1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands and Unit 503, 5th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in the People's Republic of China (the "PRC"). The principal activities of the subsidiaries of the Company are set out in note 37.

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

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

In the current year, the Company and its subsidiaries (the "Group") have applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

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

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

4 Effective for annual periods beginning on or after 30 June 2009

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

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfers on or after 1 July 2009

The Directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations, except for HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 13, will have no material impact on the results and the financial position of the Group.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

Under the Group's customer loyalty program, customers are entitled to convert their awarded credits into cash vouchers upon the fulfilment of certain criteria. According to the Group's existing accounting policy, the Group accrues for the awarded credits granted to eligible customers. Upon the adoption of HK(IFRIC)-Int 13, when it becomes effective, the Group shall allocate some of the proceeds of the initial sale to the awarded credits (under its customer loyalty program) as deferred liabilities. The Group shall recognise the deferred portion of the proceeds as revenue only when its obligations under the customer loyalty program have been released. The Directors have assessed this impact and considered that the adoption of HK(IFRIC)-Int 13 will decrease the Group's net assets value as at the balance sheet date but will has no material impact on the results of the Group. Such impact will be disclosed in the future consolidated financial statements of the Group when the standard becomes effective.

HKFRS 8 specifies the disclosures and presentation of operating segments, based on information about the components of an entity that is available to its chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The Group has a single operating and reportable segment, i.e. the development and operation of stylish department store chain in the PRC. The adoption of HKFRS 8, when it becomes effective, may result in new or amended disclosures but has no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on 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 (the "HKFRS financial statements"). 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

The acquisition of businesses 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 that meet 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.

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.

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 business at the date of acquisition. Goodwill arising on an acquisition of additional interests in subsidiaries represents the excess of the cost of acquisition over the carrying amounts of net assets attributable to the interests. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses at the balance sheet date.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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.

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 derecognised.

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets

The Group's financial assets 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.

Interest 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 includes interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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, amounts due from fellow subsidiaries and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables. 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 affected.

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 amounts 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 trade and other receivable or amount due from a fellow subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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 derivative components (including embedded derivative instruments: conversion option, issuer early redemption option and holder early redemption option which are not closely related to the host liability component) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds (Continued)

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

Other financial liabilities

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

Repurchase and cancellation of own shares

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the repurchase or cancellation of the Company's own equity instruments.

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Income from concessionaire sales is recognised upon the sale of goods by the relevant concessionaires.

Service income, including management service fee, 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.

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 and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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'.

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 the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Hong Kong's Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, during the vesting period, 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 of the Company 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 2008, the carrying value of the Group's goodwill was RMB26,035,000 (2007: RMB26,035,000), and no impairment loss was recognised during both years. Details of the recoverable amount calculation are disclosed in note 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Convertible bonds

As described in note 3, the derivative component of the Group's convertible bonds (including conversion option, issuer early redemption option and holder early redemption option) is measured at fair value using the Binomial option pricing model. The model involves assumptions on the Company's share price volatility, discount rate, dividend yield and the Company's share price at balance sheet date. Should these assumptions change, there might be material change to the fair value of these derivative components. The management of the Company exercised their best estimates in determining and assessing the inputs for such calculation. As at 31 December 2008, the aggregate value of the derivative component amounted to RMB166,173,000 (2007: RMB240,244,000). Details of the Group's convertible bonds are disclosed in note 28.

5. 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 convertible bonds as disclosed in note 28 and 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 associate 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.

6. FINANCIAL INSTRUMENTS

6A. Categories of financial instruments

	2008 RMB	2007 RMB
Financial assets		
Available-for-sale investments	**26,348**	76,864
Loans and receivables (including cash and cash equivalents)	**2,148,045**	1,795,071
Financial liabilities		
Derivative financial instruments	**166,173**	240,244
Amortised cost	**1,752,831**	1,518,835

6B. Financial risk management objectives and polices

The Group's major financial instruments include equity investments, trade and other receivables, structured bank deposit, bank balances and cash, 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 of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.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 expose the Group to foreign currency risk attributable to the fluctuations in the exchange rates 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 exposure. However, the management monitors foreign exchange risk 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**—**	—	**27,031**	8,527
HKD	**852,806**	819,968	**137,950**	21,258

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Foreign currency risk - Sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rates of USD/HKD and RMB.

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.

	USD Impact		HKD Impact	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit for the year:				
if RMB weakens against foreign currency	**1,014**	285	**(26,807)**	(26,756)
if RMB strengthens against foreign currency	**(1,014)**	(285)	**26,807**	26,756

The sensitivity analysis above only analysed the Group's year end inherent foreign exchange risk exposure and does not represent the exposure during the year, as the value of the monetary items and the exchange rates fluctuate during the year.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Interest rate risk

(i) Cash flow interest rate risk

Interest bearing financial assets are mainly structured bank deposit and bank balances carried at prevailing market rate which 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 Group's convertible bonds are zero coupon convertible bonds and the liability component of the convertible bonds is subject to an effective interest rate of 10.42% per annum since issued. Details of the Group's convertible bonds are disclosed in note 28.

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 exposure to fair value interest rate risk is minimal as fixed-rate bank deposits are all short-term in nature.

The Group's exposures to interest rates on structured bank deposit, cash and cash equivalents and financial liabilities are detailed in the liquidity and interest risk table of this note.

Other price risks

(i) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analyses purposes, the sensitivity rates are increased to 15% and 30% respectively in the current year as result of the volatile financial market.

- If equity prices had been 15% higher (2007: 10% higher), investment revaluation reserve would increase by RMB2,964,000 (2007: RMB5,765,000), as a result of changes in fair value of available-for-sale investments. If equity prices had been 15% lower (2007: 10% lower), profit for the year ended 31 December 2008 would decrease by RMB5,277,000 as a result of further impairment of the available-for-sale investments (2007: investment revaluation reserve would decrease by RMB5,765,000 as a result of changes in fair value of available-for-sale investments).

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Other price risks (Continued)

(i) Equity price risk (Continued)

- If equity prices had been 30% higher (2007: 10% higher), investment revaluation reserve would increase by RMB5,928,000 (2007: RMB5,765,000), as a result of changes in fair value of available-for-sale investments. If equity prices had been 30% lower (2007: 10% lower), profit for the year ended 31 December 2008 would decrease by RMB8,241,000 as a result of further impairment of the available-for-sale investments (2007: investment revaluation reserve would decrease by RMB5,765,000 as a result of changes in fair value of available-for-sale investments).

The sensitivity analyses above only analysed the Group's year end equity price risk exposure and do not represent the exposure during the year as the fair value of the equity securities fluctuate during the year.

(ii) Fair value risk on derivatives

The derivative component of the Group's convertible bonds is required to be measured at fair value with changes in fair value recognised in the consolidated income statement. The fair value will be affected either positively or negatively, amongst others, by the changes in market interest rate and the Company's share price.

If the Company's share price had been 15% higher/lower (2007: 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 decrease/increase by RMB50,036,000 and RMB74,114,000 (2007: RMB43,272,000 and RMB42,513,000), respectively. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

If the market 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 RMB4,274,000 and RMB4,365,000 (2007: RMB7,070,000 and RMB7,149,000), respectively.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.2. Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge 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 balance sheet.

In order to minimise the credit risk, the management of 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 adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on structured bank deposit, bank balances and trade receivables which are attributable to credit card sales, is limited because majority of the counterparties are state-owned banks and/or financial institutions with good reputation.

The Group has no significant concentration of credit risk on trade and other receivables and amounts due from fellow subsidiaries, with exposure spread over a large number of counterparties and customers.

6B.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. Other than the convertible bonds as set out in note 28, the Group has no borrowings as at the balance sheet date and the Group relies principally on cash flows generated from its operating activities as a primary source of liquidity. The Group had net current liabilities of approximately RMB751,513,000 (2007: net current assets of approximately RMB168,557,000) at balance sheet date. The Directors consider that the Group has sufficient liquid assets generated from its operations to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. The Group closely monitors forecast, actual cash flows, the available unutilised banking facilities and reserve borrowing facilities in order to maintain an appropriate mix of liquidity portfolio.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.3. Liquidity risk (Continued)

Liquidity and interest risk tables

The following table details the Group's contractual maturity for its financial liabilities as well as structured bank deposit and cash and cash equivalents which is included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. The table has 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.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.3. Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	Within 1 year	1-2 years	Total undiscounted cash flows	Total carrying amount at year end
	%	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2008					
Structured bank deposit	3.00	50,000	—	50,000	50,000
Cash and cash equivalents	0.52	2,040,574	—	2,040,574	2,040,574
		2,090,574	—	2,090,574	2,090,574
Non-derivative financial liabilities:					
Trade and other payables	—	873,839	—	873,839	873,839
Amounts due to fellow subsidiaries	—	26,186	—	26,186	26,186
Convertible bonds (including derivative component)	10.42	1,021,240	—	1,021,240	1,018,979
		1,921,265	—	1,921,265	1,919,004
Net		169,309	—	169,309	171,570
For the year ended 31 December 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	—	677,194	677,194
Amounts due to fellow subsidiaries	—	19,673	—	19,673	19,673
Amount due to a former minority investor of a subsidiary	—	2,000	—	2,000	2,000
Convertible bonds (including derivative component)	10.42	—	1,084,351	1,084,351	1,060,212
		698,867	1,084,351	1,783,218	1,759,079
Net		1,049,039	(1,084,351)	(35,312)	(11,173)

6. FINANCIAL INSTRUMENTS (Continued)

6.C. 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 in active liquid markets are determined with reference to quoted market bid prices;
- the fair values 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:

	2008		2007	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Convertible bonds - liability component	**852,806**	**947,624**	819,968	851,559

7. REVENUE

The Group's revenue generates from the department store operations in the PRC represents the net amount received and receivable for goods sold, less returns and allowances, income from concessionaire sales, rental income and management service fees. An analysis of the Group's revenue for the year is as follows:

	2008 RMB'000	2007 RMB'000
Revenue from department store operations		
– direct sales	**383,675**	303,089
– income from concessionaire sales	**1,025,954**	788,586
– rental income	**21,556**	15,830
– management service fees	**959**	153
	1,432,144	1,107,658

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

7. REVENUE (Continued)

Gross sales proceeds

	2008 RMB'000	2007 RMB'000
From department store operations		
– direct sales	**438,507**	362,606
– concessionaire sales	**5,786,674**	4,478,744
– rental income	**22,823**	16,760
– management service fees	**959**	153
	6,248,963	4,858,263

8. SEGMENT INFORMATION

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

9. OTHER INCOME

	2008	2007
	RMB'000	RMB'000
Income from investments in interest bearing instruments	69,031	26,052
Net foreign exchange gains	47,020	41,420
Income from suppliers	44,861	19,041
Government grants (note)	16,067	48,949
Interest income on bank deposits	13,554	19,654
Changes in fair value of held-for-trading investments	13,224	30,555
Compensation received	4,113	—
Investment revaluation reserve transferred to profit or loss on disposal of available-for-sale investments	165	—
Others	2,857	2,131
	210,892	187,802

Note: Government grants for the year ended 31 December 2008 comprised of various incentives and subsidies granted by the PRC local authorities to the Group. Government grants for the year ended 31 December 2007 included approximately RMB37 million of reinvestment incentives granted by local government towards dividends received and reinvested by Goldjoint Group Limited, a direct wholly-owned subsidiary of the Company, into the Group's PRC operations, and approximately RMB12 million of other incentives and subsidies granted by the PRC local authorities to the Group.

10. FINANCE COSTS

	2008	2007
	RMB'000	RMB'000
Effective interest expense on convertible bonds (note 28)	81,444	80,477

11. INCOME TAX EXPESNE

	2008 RMB'000	2007 RMB'000
PRC Enterprise Income Tax:		
Current year	**214,335**	216,933
Underprovision in prior years	**1,806**	84
	216,141	217,017
Deferred tax charge (credit):		
Current year	**8,964**	4,991
Attributable to change in tax rate	**1,626**	(9,647)
	10,590	(4,656)
	226,731	212,361

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 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of the Group's subsidiaries located in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. Subsidiaries of the Company located in the PRC are subject to PRC Enterprises Income Tax rate of 25% (2007: 33%), except for Kunming Golden Eagle International Shopping Centre Co., Ltd. ("Kunming Golden Eagle") which was granted on 25 March 2008 a preferential income tax rate at 15% effective from 1 January 2007 for 4 years. The deferred tax balance of Kunming Golden Eagle 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.

11. INCOME TAX EXPESNE (Continued)

The tax charge for the year ended 31 December 2008 can be reconciled to the profit before tax as follows:

	2008	2007
	RMB'000	RMB'000
Profit before tax	**844,424**	598,096
Tax at the applicable tax rate of 25% (2007: 33%)	**211,106**	197,372
Tax effect of expenses not deductible for tax purpose	**29,735**	44,284
Tax effect of income not taxable for tax purpose	**(23,165)**	(19,694)
Tax effect of tax losses not recognised	**1,716**	3,031
Tax effect on utilisation of tax losses previously not recognised	**—**	(3,069)
Changes in opening deferred tax balances resulting from a decrease in applicable tax rate	**1,626**	(9,647)
Underprovision in prior years	**1,806**	84
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**3,912**	—
Tax effect of preferential income tax rate of a subsidiary	**(5)**	—
Tax charge for the year	**226,731**	212,361

12. PROFIT FOR THE YEAR

	2008 RMB'000	2007 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**1,056**	2,071
Other staff:		
Salaries and other benefits	**109,541**	87,306
Retirement benefits schemes contributions	**9,821**	9,198
Equity-settled share-based payments	**8,846**	14,551
	129,264	113,126
Auditor's remuneration	**1,800**	2,000
Depreciation and amortisation of property, plant and equipment	**71,271**	55,198
Investment revaluation reserve transferred to profit or loss on impairment of available-for-sale investments	**6,940**	—
Release of prepaid lease payments on land use rights	**4,824**	3,240
Loss on disposal of property, plant and equipment	**1,005**	48
Impairment loss reversed in respect of other receivables	**(8)**	(31)
Cost of inventories recognised as an expense	**316,801**	242,398
Operating lease rentals in respect of land and buildings	**23,939**	13,707

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors of the Company were as follows:

	2008					2007				
		Other emoluments					Other emoluments			
	Fees	Salaries and othe benefits	Retirement benefits scheme contributions	Equity-settled share-based payments	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled 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	–	263	21	402	686	–	250	20	953	1,223
Mr. Wang Wei (note)	–	–	–	–	–	–	–	–	–	–
Sub-total	–	263	21	402	686	–	250	20	953	1,223
Independent non-executive Directors										
Mr. Wong Chi Keung	158	–	–	–	158	180	–	–	214	394
Mr. Wang Yao	106	–	–	–	106	120	–	–	107	227
Mr. Lau Shek Yau, John	106	–	–	–	106	120	–	–	107	227
Sub-total	370	–	–	–	370	420	–	–	428	848
Total	370	263	21	402	1,056	420	250	20	1,381	2,071

Note: Mr. Wang Wei was retired as the executive director of the Company on 30 May 2007 and remains as the senior management of the Company.

One (2007: 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 (2007: four) individuals were as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other benefits	**987**	2,251
Retirement benefits scheme contributions	**52**	27
Equity-settled share-based payments	**1,365**	2,383
	2,404	4,661

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2008 **No. of** **employees**	2007 No. of employees
Within HKD1,000,000		
(Equivalent to within RMB881,900)	**4**	3
HKD1,000,001 to HKD2,000,000		
(Equivalent to RMB881,901 to RMB1,763,800)	**—**	1
	4	4

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

14. DIVIDENDS

	2008 **RMB'000**	2007 RMB'000
Dividends recognised as distribution during the year:		
Final – RMB0.043 (2007: RMB0.025) per share	**78,150**	45,422

The final dividend of RMB0.308 (2007: RMB0.043) per share total amounting to approximately RMB545 million (2007: RMB78 million) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding and profit for the year to assume conversion of all dilutive potential ordinary shares, including the share options and convertible bonds, of the Company.

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:

	2008	2007
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**617,693**	385,735
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments	**(74,071)**	—
Effective interest expense on convertible bonds	**81,444**	—
Exchange realignment on convertible bonds	**(48,606)**	—
Earnings for the purpose of diluted earnings per share	**576,460**	385,735

	2008	2007
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,812,645**	1,816,930
Effects of dilutive potential ordinary shares:		
Share options	**4,599**	3,142
Convertible bonds	**155,763**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,973,007**	1,820,072

The computation of diluted earnings per share for the year ended 31 December 2007 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2007	1,350,739	155,203	37,320	35,725	4,384	—	1,583,371
Additions	13,804	38,720	800	3,342	612	4,397	61,675
Transfers	5,065	40	1,052	(5,065)	—	(1,092)	—
Acquisition of subsidiaries	352,703	328	—	1,326	410	—	354,767
Disposals	—	(930)	(1)	(1,833)	(707)	—	(3,471)
At 31 December 2007	1,722,311	193,361	39,171	33,495	4,699	3,305	1,996,342
Additions	151,101	48,265	47,162	7,977	465	377,699	632,669
Transfers	305,385	4,110	—	—	—	(309,495)	—
Disposals	—	(10,643)	(796)	(1,984)	(392)	—	(13,815)
At 31 December 2008	**2,178,797**	**235,093**	**85,537**	**39,488**	**4,772**	**71,509**	**2,615,196**
DEPRECIATION AND AMORTISATION							
At 1 January 2007	111,821	99,907	16,708	13,544	2,611	—	244,591
Provided for the year	29,599	17,122	3,165	4,825	487	—	55,198
Eliminated on disposals	—	(862)	—	(1,675)	(414)	—	(2,951)
At 31 December 2007	141,420	116,167	19,873	16,694	2,684	—	296,838
Provided for the year	36,949	25,235	3,857	4,693	537	—	71,271
Eliminated on disposals	—	(9,821)	(682)	(1,670)	(366)	—	(12,539)
At 31 December 2008	**178,369**	**131,581**	**23,048**	**19,717**	**2,855**	**—**	**355,570**
CARRYING VALUES							
At 31 December 2008	**2,000,428**	**103,512**	**62,489**	**19,771**	**1,917**	**71,509**	**2,259,626**
At 31 December 2007	1,580,891	77,194	19,298	16,801	2,015	3,305	1,699,504

For land use rights and buildings in the PRC where the cost of land use rights 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 buildings mentioned in the immediate preceding paragraph, the cost of other buildings is depreciated over 40 years using the straight line method.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

Other items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account the estimated residual value on a straight line basis, at the following rates per annum:

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

	2008	2007
	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 land use rights	**1,527,971**	1,100,731
Long-term land use rights	**472,457**	480,160
	2,000,428	1,580,891

As at the balance sheet date, the Group is in the process of obtaining title deeds of buildings with a carrying value of approximately RMB433,007,000 (2007: RMB424,061,000).

17. LAND USE RIGHTS

	2008	2007
	RMB'000	RMB'000
CARRYING VALUE		
At beginning of the year	**183,363**	54,914
Additions	**925**	82,249
Acquisition of subsidiaries	**—**	49,440
Released to consolidated income statement during the year	**(4,824)**	(3,240)
At end of the year	**179,464**	183,363
Analysed for reporting purposes as:		
Non-current assets	**174,635**	178,569
Current assets	**4,829**	4,794
	179,464	183,363

The amount represents the prepaid lease payments on land use rights situated in the PRC for a period ranged from 40 to 50 years.

As at 31 December 2007, the Group was in the process of obtaining the land use right certificates in respect of medium-term land use rights with a carrying value of approximately RMB48,925,000.

18. GOODWILL

	Amount RMB'000
COST AND CARRYING VALUE	
At 1 January 2007, 31 December 2007 and 31 December 2008	26,035

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to five individual cash-generating units (CGUs) which are principally engaged in the operation of department stores in respective cities. The carrying amount of goodwill as at 31 December 2008 allocated to these units are as follows:

	2008 & 2007 RMB'000
Operations of department stores:	
Xuzhou Golden Eagle International Industry Co., Ltd.	731
Yangzhou Golden Eagle International Industry Co., Ltd.	481
Nantong Golden Eagle International Shopping Centre Co., Ltd.	9,735
Xi'an Golden Eagle International Shopping Centre Co., Ltd.	6,717
Xi'an Golden Eagle International Trading Shopping Centre Co., Ltd.	8,371
	26,035

During the year ended 31 December 2008, management of the Group determines that there is no impairment of any of its CGUs containing goodwill. The recoverable amounts of these CGUs have been determined based on the value in use calculation of the respective CGUs which containing similar key assumptions. For the purpose of determining the value in use, cash flow projections based on financial budgets approved by management covering a five-year period has been used. The discount rate applied to the cash flow projections is 10% (2007: 10%) per annum.

18. GOODWILL (Continued)

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections:

Store revenue:	The bases used to determine the future earning potential are historical sales, the average and expected organic growth rates for stores operated by the Group and the average and expected growth rates of the retail market in the PRC.
Gross margins:	Gross margins are determined based on the average gross margins achieved in the previous years.
Cost of sales and operating expenses:	The bases used to determine the values are cost of merchandise purchased for resale, staff costs, depreciation and amortisation, marketing and promotion expenses and other operating expenses. 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.
Discount rate:	Discount rate reflects management's estimate on the risks specific to these entities. A consideration has been given to the effective borrowing rate of the Group while determining the discount rate.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	RMB'000	RMB'000
Equity securities listed in the PRC, stated at fair value	**26,348**	76,864

20. DEFERRED TAXATION

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

	Accelerated depreciation allowances	Undistributable profits of the PRC subsidiaries	Start up cost	Tax losses	Revaluation of investment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	46,815	—	(3,955)	(2,594)	1,298	(848)	40,716
Charge (credit) to consolidated income statement for the year (note 11)	6,748	—	584	(2,305)	—	(36)	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 the consolidated income statement (note 11)	(11,349)	—	959	538	—	205	(9,647)
Change in tax rate recognised in equity	—	—	—	—	(315)	—	(315)
At 31 December 2007	42,214	—	(5,608)	(4,361)	10,854	(679)	42,420
Charge (credit) to consolidated income statement for the year (note 11)	7,560	3,912	(718)	(10)	(1,735)	(45)	8,964
Credit to equity for the year	—	—	—	—	(11,624)	—	(11,624)
Change in tax rate recognised in the consolidated income statement (note 11)	—	—	1,172	454	—	—	1,626
At 31 December 2008	49,774	3,912	(5,154)	(3,917)	(2,505)	(724)	41,386

At the balance sheet date, the Group has unused tax losses of approximately RMB40,600,000 (2007: RMB30,920,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB20,261,000 (2007: RMB17,444,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB20,339,000 (2007: RMB13,476,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

21. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	RMB'000
Trade receivables	**33,545**	27,772
Trade prepayments to suppliers	**834**	7,204
Rental deposits (note)	**19,222**	8,367
Deposits paid for purchases of goods	**1,396**	3,203
Other receivables	**23,787**	17,267
	78,784	63,813
Less: allowance for doubtful debts on other receivables	**(23)**	(31)
	78,761	63,782

Note: Of the balance, RMB10,000,000 (2007: nil) rental deposit in respect of leasing a property for department store operation in Shanghai, the PRC, has been paid to a fellow subsidiary of the Company, 上海富得世紀投資有限公司 (Shanghai Fude Shiji Investment Limited), in which a director of the Company, Mr. Wang Hung, Roger ("Mr. Wang") has beneficial interest. Details of the transaction are set out in the announcement of the Company dated 5 January 2009.

The Group's trade customers mainly settled their debts by cash payments, either in the form of cash or debit card, or credit card payments. The Group currently does not have a defined fixed credit policy as its trade receivables are mainly arose from credit card sales. Trade receivables are all aged within 15 days from the respective balance sheet date and had been fully settled subsequent to balance sheet date. The movements of the allowance for doubtful debts during the year are not significant.

22. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2008 RMB'000	2007 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.)	**162**	95
徐州金鷹國際物業管理有限公司 (Xuzhou Golden Eagle International Properties Management Co., Ltd.)	—	1,431
上海金鷹國際購物中心有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.)	—	124
Others	—	15
	162	2,157

The amounts represent trade receivables from fellow subsidiaries which are unsecured, interest-free and repayable on demand.

23. STRUCTURED BANK DEPOSIT

	2008 RMB'000	2007 RMB'000
LIBOR-linked structured bank deposit (the "LSBD"), at amortised cost	**50,000**	—

The LSBD is denominated in RMB and matured on 16 March 2009. Pursuant to the underlying agreement, the LSBD carries interest at variable rates (at a minimum rate of 3% per annum) with reference to USD London Interbank Offered Rate (LIBOR) and its principal sum is guaranteed upon maturity.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between 1 and 3 months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The effective interest rate for short-term bank deposits during the year ended 31 December 2008 is approximately 0.52% (2007: 1.57%) per annum. The bank balances are deposited with creditworthy banks with no recent history of default.

As at the balance sheet date, a portion of the bank balances and cash held by the Group were denominated in RMB, which are not freely convertible into other currencies. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

25. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	RMB'000
Trade payables	**728,981**	594,172
Advance payments from customers	**902,240**	572,955
Other taxes payable	**120,885**	97,307
Purchase of property, plant and equipment	**74,725**	40,651
Suppliers' deposits	**34,703**	26,361
Accrued salaries and welfare expenses	**16,944**	10,541
Other payables	**53,189**	31,830
	1,931,667	1,373,817

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

	2008	2007
	RMB'000	RMB'000
0 to 30 days	**615,245**	507,619
31 to 60 days	**70,466**	50,985
61 to 90 days	**16,402**	13,791
Over 90 days	**26,868**	21,777
	728,981	594,172

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

26. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	2008	2007
	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.) ("Nanjing Golden Eagle Decoration")	**18,662**	16,765
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group")	**5,465**	—
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.)	**1,359**	2,840
Others	**700**	68
	26,186	19,673

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

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

At 31 December 2007, the balance represented an amount payable to a former minority investor for the acquisition of an additional 25% interest in 西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Company Limited). The amount was fully repaid during the year ended 31 December 2008.

28. CONVERTIBLE BONDS

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

Each Bond will, at the option of the bondholder, 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 (subject to adjustments). 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.

28. CONVERTIBLE BONDS (Continued)

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 bondholders a gross yield of 4.95% on a semi-annual basis. The Company may also redeem the outstanding Bonds, in whole but not in 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.

Bondholder early redemption option

The Bonds may be redeemed at the option of the bondholders at 115.8% of each HKD10,000 principal amount of the Bonds held on 23 October 2009 or on the occurrence of a change of the 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 derivative instruments which are considered as not closely related to the host liability component) as follows:

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

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

(ii) Derivative component represents:

(i) The fair value of the option of the bondholders to convert the Bonds into the Shares at an initial conversion price of HKD6.42 per share (subject to adjustments).

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

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

28. CONVERTIBLE BONDS (Continued)

The Binomial model has been used to estimate the fair value of the convertible bonds as a whole, where the embedded options are considered together with the straight bonds in one customised Binomial model. The variables and assumptions used in computing the fair value of the convertible bonds are based on the management's best estimate. The value of the convertible bonds varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

	2008	2007
Risk-free interest rate	**0.73%**	2.91%
Volatility of the Company's share price (with references to historical volatility of the Company and comparable companies' share prices)	**47.22%**	34.00%
Dividend yield	**1.00%**	1.00%
Discount rate	**6.33%**	9.31%
The Company's share price on valuation date	**HKD5.44**	HKD8.14

During the year ended 31 December 2008, the liability component of the Bonds had been reclassified as current liabilities from non-current liabilities, in accordance with HKAS 1 "Presentation of Financial Statements", as the bondholders may exercise their early redemption option on 23 October 2009 to redeem the Bonds at the Early Redemption Amount. The remaining unredeemed amounts will be reclassified to non-current liabilities subsequent to 23 October 2009 and on the subsequent balance sheet date as of 31 December 2009.

The movements of the liability component and derivative component of the Bonds during the year are set out below:

	Liability component RMB'000	**Derivative component** RMB'000	**Total** RMB'000
As at 1 January 2007	796,828	225,354	1,022,182
Exchange realignment	(57,337)	—	(57,337)
Effective interest expense charged during the year (note 10)	80,477	—	80,477
Changes in fair value	—	14,890	14,890
As at 31 December 2007	819,968	240,244	1,060,212
Exchange realignment	(48,606)	—	(48,606)
Effective interest expense charged during the year (note 10)	81,444	—	81,444
Changes in fair value	—	(74,071)	(74,071)
As at 31 December 2008	**852,806**	**166,173**	**1,018,979**

29. SHARE CAPITAL

	Number of shares	Amount HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2007	1,816,875,000	181,688
Exercise of share options	352,000	35
At 31 December 2007	1,817,227,000	181,723
Shares repurchased and cancelled	(43,367,000)	(4,337)
Exercise of share options	695,000	70
At 31 December 2008	1,774,555,000	177,456

	RMB'000
Shown in the consolidated financial statements:	
At 31 December 2008	182,661
At 31 December 2007	187,063

29. SHARE CAPITAL (Continued)

During the year ended 31 December 2008, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HKD0.10 each of the Company	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HKD	HKD	HKD'000
November 2008	35,735,000	4.60	3.31	144,445
December 2008	7,632,000	5.44	4.00	36,506
				180,951

The repurchased shares were subsequently cancelled and accordingly the issued share capital of the Company was diminished by the nominal value thereof. The nominal value of approximately HKD4,337,000 (equivalent to approximately RMB4,464,000) of all the shares cancelled during the year was credited to capital redemption reserve account, and the premium paid or payable on repurchase of approximately HKD176,614,000 (equivalent to approximately RMB155,072,000) was charged against the share premium account of the Company.

In addition, during the year ended 31 December 2008, a total of 695,000 (2007: 352,000) ordinary shares of HKD0.10 each of the Company were issued upon exercise of share options. These shares rank pari passu in all respects with all shares then in issue.

30. RESERVES

Special reserve

The Group's special reserve represents amounts arising on a group reorganisation underwent prior to the listing of the Company's shares on the Stock Exchange in 2006.

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 statutory financial statements prepared in accordance with the applicable PRC accounting standards (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, if any, 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 board of directors of 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 board of directors of 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 financial statements as an expense as the staff welfare and bonus fund will be used to pay for staff benefits of the FIE Subsidiaries.

No appropriation to the enterprise expansion fund and staff welfare and bonus fund has been made by the FIE Subsidiaries since their establishments.

30. RESERVES (Continued)

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as domestic enterprises (the "Domestic Subsidiaries"), the Domestic Subsidiaries are required to maintain a statutory surplus reserve fund. The Domestic 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 Domestic Subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses, if any, and to increase capital.

31. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme approved by written resolutions of the sole shareholder of the Company on 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 board of directors of the Company, have contributed to the Group to subscribe for shares in the Company for a consideration of HKD1.00 for each lot of share options granted for the primary purpose of providing incentives to directors and eligible employees. The Share Option Scheme will remain effective 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 the date of Listing 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 ordinary shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director or their respective associates 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 options. 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 of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the ordinary shares of the Company 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 shares of the Company.

31. SHARE-BASED PAYMENTS (Continued)

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
2008	18,000,000	05/12/2008	20%	05/12/2009 ~ 04/12/2014	4.20
			20%	05/12/2010 ~ 04/12/2014	4.20
			20%	05/12/2011 ~ 04/12/2014	4.20
			20%	05/12/2012 ~ 04/12/2014	4.20
			20%	05/12/2013 ~ 04/12/2014	4.20

On 5 December 2008, 18,000,000 share options were granted. The closing price of the Company's shares immediately before the grant date is HKD4.19 and the estimated fair value of the options granted on that date is HKD18,475,000 (equivalent to approximately RMB16,293,000).

31. SHARE-BASED PAYMENTS (Continued)

The Binomial model has been used to estimate the fair value of the share options granted. 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		
2008						
Other employees	4.14	4.20	47.3%	6	1%	1.63%

The variables and assumptions used in computing the fair value of the share options granted are based on the management' best estimate. The value of an option varies with different variables of certain subjective assumptions. Expected volatility was determined by using the historical volatility of the Company's share price over the past 3 years.

The following tables disclose movements of the Company's share options held by Directors and employees during both years:

	Outstanding at beginning of the year	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of the year
For the year ended 31 December 2008						
Executive Directors	**1,000,000**	**–**	**–**	**–**	**–**	**1,000,000**
Independent non-executive Directors	**300,000**	**–**	**–**	**–**	**–**	**300,000**
Key management	**5,390,000**	**250,000**	**–**	**(180,000)**	**(480,000)**	**4,980,000**
Other employees	**15,406,000**	**(250,000)**	**18,000,000**	**(515,000)**	**(973,000)**	**31,668,000**
	22,096,000	**–**	**18,000,000**	**(695,000)**	**(1,453,000)**	**37,948,000**
Exercisable at 31 December 2008						**7,888,000**
For the year ended 31 December 2007						
Executive Directors	1,850,000	(850,000)	–	–	–	1,000,000
Independent non-executive Directors	400,000	–	–	(100,000)	–	300,000
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

31. SHARE-BASED PAYMENTS (Continued)

The weighted average share price at the time of exercise was HKD7.86 (2007: HKD8.07) per share.

The Group recognised the total expenses of RMB9,248,000 for the year ended 31 December 2008 (2007: RMB15,932,000) in relation to share options granted by the Company.

32. ACQUISITION OF SUBSIDIARIES

In July 2007, the Group acquired 100% equity interests in Kunming Golden Eagle through the acquisition of 100% equity interests in Eagle Ride Ventures Limited ("Eagle Ride"), which holds 80% equity interests in Kunming Golden Eagle, and the acquisition of 20% equity interests in Kunming Golden Eagle from a group of independent third parties, for an aggregate consideration of RMB357 million.

On the date of acquisition, Kunming Golden Eagle owns a shopping mall and has not commenced operations. In the opinion of the Directors, the acquisition does not constitute a business combination in accordance with HKFRS 3 "Business Combination" and 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 balances and cash	6,538
Other payables	(61,461)
	357,136

	RMB'000
Cash consideration paid in 2006 as deposits for acquisition of subsidiaries	331,556
Cash consideration paid in 2007	25,580
Total cash consideration paid	357,136

For the purpose of the consolidated financial statements, net cash outflow on acquisition:

Cash consideration paid in 2007	25,580
Less: cash and cash equivalent acquired	(6,538)
	19,042

Eagle Ride and Kunming Golden Eagle recorded a loss of approximately RMB4,054,000 between the date of acquisition to 31 December 2007.

33. OPERATING LEASE ARRANGEMENTS

The Group as leasee

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of certain office and department store properties rented under non-cancellable operating leases which fall due as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**19,524**	15,613
In the second to fifth year inclusive	**45,402**	51,698
Over five years	**4,842**	10,316
	69,768	77,627

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

	2008	2007
	RMB'000	RMB'000
Within one year	**7,123**	3,663
In the second to fifth year inclusive	**7,123**	7,326
	14,246	10,989

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain landlords, which include fellow subsidiaries of the Company, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the year ended 31 December 2008 amounted to approximately RMB8,021,000 (2007: RMB81,000).

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

33. 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 department store properties:

	2008 RMB'000	2007 RMB'000
Within one year	**9,141**	6,258
In the second to fifth year inclusive	**19,471**	12,185
Over five years	**2,449**	3,655
	31,061	22,098

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on the tenants' monthly gross sales or gross profit. Rental income received from these contingent lease contracts during the year ended 31 December 2008 was approximately RMB17,415,000 (2007: RMB11,689,000).

Leases are generally negotiated for terms ranging from 1 to 5 years.

34. CAPITAL COMMITMENTS

	2008 RMB'000	2007 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**—**	115,240

35. RETIREMENT BENEFITS SCHEMES

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

The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees.

The total cost charged to the consolidated income statement of RMB9,842,000 (2007: RMB9,218,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2008, contributions of RMB672,000 (2007: RMB528,000) due in respect of the reporting period had not been paid over to the schemes.

36. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in notes 13, 21, 22, 26, 27, 31, 32 and 33, the Group had the following significant transactions with related companies:

a) **Transactions:**

Relationship with related parties	**Nature of transactions**	**2008** **RMB'000**	2007 RMB'000
Fellow subsidiaries of the Company in which a director of the Company, Mr. Wang, is deemed to have beneficial interests	Decoration service fee paid	**66,718**	31,563
	Property management fee paid	**18,223**	11,889
	Property rentals paid	**13,991**	2,719
	Property rentals received	**803**	3,779
	Carpark management fee paid	**4,087**	4,215
	Project management fee paid	**9,695**	1,930
	Management service fee received	**959**	153
	Sales of merchandise	**1,525**	421

b) As at 31 December 2007, RMB2,700,000 deposits in respect of acquisition of property, plant and equipment has been paid to a fellow subsidiary.

36. 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:

	2008	2007
	RMB'000	RMB'000
Salaries and allowances	**2,632**	3,627
Retirement benefits schemes contributions	**135**	136
Equity-settled share-based payments	**2,851**	5,469
	5,618	9,232

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

37. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company	Principal activity
Goldjoint Group Limited (Note 1)	British Virgin Islands	Share – USD1	100%	Investment holding
Golden Eagle International Trading Limited (金鷹國際貿易有限公司)	Hong Kong	Share – HKD10,000	100%	Investment holding
金鷹國際商貿集團（中國）有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.) ("Nanjing Golden Eagle") (Note 2)	PRC	Registered capital – RMB1,137,000,000	100%	Operation of department store
徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB60,000,000	100%	Operation of department store
陽州金鷹國際實業有限公司 (Yangzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB40,000,000	100%	Operation of department store

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company	Principal activity
蘇州金鷹國際購物中心有限公司 (Suzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	100%	Operation of department store
南通金鷹國際購物中心有限公司 (Nantong Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	100%	Operation of department store
西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	Operation of department store
西安金鷹國貿購物中心有限公司 (Xi'an Golden Eagle International Trading Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB1,000,000	100%	Operation of department store
上海金鷹實業有限公司 (Shanghai Golden Eagle Industry Co., Ltd.)	PRC	Registered capital – RMB5,000,000	100%	Trading
泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB40,000,000	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 Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	Operation of department store
昆明金鷹國際購物中心有限公司 (Kunming Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – USD5,000,000	100%	Operation of department store
南京金鷹天地購物中心有限公司 (Nanjing Golden Eagle G-City Shopping Centre Co., Ltd.)	PRC	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 Co., Ltd.)	PRC	Registered capital – RMB10,000,000	100%	Trading

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company	Principal activity
Eagle Ride Ventures Limited （鷹威企業有限公司）	British Virgin Islands	Share – USD300	100%	Investment holding
淮安金鷹國際購物中心有限公司 (Huai'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	Operation of department store

Notes:

1. Goldjoint Group Limited is held directly by the Company.

2. All of the PRC Subsidiaries are companies registered as limited liability companies under the PRC law, except for Nanjing Golden Eagle which is registered as a wholly-foreign owned enterprise under the PRC law.

3. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year and none of the subsidiaries had issued any debt securities at the end of the year.