
Interest income		**(19,654)**	(61,912)
Income from structural bank deposits		**(26,052)**	—
Interest expenses		**80,477**	40,333
Impairment loss (reversed) recognised in respect of other receivables		**(31)**	62
Depreciation of property, plant and equipment		**55,198**	38,543
Operating lease rentals in respect of land use rights		**3,240**	1,504
Loss on disposal of property, plant and equipment		**48**	630
Changes in fair value of derivative financial instruments		**14,890**	24,816
Equity-settled share-based payments expenses		**15,932**	5,405
Foreign exchange gains arising from convertible bonds		**(57,337)**	(10,069)
Operating cash flows before movements in working capital		**664,807**	401,200
Decrease (increase) in inventories		**8,141**	(11,829)
Increase in trade and other receivables		**(9,540)**	(10,237)
Increase in trade and other payables		**400,163**	225,503
Increase in amount due to fellow subsidiaries		**11,689**	—
Net cash generated from operations		**1,075,260**	604,637
PRC income tax paid		**(190,212)**	(105,420)
Net cash from operating activities		**885,048**	499,217
Investing activities			
Interest received		**19,654**	82,261
Income received from structural bank deposits		**26,052**	—
Purchase of property, plant and equipment		**(123,482)**	(367,893)
Proceeds from disposal of property, plant and equipment		**472**	68
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	31	**(19,042)**	—
Repayment to a former minority investor on acquisition of additional interest in subsidiaries		**(2,000)**	(4,000)
Purchase of available-for-sale investments		**(12,416)**	(21,033)
Prepayment on lease rental of land use rights		**(82,249)**	—
Repayments from fellow subsidiaries		**532**	650,334
Deposits paid for acquisition of a subsidiary		**—**	(331,556)
Net cash (used in) from investing activities		**(192,479)**	8,181

	NOTE	2007 RMB'000	2006 RMB'000
Financing activities			
Proceeds from issue of new shares upon listing of the Company's shares on the Stock Exchange		—	419,513
Payament of transaction costs attributable to issue of new shares		—	(15,920)
Proceeds on issue of convertible bonds		—	1,015,000
Payment of transaction costs attributable to issue of convertible bonds		—	(22,837)
Interest paid		—	(25,153)
New bank loans raised		—	145,000
Advances from fellow subsidiaries		—	1,425
Repayment of bank loans		—	(1,076,800)
Proceeds on exercise of share options		1,525	—
Dividends paid to equity holders of the Company		(45,422)	(67,960)
Net cash (used in) from financing activities		(43,897)	372,268
Net increase in cash and cash equivalents		648,672	879,666
Cash and cash equivalents at the beginning of the year		1,099,234	219,568
Cash and cash equivalents at the end of the year		1,747,906	1,099,234
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		1,747,906	1,099,234

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 ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands.

The Company is an investment holding company of group entities which involve in the operation of department store chain in the People's Republic of China (the "PRC").

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")

Standards and Interpretations effective in current year

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effects on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 respectively. Certain information presented in prior year under the requirement of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

Standards and Interpretations in issue not yet adopted

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) - Int 12	Service Concession Arranagements[4]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

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

2 Effective for annual periods beginning on or after 1 July 2009

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

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

5 Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations, except for HK(IFRIC) - Int 13, will have no material impact on the results and the financial position of the Group.

Under the Group's customer loyalty program, customers are entitled to convert their award credits into cash vouchers. According to the Group's current accounting policy, the Group accrues for the award credits granted to eligible customers. Upon the adoption of HK(IFRIC) - Int 13, when it is effective, the Group shall allocate some of the proceeds of the initial sale to the award credits (under its customer loyalty programmes) as liabilities. The Group shall recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations under the customer loyalty programmes.

The directors are reviewing the customer loyalty programmes of the Group and consider necessary revision to the customer loyalty programmes taking into consideration of current business environment. The directors are monitoring and assessing the impact on the adoption of HK(IFRIC) - Int 13 on the results and financial position of the Group. Such impact will be disclosed in future consolidated financial statements of the Group upon completion of the assessment by the directors.

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.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporates the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control (Continued)

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Business combinations (other than common control combinations)

The acquisition of businesses, other than common control combinations which are accounted for using merger accounting, 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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business 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 business 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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Other than land and building mentioned in the immediate preceding paragraph, the cost of other buildings is depreciated over 20 to 40 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 consolidated income statement in the year in which the item is dereognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Borrowing cost

All borrowing costs are recognised as and included in finance costs in 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 defined contribution retirement benefit plans or state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amount due from fellow subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

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 accounting policies of the Group's financial liabilities and equity are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

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 that 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. At the date of issue, both the liability component and derivative component are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component of the convertible bonds is measured at fair value with changes in fair value recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a former minority investor of a subsidiary 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.

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.

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 2007 and 31 December 2006, the carrying amount of the Group's goodwill was RMB26,035,000, 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. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

5. FINANCIAL INSTRUMENTS (Continued)

5B. Categories of financial instruments

	2007 RMB	2006 RMB
Financial assets		
Available for sale investments	**76,864**	24,966
Loans and receivables (including cash and cash equivalents)	**1,795,071**	1,137,160
Financial liabilities		
Derivatives	**240,244**	225,354
Amortised cost	**1,545,196**	1,375,270

5C. Financial risk management objectives and polices

The Group's major financial instruments include equity investments, trade and other receivables, trade and other payables and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk, other equity price risk and fair value risk on derivatives), credit risk and liquidity risk. 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.

5C.1 Market risk

Foreign currency risk

Certain of the Group's bank balances and cash and convertible bonds are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which are not the functional currency of the respective group entity. 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). 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
USD	**—**	—	**8,527**	111,237
HKD	**819,968**	796,828	**21,258**	456,272

5. FINANCIAL INSTRUMENTS (Continued)

5C.1 Market risk (Continued)

Foreign currency risk - Sensitivity analysis

The Group is mainly exposed to USD and HKD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD		HKD	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit for the year	**(285)**	(3,727)	**26,756**	11,409

The Group's sensitivity to foreign currency has increased during the current year mainly due to the increase in the Group's net liabilities denominated in HKD.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

i. 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.

ii. 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.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

5. FINANCIAL INSTRUMENTS (Continued)

5C.1 Market risk (Continued)

Other price risks

(i) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management monitors the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analysis has been determined based on the exposure to equity price risks at the reporting date. If the prices of the respective equity instruments had been 10% higher/lower, investment revaluation reserve would increase/decrease by RMB7,686,000 (2006: RMB2,497,000) for the Group as a result of the changes in fair value of available-for-sale investments. The Group's sensitivity to other equity prices has increased during the current year mainly due to appreciation of available-for-sale investments and new investment in available-for-sale equity securities.

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the year end exposure does not reflect the exposure during the year. The Group entered into various transactions throughout the year that exposed itself to market risks, where these market risks fluctuate from time to time.

(ii) 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.

If the Company's share price had been 10% higher/lower and all other variables were held constant, the Group's profit for the year (as a result of changes in fair value of derivative component of convertible bonds) would decreased/increased by RMB43,272,000 and RMB42,513,000 respectively (2006: RMB39,101,000 and RMB38,478,000 respectively).

If interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's profit for the year (as a result of changes in fair value of derivative component of convertible bonds) would decreased/increased by RMB7,070,000 and RMB7,149,000 respectively (2006: RMB6,286,000 and RMB6,307,000 respectively).

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the derivative component of convertible bonds involves multiple variables and certain variables are interdependent.

5. FINANCIAL INSTRUMENTS (Continued)

5C.2 Credit risk

As at 31 December 2007, 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 Group reviews the recoverable amount of each individual other receivables and amounts due from fellow subsidiaries to ensure that follow up action is taken to recover overdue debts and 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 on trade and other receivables, with exposure spread over a large number of counterparties. The credit risk associated with trade receivables, which are attributable to debit and credit cards sales, is limited as the counterparties are financial institutions with good reputation.

5C.3 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 Group relies on cash flows from operating activities as a primary source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

5. FINANCIAL INSTRUMENTS (Continued)

5C.3 Liquidity risk (Continued)

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as well as cash and cash equivalents which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year	1-2 years	3+ years	Total undiscounted cash flows	Total carrying amount at year end
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2007						
Cash and cash equivalents	**1.57**	**1,747,906**	**—**	**—**	**1,747,906**	**1,747,906**
Non-derivative financial liabilities:						
Trade and other payables	**—**	**677,194**	**26,361**	**—**	**703,555**	**703,555**
Amounts due to fellow subsidiaries	**—**	**19,673**	**—**	**—**	**19,673**	**19,673**
Amounts due to a former minority investor of a subsidiary	**—**	**2,000**	**—**	**—**	**2,000**	**2,000**
Convertible bonds	**10.42**	**—**	**—**	**1,276,970**	**1,276,970**	**819,968**
		698,867	26,361	1,276,970	2,002,198	1,545,196
Net		1,049,039	(26,361)	(1,276,970)	(254,292)	202,710
2006						
Cash and cash equivalents	1.67	1,099,234	—	—	1,099,234	1,099,234
Non-derivative financial liabilities:						
Trade and other payables	—	544,819	21,639	—	566,458	566,458
Amount due to fellow subsidiaries	—	7,984	—	—	7,984	7,984
Amount due to a former minority investor of a subsidiary	—	2,000	2,000	—	4,000	4,000
Convertible bonds	10.42	—	—	1,276,970	1,276,970	796,828
		554,803	23,639	1,276,970	1,855,412	1,375,270
Net		544,431	(23,639)	(1,276,970)	(756,178)	(276,036)

5. FINANCIAL INSTRUMENTS (Continued)

5D. 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;
- 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 prices or rates from observable current market transactions as input; 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:

	2007		2006	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Convertible bonds-liability component	**819,968**	**851,559**	796,828	796,677

6. REVENUE

	2007 RMB'000	2006 RMB'000
Revenue from department store operations		
– direct sales	**303,089**	282,126
– income from concessionaire sales	**788,586**	603,987
– rental income	**15,830**	13,668
	1,107,505	899,781

Revenue represents the Group's revenue from operations of department stores in the PRC.

6. REVENUE (Continued)

Gross sales proceeds

	2007 RMB'000	2006 RMB'000
From department store operations		
– direct sales	**362,606**	334,849
– concessionaire sales	**4,478,744**	3,227,672
– rental income	**16,760**	14,471
	4,858,110	3,576,992

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

7. SEGMENT INFORMATION

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

8. OTHER INCOME

	2007 RMB'000	2006 RMB'000
Interest income	**19,654**	61,912
Income from structural bank deposits	**26,052**	—
Government grants *	**48,949**	3,129
Changes in fair value of held-for-trading investments	**30,555**	—
Net foreign exchange gains	**41,420**	—
Income from suppliers	**19,041**	7,085
Income from karaoke operation	**1,254**	4,356
Others	**1,030**	—
	187,955	76,482

* Government grants include RMB37 million (2006: nil) being reinvestment incentive granted by local government towards dividends received and reinvested by Goldjoint into the Group's PRC operations, and other incentive subsidies and grants of approximately RMB12 million (2006: RMB3 million) were granted by the PRC local authorities to the Group.

9. FINANCE COSTS

	2007	2006
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**—**	25,061
Effective interest expense on convertible bonds (note 27)	**80,477**	15,272
	80,477	40,333

10. INCOME TAX EXPESNE

	2007	2006
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**216,933**	130,446
Under provision in previous year	**84**	—
	217,017	130,446
Deferred tax charge (credit):		
Current year	**4,991**	1,849
Attributable to change in tax rate	**(9,647)**	—
	212,361	132,295

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2007. Subsidiaries located in the PRC are subject to PRC income tax rate of 33% (2006: 33%), pursuant to the relevant PRC income tax laws.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the state income tax rate from current applicable tax rates to 25% for enterprises in the PRC with effective from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

10. INCOME TAX EXPESNE (Continued)

The charges for the year ended 31 December 2007 can be reconciled to the profit before tax as follows:

	2007 RMB'000	2006 RMB'000
Profit before tax	**598,096**	361,888
Tax at the applicable tax rate of 33%	**197,372**	119,423
Tax effect of expenses not deductible for tax purposes	**50,314**	14,766
Tax effect of income not taxable for tax purposes	**(22,693)**	(1,957)
Tax effect of tax losses not recognised	**—**	63
Tax effect on utilisation of tax losses not recognised previously as deferred tax assets	**(3,069)**	—
Decrease in opening deferred tax balances resulting from decrease in applicable tax rate	**(9,647)**	—
Under provision in previous year	**84**	—
Tax charge for the year	**212,361**	132,295

11. PROFIT FOR THE YEAR

	2007 RMB'000	2006 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**2,071**	1,468
Other staff:		
Retirement benefits scheme contributions	**9,198**	6,264
Equity-settled share-based payments	**14,551**	4,701
Salaries and other benefits	**87,306**	70,008
	113,126	82,441
Auditor's remuneration	**2,000**	1,180
Net foreign exchange (gains) losses	**(41,420)**	25,054
Depreciation on property, plant and equipment	**55,198**	38,543
Loss on disposal of property, plant and equipment	**48**	630
Impairment loss (reversed) recognised in respect of other receivables	**(31)**	62
Cost of inventories recognised as an expense	**242,398**	229,106
Operating lease rentals in respect of		
– land and buildings (included in selling expenses)	**13,707**	24,666
– land use rights	**3,240**	1,504

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2007					2006				
		Other emoluments					Other emoluments			
	Fees	Salaries and other benefits	Contributions to retirement benefits/ pension schemes	Share-based payments	Total	Fees	Salaries and other benefits	Contributions to retirement benefits/ pension schemes	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors										
Mr. Wang Hung, Roger	–	–	–	–	–	–	–	–	–	–
Mr. Han Xiang Li	–	250	20	953	1,223	–	172	9	315	496
Mr. Wang Wei	–	–	–	–	–	–	217	15	278	510
Sub-total	–	250	20	953	1,223	–	389	24	593	1,006
Independent non-executive directors										
Mr. Wong Chi Keung	180	–	–	214	394	151	–	–	55	206
Mr. Wang Yao	120	–	–	107	227	100	–	–	28	128
Mr. Lau Shek Yau, John	120	–	–	107	227	100	–	–	28	128
Sub-total	420	–	–	428	848	351	–	–	111	462
Total	420	250	20	1,381	2,071	351	389	24	704	1,468

One (2006: one) of the five individuals with the highest emoluments in the Group was a director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2006: four) individuals were as follows:

	2007	2006
	RMB'000	RMB'000
Salaries and allowances	**2,251**	1,831
Retirement benefits scheme contributions	**27**	8
Share-based payments	**2,383**	945
	4,661	2,784

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

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

	2007 **RMB'000**	2006 RMB'000
Within HKD1,000,000		
(Equivalent to within RMB975,200)	**3**	3
HKD1,000,001 to HKD2,000,000		
(Equivalent to RMB975,201 to RMB1,950,400)	**1**	1
	4	4

During the year, no emoluments were paid by the Group to the directors 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

	2007 **RMB'000**	2006 RMB'000
Dividends recognised as distributions during the year:		
Interim – RMB3.8 fen per share	**—**	67,960
Final – RMB2.5 fen per share	**45,422**	—
Final, proposed – RMB4.3 fen/RMB2.5 fen per share	**78,144**	45,422

The final dividend of RMB4.3 fen (2006: RMB2.5 fen) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2007	2006
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**385,735**	231,997

	2007	2006
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,816,930**	1,788,596
Effect of dilutive potential ordinary shares:		
Share options	**3,142**	n/a
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,820,072**	n/a

The calculation of the basic earnings per share during the year ended 31 December 2006 was on the assumption that the Reorganisation (as defined hereafter) has been effective on 1 January 2005. The Reorganisation referred to a group reorganisation to rationalise the structure of the Group in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. The Reorganisation was completed on 26 February 2006.

No diluted earnings per shares had been presented for the year ended 31 December 2006 because the exercise price of the share 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 year ended 31 December 2006, and because for both of the years ended 31 December 2007 and 31 December 2006 the conversion of the Company's outstanding convertible bonds would result in an increase in profit per share.

15. PROPERTY, PLANT AND EQUIPMENT

	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
COST							
At 1 January 2006	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
Additions	13,804	3,342	38,720	612	800	4,397	61,675
Transfers	5,065	(5,065)	40	—	1,052	(1,092)	—
Acquisition of subsidiaries	352,703	1,326	328	410	—	—	354,767
Disposals/ written-off	—	(1,833)	(930)	(707)	(1)	—	(3,471)
At 31 December 2007	**1,722,311**	**33,495**	**193,361**	**4,699**	**39,171**	**3,305**	**1,996,342**
DEPRECIATION							
At 1 January 2006	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
Provided for the year	29,599	4,825	17,122	487	3,165	—	55,198
Eliminated on disposals/ written-off	—	(1,675)	(862)	(414)	—	—	(2,951)
At 31 December 2007	**141,420**	**16,694**	**116,167**	**2,684**	**19,873**	**—**	**296,838**
CARRYING VALUES							
At 31 December 2007	**1,580,891**	**16,801**	**77,194**	**2,015**	**19,298**	**3,305**	**1,699,504**
At 31 December 2006	1,238,918	22,181	55,296	1,773	20,612	—	1,338,780

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2007	2006
	RMB'000	RMB'000
The carrying value of the Group's property interests situated in the PRC comprises land and buildings held under:		
Medium-term lease	**1,100,731**	751,054
Long-term lease	**480,160**	487,864
	1,580,891	1,238,918

As of 31 December 2007, the Group is in the process of obtaining the title deeds of buildings with a carrying amount of RMB424,061,000 (2006: RMB236,650,000).

16. LAND USE RIGHTS

	2007	2006
	RMB'000	RMB'000
CARRYING VALUE		
At the beginning of the year	**54,914**	56,418
Additions	**82,249**	—
Acquisition of subsidiaries	**49,440**	—
Released to consolidated income statement during the year	**(3,240)**	(1,504)
At the end of the year	**183,363**	54,914
Less: Amount to be amortised within one year	**(4,794)**	(1,504)
Non-current portion	**178,569**	53,410

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

The Group is in the process of obtaining the land use rights certificates in respect of land use rights with a carrying amount of RMB48,925,000 (2006: nil).

17. DEPOSITS FOR ACQUISITION OF A SUBSIDIARY

At 31 December 2006, the amount represented 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 Kunming Golden Eagle International Shopping Centre Company Limited which owns a property in the PRC.

The acquisition was completed in 2007 and details of which are set out in note 31.

18. GOODWILL

	Total
	RMB'000
COST AND CARRYING VALUES	
At 1 January 2006	22,651
Arising on acquisition of additional interest in subsidiaries in 2006	3,384
At 31 December 2006 and 31 December 2007	26,035

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to five individual cash generating units (CGUs). The carrying amounts of goodwill as at 31 December 2007 allocated to these unites are as follows:

	2007 & 2006
	RMB'000
Operations 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 2007, 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. For the purpose of determining the value in use, cash flow projections are based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is approximately 9.31% (2006: 9.53%). Cash flows beyond that five-year period have been extrapolated using a steady 10% p.a. growth rate, of which, the management believe that this rate is reasonable based on the Group's past experience.

18. GOODWILL (Continued)

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

	2007	2006
	RMB'000	RMB'000
Non-current listed investments:		
– equity securities listed in the PRC – at fair value	**76,864**	24,966

20. DEFERRED TAXATION

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

	Accelerated depreciation allowances	Start up cost	Compensation to employees	Impairment loss recognised in respect of other receivables	Tax losses	Prepaid rental	Revaluation of investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	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
Charge (credit) to consolidated income statement for the year (note 10)	6,748	584	–	11	(2,305)	(47)	–	4,991
Charge to equity for the year	–	–	–	–	–	–	9,871	9,871
Acquisition of subsidiaries	–	(3,196)	–	–	–	–	–	(3,196)
Change in tax rate recognised in income statement (note 10)	(11,349)	959	–	4	538	201	–	(9,647)
Change in tax rate recognised in equity	–	–	–	–	–	–	(315)	(315)
At 31 December 2007	42,214	(5,608)	–	(2)	(4,361)	(677)	10,854	42,420

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.

20. DEFERRED TAXATION (Continued)

	2007 RMB'000	2006 RMB'000
Deferred tax liabilities	**53,068**	48,113
Deferred tax assets	**(10,648)**	(7,397)
	42,420	40,716

21. TRADE AND OTHER RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables	**27,772**	14,759
Trade prepayment to suppliers	**7,204**	8,552
Rental deposits	**8,367**	5,166
Deposits made for purchase of goods	**3,203**	600
Other receivables	**17,267**	20,540
Less: allowance for doubtful debts on other receivables	**(31)**	(62)
	63,782	49,555

Trading transactions are mainly on cash basis, either in cash, debit card or credit card payments. The Group does not have a defined fixed credit policy as its trade receivables arise from debit card and credit card sales. Trade receivables are all aged within 15 days from the respective balance sheet date and had been settled subsequent to balance sheet dates.

Movement in allowance for doubtful debts:

	2007 RMB'000	2006 RMB'000
Balance at beginning of the year	**62**	—
Impairment losses recognised on receivables	**—**	62
Impairment losses reversed	**(31)**	—
Balance at end of the year	**31**	62

22. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2007 RMB'000	2006 RMB'000
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.)	**492**	—
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.)	**95**	1,128
徐州金鷹國際物業管理有限公司 (Xuzhou Golden Eagle International Properties Management Co., Ltd.)	**1,431**	1,445
上海金鷹國際購物中心有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.)	**124**	41
Others	**15**	75
	2,157	2,689

The amounts were 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 1.57% (2006: 1.67%).

24. TRADE AND OTHER PAYABLES

	2007 RMB'000	2006 RMB'000
Trade payables	**594,172**	452,931
Consumers' deposits	**572,955**	281,585
Other tax payables	**97,307**	81,619
Purchase of property, plant and equipments	**40,651**	58,120
Suppliers' deposits	**26,361**	21,639
Payroll and welfare payables	**10,541**	6,454
Renovation retention	**925**	1,847
Other payables	**30,905**	25,467
	1,373,817	929,662

24. TRADE AND OTHER PAYABLES (Continued)

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

	2007	2006
	RMB'000	RMB'000
0 to 30 days	507,619	363,379
31 to 60 days	50,985	62,804
61 to 90 days	13,791	9,071
Over 90 days	21,777	17,677
	594,172	452,931

The credit period on purchases of goods is ranging from 30 to 60 days.

25. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	2007	2006
	RMB'000	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.)	16,765	5,919
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.)	2,840	1,494
Others	68	571
	19,673	7,984

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

26. AMOUNT DUE TO A FORMER MINORITY INVESTOR OF A SUBSIDIARY

At 31 December 2007, 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) in 2006.

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

27. 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 or 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 (the "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 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.

27. CONVERTIBLE BONDS (Continued)

Holder early redemption option (Continued)

(ii) Derivative component represents:

(i) The fair value of the option of the holders to convert the Bonds into the Shares 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.

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

	Liability component	Derivative component	Total
	RMB'000	RMB'000	RMB'000
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 in fair value	—	24,816	24,816
As at 31 December 2006	796,828	225,354	1,022,182
Exchange realignment	(57,337)	—	(57,337)
Effective interest expense charged during the year (note 9)	80,477	—	80,477
Changes in fair value	—	14,890	14,890
As at 31 December 2007	**819,968**	**240,244**	**1,060,212**

28. SHARE CAPITAL

	Number of shares	Value HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2006	3,800,000	380
Increase in 2006	4,996,200,000	499,620
At 31 December 2006 and 31 December 2007	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2006	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
Exercise of share options	352,000	35
At 31 December 2007	1,817,227,000	181,723

	RMB'000
Shown in the consolidated financial statements:	
At 31 December 2007	187,063
At 31 December 2006	187,029

28. SHARE CAPITAL (Continued)

Details of the changes in the Company's share capital in both years 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 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.

(h) In 2007, 352,000 share options were exercised and 352,000 Company's ordinary shares of HKD0.10 each were issued.

29. RESERVES

Special reserve

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

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as foreign investment enterprises (the "FIE Subsidiaries") and the Articles of Association of the FIE Subsidiaries, the FIE Subsidiaries are required to maintain a statutory surplus reserve fund, an enterprise expansion fund, and a staff welfare and bonus fund. Appropriations to these funds are made out of net profit after tax as reported in the PRC statutory financial statements (the "PRC Accounting Profit") of the FIE Subsidiaries.

The FIE Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the FIE Subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

Appropriation from the PRC Accounting Profit to the enterprise expansion fund is at the discretion of the FIE Subsidiaries at rates determined by the FIE Subsidiaries. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

Appropriation from the PRC Accounting Profit to the staff welfare and bonus fund is at the discretion of the FIE Subsidiaries at rates determined by the FIE Subsidiaries. However, in the HKFRS financial statements, the amount, if any, appropriated to the staff welfare and bonus fund will be reversed from appropriation and adjusted in these HKFRS consolidated financial statements as an expense as the staff welfare and bonus fund will be used to pay for staff benefits of the FIE Subsidiaries.

The FIE Subsidiaries did not resolve to appropriate any fund to the enterprise expansion fund and staff welfare and bonus fund since its establishment.

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as domestic enterprise (the "Domestic Subsidiaries"), the Domestic Subsidiaries are required to maintain a statutory surplus reserve. The Domestic Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve until the balance reaches 50% of the registered capital of the Domestic Subsidiaries. The statutory surplus reserve may be used to make up prior year losses incurred, and to increase capital.

30. 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 HKD1.00 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 ordinary 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 ordinary 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 HKD5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HKD1.00 for 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 ordinary 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 ordinary 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 ordinary 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
			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

30. SHARE-BASED PAYMENTS (Continued)

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 was HKD4.45 and HKD4.70 respectively. The estimated fair values of the options granted on those dates are HKD8,303,000 and HKD34,287,000 respectively.

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	Exercise price	Expected volatility	Expected option life	Annual dividend yield	Risk-free interest rate
	HKD	HKD		Years		
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.

30. SHARE-BASED PAYMENTS (Continued)

Movements of the Share Option Scheme are as follows:

	Outstanding at beginning of year	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of year
For the year ended 31 December 2007						
Independent non-executive directors	400,000	–	–	(100,000)	–	300,000
Executive directors	1,850,000	(850,000)	–	–	–	1,000,000
Key management	4,150,000	1,550,000	–	(110,000)	(200,000)	5,390,000
Other employees	16,600,000	(700,000)	–	(142,000)	(352,000)	15,406,000
	23,000,000	–	–	(352,000)	(552,000)	22,096,000
Exercisable at 31 December 2007						4,552,000
For the year ended 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						–

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HKD8.07 (2006: not applicable).

The Group recognised the total expense of RMB15,932,000 for the year ended 31 December 2007 (2006: RMB5,405,000) in relation to share options granted by the Company.

31. ACQUISITION OF SUBSIDIARIES

In July 2007, the Group acquired 100% of the equity interest in Kunming Golden Eagle International Shopping Centre Co., Ltd. ("Kunming Golden Eagle") through the acquisition of 100% of the equity interest in Eagle Ride (which holds 80% equity interest in Kunming Golden Eagle), and the acquisition of 20% equity interest in Kunming Golden Eagle by a group entity, for an aggregate consideration of RMB357 million.

On the acquisition date, Kunming Golden Eagle owned a shopping mall and had not commenced operations. In the opinion of the directors, the acquisition does not constitute a business combination in accordance with HKFRS 3 Business Combination. As such, the acquisition has been accounted for as acquisition of assets and liabilities.

Net assets acquired in the transaction are as follows:

	RMB'000
Property, plant and equipment	354,767
Land use rights	49,440
Deferred tax assets	3,196
Other receivables	4,656
Bank and cash balances	6,538
Other payables	(61,461)
	357,136

Net cash outflow on acquisition

	RMB'000
Cash paid in 2006 as deposits for acquisition of subsidiaries	331,556
Cash paid in 2007	25,580
Total consideration paid in cash	357,136
Cash consideration paid in 2007	25,580
Less: cash and cash equivalent balances acquired	(6,538)
Net cash from acquisition of subsidiaries	19,042

Eagle Ride and its subsidiary recorded loss for the period of RMB4,054,000 between the date of acquisition and the balance sheet date.

32. 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:

	2007	2006
	RMB'000	RMB'000
Within one year	**15,613**	14,819
In the second to fifth year inclusive	**51,698**	56,177
Over five years	**10,316**	26,723
	77,627	97,719

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:

	2007	2006
	RMB'000	RMB'000
Within one year	**3,663**	2,525
In the second to fifth year inclusive	**7,326**	9,200
Over five years	**—**	6,900
	10,989	18,625

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

32. 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:

	2007	2006
	RMB'000	RMB'000
Within one year	**6,258**	3,032
In the second to fifth year inclusive	**12,185**	4,123
Over five years	**3,655**	760
	22,098	7,915

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payment should be calculated according to certain ratios based upon the tenants' monthly turnover or gross profit. Rental income received from these contingent lease contracts during the year ended 31 December 2007 was RMB16,760,000 (2006: RMB8,640,000).

Leases are generally negotiated for terms ranging from one to five years.

33. CAPITAL COMMITMENTS

	2007	2006
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
- in respect of acquisition of property, plant and equipment	**115,240**	214,010
- in respect of acquisition of a subsidiary	**—**	36,744
	115,240	250,754

34. RETIREMENT BENEFITS SCHEME

The employees of 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 RMB9,218,000 (2006: RMB6,288,000) 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 2007.

35. RELATED PARTY TRANSACTIONS

During the year, other than those information disclosed in notes 12, 22, 25, 30 and 32, the Group has the following significant transactions with related companies:

a) Transactions:

Relationship with related parties	Nature of transactions	2007 RMB'000	2006 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	**2,300**	2,650
Companies in which a director of the Company, Mr. Wang Hung, Roger, has beneficial interests	Decoration service fee paid	**31,563**	32,020
	Property management fee paid	**11,889**	13,290
	Property rentals paid	**419**	450
	Property rentals received	**3,779**	4,722
	Parking fee paid	**4,215**	3,296
	Interest income on amount due from a fellow subsidiary	**—**	7,969
	Project management fee paid	**1,930**	2,256
	Management service fee received	**153**	114
	Sales of merchandise	**421**	62

b) Deposits paid:

At 31 December 2007, included in deposits for acquisition of property, plant and equipment is amount of RMB2,700,000 (2006: nil) paid to a company, which a director of the Company, Mr. Wang Hung, Roger, has beneficial interest. The amount is unsecured and interest-free.

35. RELATED PARTY TRANSACTIONS (Continued)

c) Compensation of key management personnel:

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

	2007 RMB'000	2006 RMB'000
Salaries and allowances	3,627	3,107
Retirement benefits scheme contributions	136	86
Share-based payments	5,469	1,388
	9,232	4,581

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

36. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2007	Attributable equity interest of the Group 2006	Principal activity
Goldjoint Group Limited ("Goldjoint") (Note 1)	British Virgin Islands 12 May 2005	Shares – USD1	100%	100%	Investment holding
Golden Eagle International Trading Limited (金鷹國際貿易有限公司) (formerly known as Golden Choice International Trading Limited 金澤國際貿易有限公司) (Note 2)	Hong Kong 12 November 2007	Shares – HKD1	100%	—	Investment holding

36. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2007	2006	
金鷹國際商貿集團（中國）有限公司 Golden Eagle International Retail Group (China) Co., Ltd. (formerly known as 南京金鷹國際購物集團有限公司 Nanjing Golden Eagle International Retail Group Co., Ltd.) ("Nanjing Golden Eagle")	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 – RMB1,137,000,000	**100%**	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%**	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%**	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%**	100%	Operation of department store

36. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2007	2006	
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%**	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) ("Xi'an Golden Eagle") (Note 3)	PRC 4 November 2003 as a limited liability company for a term of 39 years	Registered capital – RMB100,000,000	**100%**	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)	PRC 8 December 2003 as a limited liability company for a term of 39 years	Registered capital – RMB1,000,000	**100%**	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%**	100%	Trading
泰州金鷹商貿有限公司 (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%**	100%	Operation of department store
鹽城金鷹國際購物中心有限公司 (Yancheng Golden Eagle International Shopping Centre Company Limited)	PRC 31 January 2007 as a limitedliability company for a term of 30 years	Registered capital – RMB40,000,000	**100%**	—	Operation of department store, business not yet commenced

36. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group		Principal activity
			2007	2006	
昆明金鷹國際購物中心有限公司 (Kunming Golden Eagle International Shopping Centre Company Limited)	PRC 9 December 2003 as a limited liability company for a term of 30 years	Registered capital – USD5,000,000	**100%**	—	Operation of department store
南京金鷹天地購物有限公司 (Nanjing Golden Eagle International Shopping Centre Company Limited)	PRC 20 September 2007 as a limited liability company for a term of 30 years	Registered capital – RMB20,000,000	**100%**	—	Operation of department store
南京金鷹國際貿易有限公司 (Nanjing Golden Eagle Industry Company Limited)	PRC 3 July 2007 as a limited liability company fo a term of 30 years	Registered capital – RMB10,000,000	**100%**	—	Trading
鷹威企業有限公司 (Eagle Ride Ventures Limited)	British Virgin Islands 6 July 2007	USD300	**100%**	—	Investment holding

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

Note 2: On 12 November 2007, Golden Choice International Trading Limited ("Golden Choice") was incorporated in Hong Kong by Goldjoint as its wholly-owned subsidiary. Subsequently, in December 2007, Goldjoint transferred its entire equity interest in Nanjing Golden Eagle to Golden Choice.

Note 3: The original registered capital of Xi'an Golden Eagle was RMB30,000,000. As resolved by the investors on 22 October 2007, the registered capital was increased to RMB100,000,000 and the additional capital of RMB70,000,000 was fully contributed by the investors in 2007.