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

Incorporated in the Cayman Islands with limited liability

Stock code:3308

Enriching everyone's life

Annual Report 2009 年報

Our Mission

Adding value to our society
Enriching everyone's life

Our Value

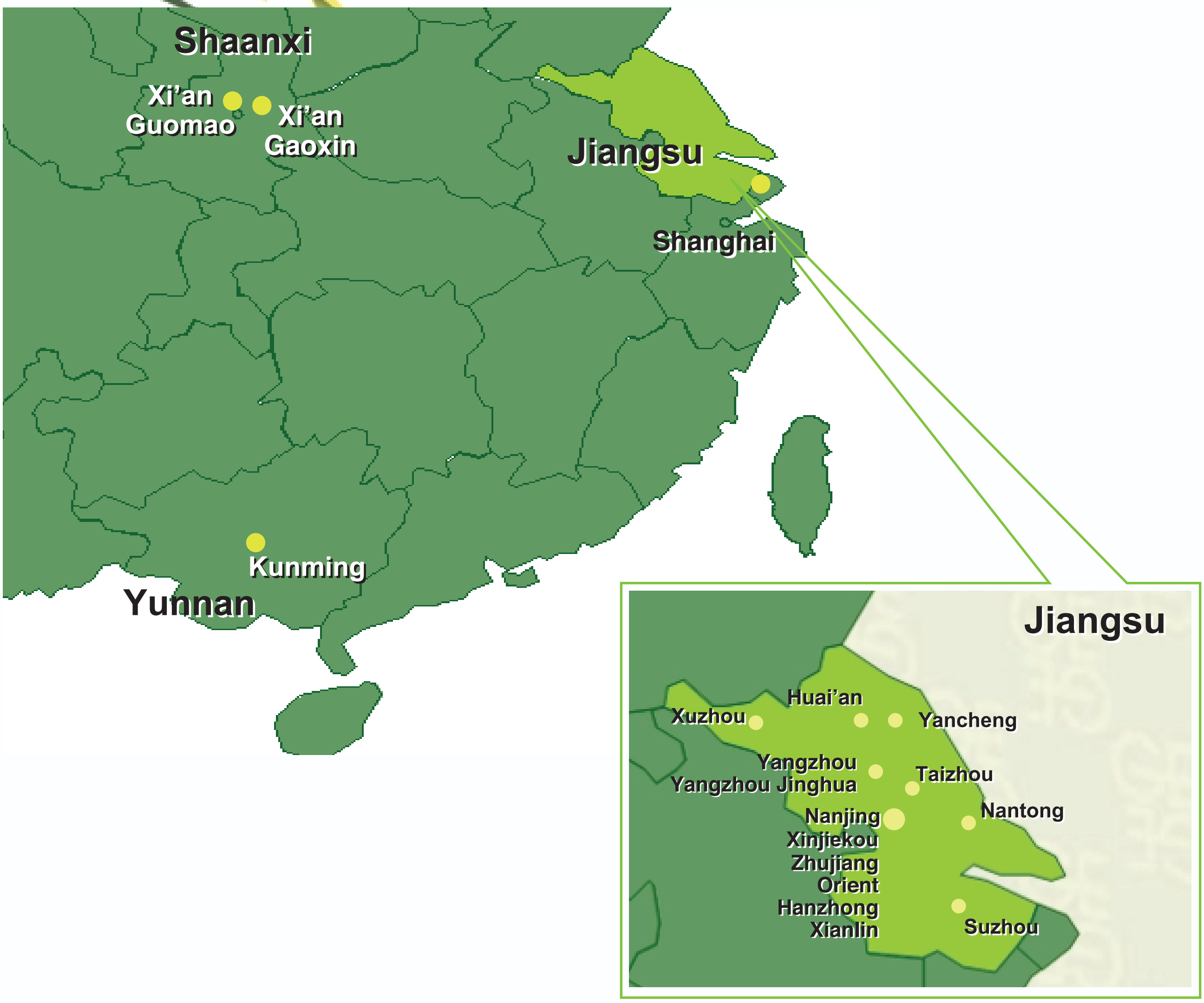
Integrity, Passion, Innovation and Cooperation
We do better than we promise

Our Vision

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

We do better than we promise!

Contents



	Gross Floor Area (square metres)		
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	33,447		33,447
Nantong Store	8,795		8,795
Yangzhou Store	37,562	3,450	41,012
Suzhou Store		14,960	14,960
Xuzhou Store	51,266		51,266
Xi'an Guomao Store		10,029	10,029
Xi'an Gaoxin Store	27,287		27,287
Taizhou Store	58,374		58,374
Kunming Store	33,702		33,702
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	49,689		49,689
Yancheng Store	62,000		62,000
Yangzhou Jinghua Store		29,598	29,598
Shanghai Store		21,306	21,306
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		24,440	24,440
Total	**362,122**	**149,823**	**511,945**
Percentage	70.7%	29.3%	100%

DEVELOP A STORE CHAIN NETWORK SPANNING NATIONWIDE WITH A STRONG FOOTHOLD IN JIANGSU PROVINCE

Since the opening of Nanjing Xinjiekou Store, our first department store, the Group has, with its devoted efforts in the past 14 years, successfully opened 16 self-owned stores and 1 management store as at the date of this report. These stores spanned across three provinces namely Jiangsu Province, Shaanxi Province and Yunnan Province, and covering eleven cities, including Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Xi'an and Kunming, with a total gross floor area of approximately 539,000 square meters and a total operating area of approximately 360,000 square meters.

The Group has successfully established a leading position in Jiangsu Province, the market in which the Group enjoys competitive advantages. The Group has accumulated valuable experiences in cross-regional expansion and operation management through the opening of Xi'an Guomao Store, Xi'an Gaoxin Store, Kunming Store and Shanghai Store, establishing a solid foundation for achieving the target of building a nationwide chain network.

INSIST ON THE STRATEGY OF DEVELOPING AT SELF-OWNED PROPERTIES WITH ESTABLISHMENT OF LONG TERM LEASES AS ALTERNATIVE

The Group's department stores are situated at the prime shopping districts in their respective cities. The proportion of self-owned properties reaches approximately 70.7%, which enables the Group to be immune from rental inflation in the future and to enjoy the upside of property appreciation. In order to capture development opportunities, the Group also occupies high quality properties by entering into long-term leasing agreements, which can minimize the impact of rental increase on the operations of department stores. The target term of leasing agreements is above ten years.

FOCUS ON VIP CUSTOMER EXPANSION PLAN TO ATTRACT LOYAL VIP CUSTOMERS

Through the provision of value-added services exclusively for VIPs and continuous improvement in the quantity and quality of our services, the Group has successfully secured over 743,000 loyal VIP customers as at 31 December 2009, which further strengthened the Group's foundation for long-term development and expansion. During the reporting period, VIP customers' spending accounted for approximately 63.2% of the gross sales proceeds of the Group.

STANDARDIZED MANAGEMENT SYSTEM AND LEADING ERP MANAGEMENT SYSTEM IN THE INDUSTRY

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

INSIGHT FOR INTERNATIONALIZED MANAGEMENT AND LOCALIZED OPERATING STRATEGIES

The Group highly respects the efforts and contributions of its employees. The Group organizes regular professional training sessions and overseas study trips for the management and employees, so as to enhance their sustainable development capabilities and their insights for internationalized management. The Group also implements a localized management system which is suitable for the relevant local markets. The Group recruits local talents who are familiar with the local market to form its own management team for the relevant department stores. As at 31 December 2009, the Group had approximately 3,700 employees.

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Ms. Zheng Shu Yun

NON-EXECUTIVE DIRECTOR

Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Mr. Fok Chi Tak CPA, ACA. FCCA, ACS, ACIS

QUALIFIED ACCOUNTANT

Mr. Fok Chi Tak CPA, ACA. FCCA, ACS, ACIS

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Mr. Fok Chi Tak

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS IN THE PRC

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

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
ABN AMRO Bank

AUDITOR

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

HONG KONG LEGAL ADVISORS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

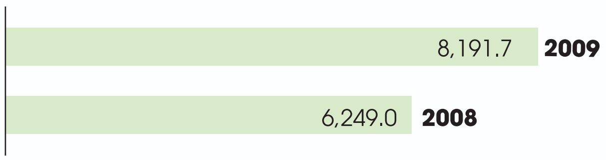
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

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

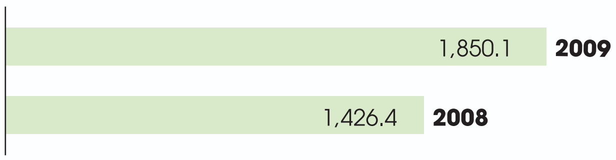
Financial Highlights

GROSS SALES PROCEEDS (RMB MILLION)



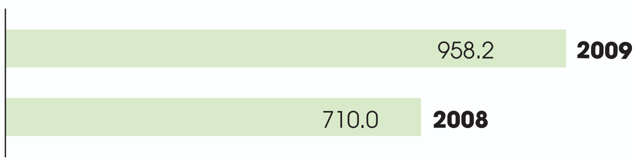
+31.1%

REVENUE (RMB MILLION)



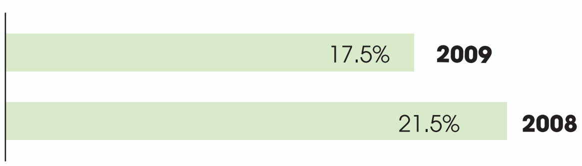
+29.7%

PROFIT FROM OPERATIONS (RMB MILLION)



+35.0%

SAME STORE SALES GROWTH [1]



(1) Same store sales growth represents change in the total gross sales proceeds for department stores having operations throughout the comparable period.

Five Years Summary

	2005 RMB'000 (note 3)	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**	**2008 vs 2009**
Financial results						
Gross sales proceeds (note 1)	2,858,669	3,576,992	4,858,263	6,248,963	**8,191,679**	**31.1%**
Revenue (note 4)	739,770	899,781	1,065,644	1,426,361	**1,850,093**	**29.7%**
Profit from operations (note 4)	342,766	390,179	496,768	709,960	**958,212**	**35.0%**
Profit for the year (note 4)	227,528	229,593	354,224	613,356	**250,910**	**-59.1%**
Profit for the year, attributable to owners of the Company (note 4)	225,954	231,997	354,224	613,356	**250,910**	**-59.1%**
Basic earnings per share (RMB) (notes 2 & 4)	0.134	0.130	0.195	0.339	**0.137**	**-59.6%**
Balance sheet summary						
Non-current assets (note 4)	1,036,389	1,787,144	2,051,461	2,510,893	**3,415,231**	
Current assets	997,115	1,228,102	1,885,618	2,271,731	**2,568,146**	
Total assets (note 4)	2,033,504	3,015,246	3,937,079	4,782,624	**5,983,377**	
Current liabilities	1,333,986	1,221,522	1,759,075	3,071,041	**2,994,866**	
Non-current liabilities (note 4)	319,385	844,941	873,036	53,686	**69,960**	
Total liabilities (note 4)	1,653,371	2,066,463	2,632,111	3,124,727	**3,064,826**	
Net Assets (note 4)	380,133	948,783	1,304,968	1,657,897	**2,918,551**	
Represented by:						
Capital and reserves						
Equity attributable to owners of the Company (note 4)	373,113	948,783	1,304,968	1,657,897	**2,918,551**	
Minority interests	7,020	—	—	—	**—**	
	380,133	948,783	1,304,968	1,657,897	**2,918,551**	

Notes:

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

(2) The calculation of the basic earnings per share for the year ended 31 December 2005 was based on the combined profit attributable to the owners of the Company and on 1,687,500,000 shares in issue during that year on the assumption that the reorganisation for the purpose of listing has been effective on 1 January 2005.

(3) The financial results for the year ended 31 December 2005 represent the financial results of the Company's continuing operations for the year ended 31 December 2005.

(4) The financial information for each of the years ended 31 December 2007 and 31 December 2008 where adjusted due to the adoption of HK(IFRIC)-Int 13 "Customer Loyalty Programmes" issued by the Hong Kong Institute of Certified Public Accoutants.

INTRODUCTION

In 2009, due to the impact of the global financial crisis, major economies in the world remained at low ebb; global consumption has been shrinking and economic environment continued to be difficult. However, benefited from the implementation of a wide array of measures and policies that aim at promoting domestic consumption and expediting economic growth, the PRC economy posted moderate growth. These initiatives had shown initial effectiveness, with major economic indicators rebounded and the overall economy performed better than expected.

The Group actively adopted flexible measures in response to the complicated and ever-changing operating environment. The Group's operational results continued to maintain stable and rapid growth. We are pleased to report that in 2009, gross sales proceeds of the Group recorded RMB8.19 billion, representing a year-on-year increase of 31.1%. Same store sales growth continued to maintain its leading position in the industry with an increase of 17.5%.

INDUSTRY OVERVIEW

According to the economic statistics of 2009 published by the National Bureau of Statistics of China, the gross domestic product ("GDP") for the year recorded RMB33.5 trillion, a year-on-year increase of 8.7%, which was 0.3 percentage points lower than that of the previous year. Total retail sales of consumer goods for the year recorded RMB12.5 trillion, a year-on-year increase of 15.5%. After excluding the effects of inflation, actual growth of the total retail sales of consumer goods for the year 2009 was 16.9%, representing an increment of 2.1 percentage points as compared to that of previous year. With the implementation of a series of consumption-stimulating policies, including "home appliances going to the countryside", ultimate consumption pushed the GDP up by 4.6 percentage points, representing a contribution of 52.5%, higher than the level in 2008. The PRC economy in 2009 was mainly driven by domestic consumption. The increase in domestic investment and consumption, to a large extend, offset the negative effect of declined net exports on GDP.

The GDP of Jiangsu Province, a market in which the Group enjoys competitive advantages, recorded RMB3.4 trillion for the year, representing a year-on-year increase of 12.4%. Total retail sales of consumer goods of the province for the year recorded RMB1.1 trillion, representing a year-on-year increase of 18.9%. The disposable income per capita of urban residents of the province for the year recorded RMB20,552, a year-on-year increase of 10.0%. After excluding the effects of inflation, the actual growth was 10.5%. With increasing urbanization and urban modernization, the urbanization rate reached 55.6% at the end of 2009, representing a year-on-year growth of 1.3 percentage points. With further regional development in the central and northern parts of Jiangsu Province, the two areas contributed 42.3% of the economic growth of the entire province, representing a year-on-year increase of 2.9 percentage points. The economic development of Jiangsu Province surpassed the national average, with its size of economy ranked second in the country.

OUTLOOK

The economic turbulence resulted from the financial crisis and its impact on the economy will mitigate increasingly in 2010. The PRC economy will continue to maintain robust development. On the Central Economic Working Conference held at the end of 2009, the PRC government decided to set promoting domestic consumption as the government's priority in 2010. Through structural adjustment, improvement in people's livelihood, strengthening of income allocation reform and expediting urbanization, the PRC government targets to effectively boost domestic consumption and further enhance the driving force of consumption in GDP growth. It is expected that the PRC government will launch more policies in 2010, so as to achieve the goal of expanding domestic demand. The benefits of the policies will no doubt be the growth momentum of the department store sector.

In 2010, the Group will continue to expand its store network steadily, and will secure properties by means of self-development, long-term lease or merger and acquisition. The Group will open new stores in the provinces adjacent to Jiangsu Province, and will further strengthen its network in Xi'an, Kunming and adjacent provinces and cities. The Group will continue to closely monitor the growth of its existing stores, enhancing the attractiveness of its chain stores to target customers through effective brand optimization and creative promotional campaigns. In addition, the Group will implement effective cost control to improve its profitability.

I would like to express my appreciation for the hard work of the Board, the management and the entire staff members of the Company. I would also like to express my sincere gratitude to Shareholders, business partners, relevant government departments and our loyal customers for their continuous support. In 2010, the management and our staff will continue to collaborate with each other to cater upcoming challenges and ride on arising opportunities, so as to optimize corporate value and create lucrative returns to Shareholders.

Golden Eagle Retail Group Limited
Wang Hung, Roger
Chairman

7 April 2010

Enrich life with styles!

In 2009, the PRC economy was recovering steadily from the trough in the first quarter of the year. With the endeavors of the entire staff, the Group maintained stable growth. We hereby report that in 2009, the Group's gross sales proceeds amounted to RMB8.19 billion, representing a year-on-year increase of 31.1%. Profit from operations for the year reached RMB958.2 million, representing a year-on-year increase of 35.0%. In 2009, the Group continued to expand its chain store network gradually, with Yangzhou Jinghua Store, Shanghai Store, Nanjing Hanzhong Store and Nanjing Xianlin Store opened during the year. The Group was also appointed to manage Nanjing Orient Department Store. The total number of stores increased from 12 to 17. With the additional operating area at Nanjing Zhujiang Store and Taizhou Store, total GFA increased from 407,000 sq.m. to over 539,000 sq. m.

BUSINESS REVIEW

In order to enhance sales performance, the Group constantly upgrades its merchandise mix based on target customers' demand and concessionaires' performance. During the year under review, the Group made seasonal changes to its chain stores by re-defining merchandise mix and brand mix and revamping concessionaire counters to enhance their sales performance. The Group also carried out interior renovation in its stores to optimize the shopping environment, so as to provide our customers with a pleasant and satisfactory shopping experience. We understand that brand and merchandise mix are the keys to attract consumers, as such, each chain store continues to introduce famous and best-selling brands to meet its target customers' ever-changing needs. Nanjing Xinjiekou Store has successfully introduced a number of renowned brands, including COACH, AGNES. B, GIORGIO ARMANI, BOBBI BROWN and L'OCCITANE. Yangzhou Store has introduced SK-II, JOY & PEACE and CK JEANS. Xuzhou Store has introduced various well-known international brands, including LANCOME, DUNHILL, SWAROVSKI and MONTBLANC.

As a result of the global financial crisis, weakened consumer confidence brought new challenges to department store operators. In an attempt to encourage customer spending, each chain store carried out various promotional campaigns based on its individual market and merchandise mix. These initiatives created tremendous sales performance during the year. Nanjing Xinjiekou Store recorded a GSP of approximately RMB34.0 million on its 18 April anniversary, representing a year-on-year increase of 35.9% and Yangzhou Store recorded a GSP of approximately RMB37.0 million on its 24 October anniversary, representing a year-on-year increase of 27.1%. Xuzhou Store, which reported a GSP of approximately RMB75.0 million on its 18 December anniversary, representing a year-on-year increase of 38.1% and posted a new record high for single day sales among the Group's various chain stores.

During the year under review, the Group continued to focus on the enhancement and development of its VIP customer programme. By providing various exclusive and value-added services, the Group further strengthened the satisfaction and loyalty of its VIP customers. The Group also collaborated with various banks to share quality customer resources, which led to an increase in the number of VIP customers. As at 31 December 2009, the Group had over 743,000 VIP customers, and sales from VIP customers contributed approximately 63.2% of the Group's total GSP.

The Group attaches great importance to talent nurturing and recruitment. The Group achieved mutual growth with its staff through career planning, and also reserved versatile talent for the Group's expansion and development through in-house training mechanism.

EXPANSION OF NEW STORES AND CHAIN DEVELOPMENT

Nanjing Orient Department Store has become the Group's management store since January 2009. Located at the core business district of Nanjing Xinjiekou, Nanjing Orient Department Store is positioned as a mid-to-high end department store. After obtaining the management right, the Group has been proactively improving the store management, optimizing its brand and merchandise mix and introducing more international luxury brands. Under the Group's management, Nanjing Orient Department Store's store efficiency has been improved and GSP for the year has been increased by 22.6% year-on-year. During the year under review, the management service agreement has been renewed for another 3 years, commencing from 1 January 2010 until 31 December 2012, as agreed between the parties.

The second store in Yangzhou, also known as the Yangzhou Jinghua Store, commenced business in April 2009. The store is located at a new shopping district of Yangzhou. The performance of the store was in line with the management's expectation. It has successfully created synergies with Yangzhou Wenchang Store. The growing sales of the two stores further strengthened the Group's market share in Yangzhou city. Moreover, Yangzhou Jinghua Store is also the Group's first attempt to implement multi-store strategy in third-tier cities. The current performance proves that this strategy is efficacious and practicable.

Shanghai Store commenced soft opening in May 2009. The shopping environment of the store was effectively improved by its brand new exterior facade and interior design. In addition, the introduction of GUCCI's flagship store in the PRC and other leading international brands enhanced the growth prospects of the Shanghai Store. The performance of the store has been in line with the management's expectation. The Group will continue to optimize its brand and merchandise mix so as to enhance its performance continuously.

Nanjing Hanzhong Store commenced operation in July 2009 and positioned itself as a retail outlet, which is different from that of Nanjing Xinjiekou Store and Nanjing Zhujiang Store. The solid performance of Nanjing Hanzhong Store since its operation was in line with the management's expectation.

The additional area of Taizhou Store commenced operation in October 2009. The gross floor area of Taizhou Store was enlarged to approximately 58,000 square meters, which will facilitate the expansion and enrichment of its product categories and brand mix and help to increase and strengthen its market share.

Nanjing Xianlin Store, the Group's fourth self-owned store in Nanjing, is located at the core center of a planned commercial sub-center in Nanjing city. The store commenced soft opening on 18 December 2009, and its performance was in line with the management's expectation.

The Group will continue to seek expansion opportunities which commensurate with its development strategies and capital return requirements. During the year under review, the Group entered into several sale and purchase or lease or framework agreements with independent third parties for opening new stores in Huaibei and Hefei in Anhui Province, Kunming in Yunnan Province, Nanjing, Suqian, Kunshang, Danyang, Lianyungang, Liyang and Changzhou in Jiangsu Province. It is expected that the gross floor area of the Group will increase by at least 500,000 square meters in the coming three years.

OUTLOOK

During the gradual recovery of the global economy, the market will remain volatile, and the PRC economy may also be affected. In 2010, it is expected that the PRC government will continue to launch a series of measures and policies to stimulate domestic consumption in order to fuel GDP growth. At the Central Economic Working Conference held at the end of 2009, the PRC government stated that consumption stimulation will be the core component of the economic structural adjustment and sustainable future development, and it will take efforts to drive domestic demand further, especially by way of "residents' consumption stimulation".

The Group will continue to pay close attention to the macro-economic development, the changing competition landscape and the consumption needs of customers. The Group will adopt a two-prone approach, namely external growth and internal growth, to achieve scale expansion and reinforce our leading status in the industry.

External growth will be pursued by opening new stores. In 2010, the Group will continue to develop our store chain network by strengthening its coverage in Nanjing and other districts in Jiangsu Province, and establishing a strategic presence in neighboring provinces such as Anhui and Shandong, as well as nearby provinces and cities of Kunming and Xi'an. The Group will continue to identify the opportunities of merger and acquisition in the industry, which commensurate with its development strategies, geographical and capital return requirements.

Internal growth will be achieved mainly by further improving the profitability of existing stores. To achieve such goal, the Group will strengthen budget management, cost control and management innovation, while adopting specific measures according to the operating years of existing stores.

I would like to take this opportunity to extend my gratitude to our shareholders for their confidence in and encouragement to the Company. I would also like to express my sincere appreciation for the hard work of the Board, senior management and staff members as well as our business partners who showed strong support to us. Year 2010 is a new beginning. All staff members of the Company are strongly confident of the future. We believe that with our concerted efforts, the support and trust of our business partners and the dedicated and united management, we shall continue to achieve excellent results and performance, so as maximize the returns for our shareholders.

Golden Eagle Retail Group Limited
Zheng Shu Yun
Chief Operating Officer

7 April 2010

FINANCIAL REVIEW

Analysis of profit excluding the impact of the convertible bonds, which are non-cash items for accounting purposes only, attributable to owners

	2009	2008
	RMB'000	RMB'000
As reported	250,910	613,356
Excluding the effects of:		
Changes in fair value of derivative financial instruments	461,734	(74,071)
Effective interest expense on convertible bonds	55,372	81,444
Exchange realignment on convertible bonds	—	(48,606)
As adjusted	768,016	572,123
Adjusted basic earnings per share (RMB per share)	0.419	0.316

Excluding the impact of the Bonds, profit attributable to owners of the Company was approximately RMB768.0 million for the year 2009, representing a year-on-year growth of approximately 34.2% or RMB195.9 million as compared with last year. The growth was mainly driven by the growth in revenue and other operating income of the Group which are analyzed below.

GSP and revenue

GSP of the Group grew to approximately RMB8,191.7 million representing a year-on-year increase of approximately 31.1% or RMB1,942.7 million. The growth was mainly contributed by approximately 17.5% same store sales growth; the inclusion of the full year sales performance of Huai'an Store and Yancheng Store, which are the new stores opened in the year 2008; and the sales performance of the new stores opened in the year 2009.

Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store all maintained satisfactory same store sales growth of approximately 8.6%, 13.6% and 21.3% respectively for the year 2009. In addition, younger stores like Xi'an Gaoxin Store, Taizhou Store, Kunming Store and Nanjing Zhujiang Store continue to be the driving force of the Group's sales growth with remarkable same store sales growth of approximately 53.8%, 40.1%, 46.9% and 41.8% respectively for the year 2009.

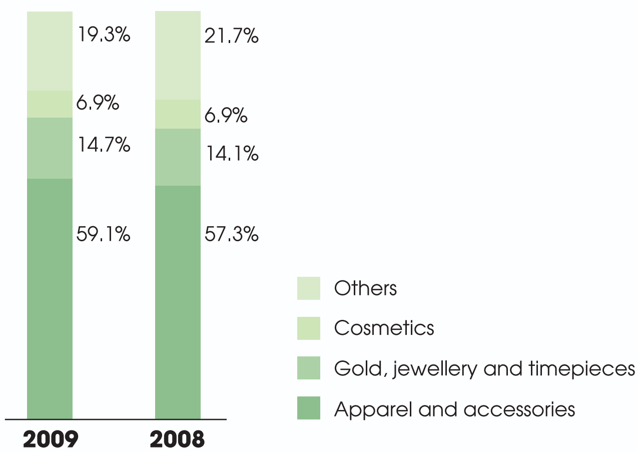
Contribution to GSP by different stores

In light of the increase in contribution to GSP from stores with less than 24 months of operation from approximately 1.0% to 11.2% for the year 2009, the contribution to GSP by Nanjing Xinjiekou Store as a percentage of GSP decreased from approximately 41.8% to 34.6% for the year 2009. The aggregate contribution to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from approximately 73.3% to 62.9% for the year 2009. The aggregate contribution to GSP from two young stores, Huai'an Store and Yancheng Store which with less than 24 months of operation, increased from approximately 1.0% to 6.3% for the year 2009. These two young stores are expected to become the new driving force of the Group's sales growth.

During the year 2009, concessionarie sales contributed approximately 92.3% (2008: 92.6%) of the Group's GSP or increased from approximately RMB5,786.7 million to RMB7,564.6 million; direct sales contributed approximately 7.2% (2008: 7.0%) of the Group's GSP or increased from approximately RMB438.5 million to RMB588.9 million.

The commission rate from concessionaire sales slightly decreased to approximately 20.3% (2008: 20.6%) mainly in account of the dilution effect from the Shanghai Store which generates a larger portion of concessionaire sales from international leading brands, which normally carry a lower commission rate. The Group intends to maintain stability of commission rate by conducting periodic reviews and enhancing the merchandise mix according to the changing consumption demands. The gross profit margin from direct sales increased from approximately 17.4% to 20.5% for the year 2009 as a result of decrease in momentum of discount sales.

Percentage to GSP by merchandise categories



The proportion of GSP contributed by merchandise categories in the year 2009 is similar to last year. Apparel and accessories accounted for approximately 59.1% of the GSP (approximately 17.5% increase on a same store basis); merchandises in gold, jewellery and timepieces accounted for approximately 14.7% (approximately 27.5% increase on a same store basis), cosmetics accounted for approximately 6.9% (approximately 24.8% increase on a same store basis) and the remaining categories including tobacco and wine, household and electronic appliances, sportswear, children's wear and toys accounted for the remaining 19.3% (approximately 8.7% increase on a same store basis).

The Group's total revenue increased to approximately RMB1,850.1 million, representing a year-on-year increase of 29.7% or approximately RMB423.7 million for the year 2009. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income of the Group increased to approximately RMB121.3 million, representing a year-on-year increase of 78.7% or approximately RMB53.4 million for the year 2009. The increase was mainly due to the increase in income from suppliers and customers by approximately RMB55.0 million to RMB99.8 million as more sales were generated.

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. Changes in inventories of merchandise of the Group increased by approximately RMB82.0 million or 25.9% to approximately RMB398.8 million when compared with the same period last year. The increase was generally in line with the increase in direct sales for the year 2009.

Employee benefits expense

Employee benefits expense increased by approximately RMB42.3 million or 32.7% to approximately RMB171.6 million for the year 2009. The increase was mainly attributable to the inclusion of the full year employee benefits expense incurred for stores opened in the year 2008 and the employee benefits expense incurred for the four new stores opened in current year.

Employee benefits expense as a percentage to GSP increased to approximately 2.5%, representing an increase of 0.1 percentage point as compared to 2.4% last year.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and release of prepaid lease payments on land use rights increased by approximately RMB27.7 million or 36.5% to approximately RMB103.8 million for the year 2009. The increase was primarily due to the inclusion of the full year depreciation and amortization for stores opened in the year 2008, the depreciation and amortization charges recognized for the four new stores opened during the year and the additional depreciation and amortization charged for construction, renovation and expansion of the Group's existing stores during the year 2009.

Depreciation and amortization expenses as a percentage to GSP increased to approximately 1.5%, representing an increase of 0.1 percentage point as compared to 1.4% last year.

Other operating expenses

Other operating expenses increased by approximately RMB76.9 million or 29.3% to approximately RMB339.0 million for the year 2009. The increase was primarily due to the inclusion of the full year expenses for new stores opened in the year 2008 and the other operating expenses incurred for the four new stores opened during the year.

Other operating expenses as a percentage to GSP decreased by 0.1 percentage point to approximately 4.8% as compared to 4.9% last year.

Profit from operations

Profit from operations, which is also the earnings before interest and taxes, increased by approximately RMB248.3 million or 35.0% to approximately RMB958.2 million for the year 2009. Profit from operations as a percentage to GSP increased to approximately 13.7%, representing an increase of 0.4 percentage points as compared to 13.3% of the same period last year as a result of operating leverage.

Finance income

Finance income comprised of income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposit, placed by the Group with banks when the Group has excessive capital. Finance income decreased to approximately RMB49.9 million, representing a year-on-year decrease by 39.6% or approximately RMB32.7 million for the year 2009 was mainly due to low average effective deposit rates during the year.

Finance costs

Finance costs comprised of effective interest expense (for accounting purposes only) on the Bonds and interest expense on secured short-term bank loan. Finance costs decreased by approximately RMB25.7 million or 31.6% to approximately RMB55.7 million in the year 2009 mainly due to the reduction in effective interest expense on the Bonds, which in turn is owing to the full conversion of the Bonds during the year 2009.

Changes in fair value of derivative financial instruments

Changes in fair value of derivative financial instruments represent the fair value changes of the derivative components (for accounting purposes only) of the Bonds. The derivative components represent the conversion and redemption options attached to the Bonds. The loss for the year 2009 was approximately RMB461.7 million as compared to approximately RMB74.1 million gain recorded in last year.

Other gains and losses

Other gains and losses mainly comprised of the net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB and the gains and losses arising from the Group's securities investments. Other gains and losses decreased by approximately RMB40.3 million or 75.3% to approximately RMB13.2 million was mainly due to the net foreign exchange losses of approximately RMB1.2 million recorded in the year 2009 as compared to approximately RMB47.0 million gains recorded in last year as a result of RMB remained stable during the current year as opposed to the strong appreciation during the year 2008.

Income tax expense

Income tax expense of the Group increased by approximately RMB27.6 million or 12.3% to approximately RMB252.9 million mainly due to the increase in profit before income tax and the 5% withholding tax provided for the anticipated dividend distribution to the Company by its subsidiaries established in the PRC.

Profit for the year

Profit attributable to owners of the Company decreased to approximately RMB250.9 million for the year 2009, representing a decline of approximately 59.1% or RMB362.4 million from that of last year. The decrease was mainly due to the loss arising from changes in fair value of derivative components of the Bonds of approximately RMB461.7 million has outweighted the increase of the Group's profit from operations of approximately RMB248.3 million during the year 2009.

Capital expenditure

Capital expenditure of the Group during the year amounted to approximately RMB1,029.0 million (2008: RMB542.8 million). The increase was mainly due to the contractual payments made for acquisition of land use rights, land and buildings and construction of greenfield projects for department store chain expansion, including the acquisitions via acquisition of subsidiaries) and the upgrade of certain retail spaces of the Group during the year in order to further enhance the shopping environment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relies principally on cash flows generated from its operating activities as a primary source of liquidity. During the year under review, in order to take advantage of future RMB appreciation and interest rate spreads among different currencies, the Group borrowed a short-term loan denominated in USD from a bank in the PRC with an equivalent amount of RMB bank deposit pledged as a security (the "cross currency interest rate swap arrangement"). In addition, the Group had entered into foreign currency forward contracts to hedge against the foreign currency risk of the short-term bank loan.

As at 31 December 2009, the Group's bank balances, cash on hand and near cash instruments (including bank balances and cash, pledged bank deposit and structured bank deposit) were approximately RMB2,290.0 million (2008: RMB2,090.6 million), whereas the balance of the Group's short-term bank loan was approximately RMB269.0 million (2008: nil). The Bonds amounted to approximately RMB852.8 million as at 31 December 2008 were fully converted into the ordinary shares of the Company during the year.

The total assets of the Group as at 31 December 2009 amounted to approximately RMB5,983.4 million (2008: RMB4,782.6 million) whereas the total liabilities amounted to approximately RMB3,064.8 million (2008: RMB3,124.7 million), resulting in a net assets position of RMB2,918.6 million (2008: RMB1,657.9 million). The increase was mainly contributed by the full conversion of the Bonds during the year.

The gearing ratio, calculated by total bank borrowings and convertible bonds over total assets of the Group, was decreased to approximately 4.5% (2008: 17.8%) at the end of the year 2009. After excluding the effects of the cross currency interest rate swap arrangement, the adjusted gearing ratio had been decreased to zero.

The capital commitments of the Group as at 31 December 2009 were approximately RMB1,307.9 million (2008: nil), which were contracted for but not provided in the consolidated financial statements for the contractual payments for acquisition of property, plant and equipment, land use rights and interests in a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2009, bank deposit of approximately RMB269.0 million was pledged to a bank in PRC for the cross currency interest rate swap arrangement. Save for the aforesaid, the Group has not pledged any property, plant and equipment to secure general banking facilities of the Group (2008: Nil).

FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash and the Group's Bonds and short-term bank loan are denominated in HKD or USD which exposed the Group to foreign exchange risks attributable to the fluctuations in the exchange rates between HKD/USD and RMB. For the year ended 31 December 2009, the Group recorded a net foreign exchange losses of approximately RMB1.2 million (2008: a net foreign exchange gains of RMB47.0 million).

During the year, the Group entered into foreign currency forward contracts to hedge against the foreign currency risk of the short-term bank loan of approximately RMB269.0 million. The Group's operating cash flows is not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2009, the Group employed a total of approximately 3,700 employees (2008: 3,200) with remuneration of approximately RMB171.6 million (2008: RMB129.3 million). The Group's remuneration policies are formulated according to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

DIRECTORS

Evecutive Directors

Mr. Wang Hung, Roger （王恒）, aged 61, chairman of the Company, is responsible for the overall management, strategic planning and major decision-making of the Group. Mr. Wang obtained a bachelor degree in Laws from Chinese Culture University of Taiwan and a master degree in business administration ("MBA") from Southeastern Louisiana University of the United States in 1969 and 1973 respectively. Mr. Wang established Transpacific Management Inc. in the United States and became its president in 1978. He established Golden Eagle International Group in 1992 and has been its chairman since then. Concurrently, Mr. Wang is also the honorary chairperson of 南京市海外聯誼會 (The Association of Overseas Affairs of Nanjing City), the vice-chairman, standing associate（常務理事）and associate（理事）of Nanjing Association of Enterprises with Foreign Investment, and was commended as the best foreign investor（最佳外商）and outstanding general manager （優秀總經理）. He also received the award of honorary citizen of Nanjing. He has over 31 years of experience in the development and management of real estate and department store retailing.

Ms. Zheng Shu Yun (鄭淑雲), aged 64, executive Director, senior accountant, the Chief Operating Officer of the Group. Ms. Zheng was appointed as an executive Director with effect from 15 April 2009. Ms. Zheng obtained a diploma in the Graduate School of the Chinese Academy of Social Science in 1990. Ms. Zheng joined the Group in September 1995 and was promoted to vice president in January 2003. Ms. Zheng has nearly 43 years of experience in accounting and financial resources management. She is responsible for the daily operation of the Group.

Non-executive Director

Mr. Han Xiang Li(韓相禮), aged 45, non-executive Director of the Group, senior accountant and a member of the Chinese Institute of Certified Public Accountants, Mr. Han was an executive Director during the period from 26 February 2006 to 14 April 2009 and was re-designated as a non-executive Director with effect from 15 April 2009. Mr. Han obtained a bachelor degree from the Nanjing University of Finance and Economy (南京財經大學) in July 1986 and a MBA degree from the Nanjing University - Cornell University EMBA program in December 2007. Mr. Han has over 23 years of experience in financial management.

Independent non-executive Directors

Mr. Wong Chi Keung, aged 55, holds a MBA degree from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and advising on corporate finance for Sinox Fund Management Limited under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was as an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited), a company listed on Stock Exchange for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (provisional liquidators appointed), FU JI Food and Catering Services Holdings Limited (provisional liquidators appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Wong has over 33 years of experience in finance, accounting and management.

Mr. Wang Yao（王耀）, aged 51, obtained a PhD degree in engineering from the Harbin Institute of Technology（哈爾濱工業大學）in March 1989. Mr. Wang is a vice secretary-general of China General Chamber of Commerce（中國商業聯合會）and the Minister（部長）of Industrial Development Department and Information Department of China General Chamber of Commerce（中國商業聯合會）. Mr. Wang is also an assistant supervisor（副主任）and chief engineer（總工程師） of Information Centre of Commerce of the PRC （中華全國商業信息中心）. He is principally dedicated to the research on the retail market in the PRC, macro economy and retail data statistics and analysis, while offering retail marketing consultancy services to the government. He also published periodic reports on the monitoring and forecast of the China consumables retail market from 1997 to 2009.

Mr. Lau Shek Yau, John（劉石佑）, aged 62, graduated from the University of Hong Kong with a bachelor degree in Social Sciences in 1971. Mr. Lau is currently the managing director of Cargo Services Far East Limited （嘉宏航運有限公司）and the director of Far East Cargo Line Limited and Xin Hai Hua Enterprises Limited. He has over 33 years of experience in the cargo transportation business and international trade industry. Mr. Lau also acts as an independent non-executive director of Nanjing Sample Technology Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He was appointed as a committee member of the Chinese People's Political Consultative Conference Nanjing Committee （中國人民政治協商會議南京市委員會）in the tenth and eleventh elections.

SENIOR MANAGEMENT

Mr. Su Jie(蘇傑), aged 36, vice president of the Group, Mr. Su obtained a bachelor degree in Economics from Nanjing University in July 1996 and obtained his MBA degree from Nanjing University in June 2002. Mr. Su joined the Golden Eagle International Group in July 2001 and was the deputy director of the corporate development department. He subsequently worked as the deputy general manager and the general manager of Nanjing Golden Eagle International Automobile Sales and Services Group Limited. In May 2006, he was transferred to the present position, responsible for the daily operation and management of Nanjing Xinjiekou Store. Mr. Su currently also responsible for the Gruop's brand merchandising as well as new store planning and opening.

Mr. Wang Jian Ping(王建平), aged 40, engineer, vice president and Chief Information Officer of the Group, Mr. Wang obtained a master degree in Computer Applications(計算機應用) from Nanjing University of Aeronautics and Astronautics in April 1995. Mr. Wang joined the Group in November 2002 and has held the positions of head of the information technology department of the Group and assistant president, and was promoted to the present position in July 2008 where he manages the information technology works of the Group. He is also responsible for the administration and human resources management of the Group since August 2009.

Ms. Tai Ping, Patricia(戴苹), aged 37, Chief Financial Officer of the Group, Ms. Tai obtained a double bachelor degree in Accounting and Information System from Monash University in Australia in 1995. Ms. Tai is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. She has over 14 years of experience in auditing and financial management. Ms. Tai joined the Group in September 2008 as the assistant president of the Group and is responsible for the financial management matters of the Group. She was promoted to the present position on April 2009.

Mr. Shao Yong（邵勇）, aged 45, senior economist, vice president of the Group and the general manager of Xuzhou Store and Yancheng Store. Mr. Shao obtained a bachelor degree in Economics from Anhui Institute of Finance & Trade（安徽財貿學院）in 1991, with over 16 years of experience in retail management. Mr. Shao joined the Group in December 2002 and was promoted to the vice president of the Group in November 2006, responsible for the daily operation and management of Xuzhou Store and Yancheng Store as well as the chain development of the northern part of Jiangsu Province for the Group.

Mr. Wang Dong Lai（王東來）, aged 45, vice president of the Group and the general manager of Yangzhou Wenchang Store and Yangzhou Jinghua Store. Mr. Wang graduated from the Department of Chinese of Nanjing Normal University（南京師範大學中文系）in 1991 and joined the Group in January 2002 and has held the positions of general manager of Nantong Store, Yangzhou Wenchang Store and Taizhou Store prior to being promoted to the vice president of the Group in July 2008. Mr. Wang is responsible for the daily operation and management of the two Yangzhou stores as well as the Group's chain development in the Yangzhou region.

Mr. Wang Wei Liang（王衛良）, aged 34, assistant president of the Group, Mr. Wang obtained a bachelor degree in Economics from Shanghai University of Finance and Economics in June 1997 and is a member of the Chinese Institute of Certified Public Accountants. Mr. Wang joined the Group in April 2005 and has held the positions of deputy director of the investment department and director of corporate development department prior to being promoted to the present position in July 2008. He is responsible for investor relations as well as merger and acquisition opportunities of the Group. Mr. Wang has over 12 years of experience in financial management and corporate finance.

Ms. Zhanghong（張紅）, aged 42, engineer, international business professionals （國際商務師）, assistant president of the Group. Ms. Zhang obtained a bachelor degree in Mechanical Engineering from Nanjing Forestry University（南京林業大學）in 1990 and is currently studying a MBA degree at Nanjing University. She joined the Golden Eagle International Group in 2004 and has held the positions of the manager and the deputy director of the human resources department of the Golden Eagle International Group. She was designated to the Group in 2007 as the deputy director and the director of the human resources department. She was promoted to the present position in January 2009 where she is responsible for the daily human resources management of the Group. Ms. Zhang has over 14 years of experience in administration and human resources management.

Mr. Chen Yonggang（陳永剛）, aged 40, accountant, assistant president of the Group, Mr. Chen obtained a bachelor degree in Economics from Nankai University （南開大學） in July 1992, and is currently studying an executive MBA at Nanjing University. He joined the Group in 2004 and worked as the director of the finance department and the director of the audit department subsequently, he was promoted to the present position in June 2009 and is responsible for the daily financial management of the Group. He has over 18 years of experience in financial management.

Mr. Kong Jun（孔軍）, aged 40, engineer, assistant president of the Group and the standing deputy general manager of Nanjing Xinjiekou Store, Mr. Kong obtained a bachelor degree in Engineering from Shanghai Jiao Tong University（上海交通大學）and a MBA degree from the Southeast University（東南大學）in 1992 and 2001 respectively. He continued his study at the University of Birmingham in United Kingdom between 2006 and 2008. He joined the Group in October 2009 and worked as the standing deputy general manager of Nanjing Xinjiekou Store since November 2009. Mr. Kong is responsible for the daily operation and management of Nanjing Xinjiekou Store. Mr. Kong has over 18 years of experience in operational management, and has worked overseas for marketing management from May 2006 to September 2009.

Mr. Tang Xi Qing（唐喜慶）, aged 40, assistant president of the Group, Mr. Tang obtained a bachelor degree in Physics from Gannan University（贛南學院）in 1993. He joined the Group for the current position since 2008. He is responsible for the public relations of the Group. Mr. Tang has over 17 years of experience in mass media and public relations.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Fok Chi Tak, Eric（霍志德）, aged 34, the Group's qualified accountant and company secretary since June 2008. Mr. Fok graduated from the Oxford Brookes University in United Kingdom with a bachelor degree in Accounting and Finance. He is a member of the Institute of Chartered Accountants of England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Fok is also a member of the Institute of Chartered Secretaries and Administrators and Hong Kong Institute of Chartered Secretaries. Mr. Fok has over 9 years of experience in auditing and financial management.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to enhance corporate performance and accountability. The Directors are in the opinion that save for the following derivation, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practice (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2009 (the "Relevant Period"):

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman of the board of directors of the Company (the "Board") takes a leading role and is responsible for the effective functioning of the Board. With the support of the senior management, the Chairman is also responsible for overall strategic development of the Company. Ms. Tai Ping, Patricia, is the chief financial officer ("CFO") of the Company and Ms. Zheng Shu Yun, is the chief operating officer ("COO") of the Company. The CFO and COO are responsible for the implementation of business strategy and management of the day-to-day operations of the Company's business. Having considered the current business operation and the aforesaid organization structure, the Directors consider that it is not necessary to appoint a chief executive officer of the Company.

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

THE BOARD

1) Responsibility

The Board has the responsibility of oversight of Company including formulation and approval of overall business strategies, financial results, investment proposals, internal control and monitoring the performance of the management of the Group. The Board has to make decision objectively in the best interests of the Company and its shareholders as a whole.

The day-to-day management and operation of the Company are delegated to the management of the Group.

2) Board Composition

As at the date of this report, the Board comprises two executive Directors, Mr. Wang Hung, Roger (Chairman) and Ms. Zheng Shu Yun (COO); one non-executive Director, Mr. Han Xiang Li; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John whose biographical details are set out in "Biographies of Directors and Senior Management" section of this annual report.

The Nomination Committee has reviewed the Board's structure, size and composition to ensure that it has a balance of expertise, skills, independence and experience appropriate to the requirements of the business of the Company.

3) Appointments, re-election and removal

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

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

4) Number of meetings and directors' attendance

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

Mr. Wang Hung, Roger (4/4), Ms. Zheng Shu Yun, (3/3)* Mr. Han Xiang Li (4/4), Mr. Wong Chi Keung (4/4), Mr. Wang Yao (3/4) and Mr. Lau Shek Yau, John (2/4).

* *Appointed on 15 April 2009 and only three Board meetings were held after her appointment as Director.*

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

ACCOUNTABILITY AND AUDIT AND AUDITOR'S REMUNERATION

The Directors acknowledge their responsibility for preparation of the financial statements which give a true and fair presentation of affairs of the Company and its subsidiaries for the Relevant Period. This responsibility has also been mentioned in the Independent Auditor's Report on page 45 of this annual report.

The statement by the auditor of the Company about their reporting responsibilities are set out on page 45 of this annual report. The auditor of the Company received approximately RMB1.8 million and RMB40,000 for provision of audit services and non-audit services respectively during the Relevant Period.

INTERNAL CONTROL

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

AUDIT COMMITTEE

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

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

During the Relevant Period, two meetings of the Audit Committee were held. The individual attendance of its members was as follows:—

Mr. Wong Chi Keung (2/2), Mr. Wang Yao (1/2) and Mr. Lau Shek Yau, John (2/2).

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

(a) reviewed the financial reports for the six months ended 30 June 2009 and for the year ended 31 December 2009;

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

(c) reviewed the effectiveness of internal control;

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

(e) reviewed and recommended for approval by the Board the 2009 audit scope and auditor's remuneration.

REMUNERATION COMMITTEE

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

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

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

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

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

NOMINATION COMMITTEE

The Nomination Committee, established as a recommended best practice provided in the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Nomination Committee.

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

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

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

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") entered into between the Company and Mr. Wang Hung, Roger, GEICO Holdings Limited and Golden Eagle International Retail Group Limited, the controlling shareholders of the Company (collectively referred to as the "Covenantors"), the Covenantors have given certain undertakings and the terms and conditions (including but not limited to the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal) provided by the Covenantors (collectively the "Undertakings") are set out in the Deed of Non-Competition. Details of the Undertakings are set out in the paragraph headed "Deed of non-competition" of the Directors' Report on page 43 of this annual report.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company continues to enhance communications and relationships with its shareholders and investors through various channels including the Company's annual general meeting, press and analysts conferences following the release of interim and annual results announcements. The Directors and senior management will answer questions raised by the shareholders and investors on the performance and development of the Group. The Company maintains a website at www.geretail.com where the Company's announcements, circulars, notices, financial reports, business developments and other information are posted.

The Directors have pleasure in presenting the 2009 report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 46.

The Directors now recommend the payment of a final dividend of RMB 0.108 (2008: RMB0.308) per share to the shareholders on the register of members of the Company on 12 May 2010, amounting to approximately RMB 210 million. The final dividend (if approved) will be paid on or before 8 June 2010.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares of 6,629,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for a total consideration of approximately HK$33.6 million (equivalent to approximately RMB29.6 million.

Subsequant to the year ended 31 December 2009 and up to the date of this report, the Comapny repurchased 762,000 ordinary shares on the Stock Exchange at a total consideration of approximately HK$9.9 million (equivalent to approximately RMB8.7 million).

The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase.

Details of the share repurchase and other movements in share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution to shareholders amounted to approximately RMB2,139,482,000 (2008 (restated): RMB1,015,839,000).

DIRECTORS

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

Executive Directors
Wang Hung, Roger *(Chairman)*
Zheng Shu Yun

Non-executive Director
Han Xiang Li

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

Biographical details of the Directors are set out in "Biographies of Directors and Senior Management" section of this annual report.

According to Article 87 of the Articles of Association of the Company, Messrs. Wang Hung, Roger and Han Xiang Li should be retired by rotation and each of them, being eligible, had offered himself for election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a contract of service which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 2009, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of HK$0.10 each of the Company ("Shares")

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Wang Hung, Roger ("Mr. Wang") *(Note)*	Interest in controlled corporation	1,323,844,000	68.20%

Note: These 1,323,844,000 Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Mr. Wang is deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,323,844,000 Shares under the SFO.

Long position in underlying Shares

On 26 May 2006, options to subscribe for 250,000 Shares were granted under the share option scheme of the Company (the "Scheme") to each of Ms. Zheng Shu Yun and Mr. Han Xiang Li at the exercise price of HK$4.35 per Share exercisable from 28 April 2007 to 27 April 2012. On 20 November 2006, options to subscribe for 750,000 Shares were further granted under the Scheme to each of Ms. Zheng Shu Yun and Mr. Han Xiang Li at the exercise price of HK$4.80 per Share exercisable from 20 October 2007 to 19 October 2012. On 20 November 2006, options to subscribe for a total of 400,000 Shares were granted under the Scheme to the independent non-executive Directors at the exercise price of HK$4.80 per Share exercisable from 20 October 2007 to 20 March 2009, of which options to subscribe for 100,000 Shares held by Mr. Wang Yao were exercised in 2007, options to subscribe for 200,000 Shares and 100,000 Shares held by Mr. Wong Chi Keung and Mr. Lau Shek Yau, John respectively were forfeited in March 2009. Details of the remaining options are as follows:

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Zheng Shu Yun	570,000	0.03%
Han Xiang Li	610,000	0.03%

Save as disclosed above, as at 31 December 2009, none of the Directors, chief executive nor their associates had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

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

As at 31 December 2009, the register of substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executive of the Company, the following shareholders had notified the Company of their relevant interests and positions in the shares and underlying shares of the Company:

Long position in Shares

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited *(Note)*	Interest in controlled corporation	1,323,844,000	68.20%
Golden Eagle International Retail Group Limited *(Note)*	Beneficial owner	1,323,844,000	68.20%

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

Save as disclosed above, as at 31 December 2009, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

During the year ended 31 December 2009, no share options were granted, 7,096,000 share options were exercised and 2,172,000 share options were forfeited. There were a total of 28,680,000 Shares available for issue pursuant to options that were granted under the Scheme, representing about 1.48 per cent. of the issued share capital of the Company as at the date of this report.

Movements of the Company's share options during the year and outstanding as at 31 December 2009 are as follows:

	Number of share options									
	Outstanding at 1 January 2009 (audited)	Reclassification	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2009 (audited)	Date of grant	Exercise period (note1)	Exercise price HKD	Price of the Company's share immediately before the grant date HKD	Price of the Company's Shares on the date immediately before the exercise date (Note 2) HKD
Executive Directors	250,000	(50,000)	(100,000)	–	100,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	7.46
	750,000	–	(280,000)	–	470,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	8.36
Non-executive Director	–	250,000	(150,000)	–	100,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	10.45
	–	750,000	(240,000)	–	510,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	11.95
Independent non-executive Directors	300,000	–	–	(300,000)	–	20 October 2006	20 October 2007 to 20 March 2009	4.80	4.70	N/A
Key management	1,130,000	(200,000)	(530,000)	(100,000)	300,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	6.84
	3,850,000	(600,000)	(1,136,000)	(360,000)	1,754,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	8.72
	–	1,330,000	–	–	1,330,000	05 December 2008	05 December 2010 to 04 December 2018	4.20	4.19	N/A
Other employees	2,403,000	–	(1,253,000)	(264,000)	886,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	8.08
	11,265,000	(150,000)	(3,407,000)	(1,148,000)	6,560,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	8.65
	18,000,000	(1,330,000)	–	–	16,670,000	05 December 2008	05 December 2010 to 04 December 2018	4.20	4.19	N/A
	37,948,000	–	(7,096,000)	(2,172,000)	28,680,000					
Exercisable at 31 December 2009					3,992,000					

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

(2) The prices of the Company's shares on the dates immediately before the exercise dates are the weighted average of the closing prices as quoted on the Stock Exchange immediately before the dates on which the share options were exercised.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the sections headed "Annual Review of Continuing Connected Transactions" and "Connected Transections" below, no contracts of significance, to which the Company, its holding company, subsidiaries or fellow subsidiaries was party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

On 18 December 2007, a supplementary agreement to the original lease agreement dated 28 December 2004 for the lease of the entire eighth floor (about 5,420 square metres) of the Golden Eagle International Plaza (the "Xinjiekou (Tenancy Agreement)") was entered into between Golden Eagle International Retail Group (China) Co., Ltd.* ("Golden Eagle (China)"), or where the context so requires, the department store operated by such company ("Nanjing Xinjiekou Store") and Nanjing Golden Eagle International Group Hi-tech Industry Co., Ltd.* ("Golden Eagle Hi-tech") for a term of 3 years commencing from 1 January 2008 and expiring on 31 December 2010. Golden Eagle Hi-tech is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang. The entering of the Xinjiekou Tenancy Agreement allows the Group to secure tenancy for an office premise which is of close proximity to Nanjing Xinjiekou Store.

Under the Xinjiekou Tenancy Agreement, annual rent is approximately RMB7.1 million. The annual rent was determined after arm's length negotiation between the parties and with reference to the prevailing market rate. The consideration paid by the Group under the Xinjiekou Tenancy Agreement for the year ended 31 December 2009 amounted to approximately RMB7,025,000.

Lease of property for department store from Nanjing Zhujiang No. 1 by Nanjing Zhujiang Store

On 28 August 2007, Nanjing Golden Eagle G-City Shopping Centre Co., Ltd.*, or where the context so requires, the department store operated by such company ("Nanjing Zhujiang Store") entered into a tenancy agreement in respect of the lease of first to fifth floors of the Zhujiang No.1 Plaza (the "Zhujiang Tenancy Agreement") with Nanjing Zhujiang No. 1 Industry Co. Ltd.* ("Nanjing Zhujiang No.1"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 20 years. The aforesaid parties have entered into a supplemental agreement (the "First Supplemental Agreement") on 4 June 2008 amending the area of the property to be leased to the Group from 22,780 square metres to approximately 24,545 square metres in order to provide more space for the Group to use for its department store operation.

On 29 December 2008, the aforesaid parties entered into a second supplemental agreement (the "Second Supplemental Agreement"), pursuant to which Nanjing Zhujiang No. 1 shall lease to Nanjing Zhujiang Store the south additional units and north additional units for the period between the date on which the south additional units and north additional units commence operation to 27 December 2027. The entering of the Zhujiang Tenancy Agreement, the First Supplemental Agreement and the Second Supplemental Agreement (collectively referred to as the "Amended Zhujiang Tenancy Agreement") allows the Group to secure tenancy for a department store which is located in Nanjing.

The annual consideration for the lease shall be equivalent to 5% of the gross sales proceeds derived from the operations of the Nanjing Zhujiang Store less the relevant value-added tax, subject to the use of the minimum guarantee gross sales proceeds of the sub-lessees of the south additional units (if any) in the calculation of consideration if the gross sales proceeds are lower than the minimum guaranteed gross sales proceeds. The consideration was determined after arm's length negotiation between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Amended Zhujiang Tenancy Agreement for the year ended 31 December 2009 amounted to approximately RMB11,561,000.

Lease of property for department store and exhibition centre from Shanghai Golden Eagle Tiandi by Shanghai Store and Golden Eagle China respectively

On 29 December 2008, Shanghai Golden Eagle International Shopping Centre Co., Ltd (formerly known as Shanghai Golden Eagle Industry Company Limited)*, or where the context so requires, the department store operated by such company ("Shanghai Store") entered into a tenancy agreement (the "Shanghai Tenancy Agreement") in respect of the lease of the entire first to fifth floors, part of the sixth floor and relevant accessory room of the Golden Eagle Shopping Plaza (the "Shanghai Properties") with Shanghai Golden Eagle Tiandi Industry Limited (formerly known as Shanghai Fude Shiji Investment Limited) ("Shanghai Golden Eagle Tiandi"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang for a term of 20 years commencing from the date on which the Shanghai Store commences operation.

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Shanghai Additional Tenancy Agreement") with Shanghai Golden Eagle Tiandi, in respect of the lease of the entire ninth floor of the Golden Eagle Shopping Plaza ("Additional Shanghai Properties") as the exhibition centre for the period of 2 years commencing from 1 July 2009.

The purpose of entering into the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement is to use the Shanghai Properties and Additional Shanghai Properties, which is located at a prime location in Shanghai, for the Group to commence its own business operations in Shanghai. The Shanghai Store will become a platform for the Group to cooperate with international brands.

The annual consideration for the lease of the Shanghai Properties shall be equivalent to 5% of the gross sales proceeds derived from the operations of the Shanghai Store less the relevant value-added tax while the consideration for the lease of the Additional Shanghai Properties is RMB6.5 per square metre per day and a property management fee of RMB81,880.50 each month. The consideration was determined after arm's length negotiation between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement for the year ended 31 December 2009 amounted to approximately RMB9,159,000 and RMB1,958,000 respectively while the property management fee paid by the Group under the Shanghai Additional Tenancy Agreement amounted to approximately RMB491,000.

Lease of property and ancillary facilities for department store from Nanjing Jinjiye by Golden Eagle (China)

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Hanzhong Plaza Tenancy Agreement") in respect of the lease of a 5-storey shopping plaza with an underground accessory room (the "Hanzhong Plaza") with Nanjing Jinjiye Investment Management Co., Ltd.* ("Nanjing Jinjiye"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 10 years in order to facilitate the Group to expand its business operations and increase its market share in Nanjing.

The annual consideration for the lease of Hanzhong Plaza shall be equivalent to the aggregate of (a) 5% of the annual gross sales proceeds derived from the operations of the Hanzhong Plaza less the relevant value-added tax for the portion of annual gross sales proceeds not exceeding RMB160,000,000; (b) 4% of the annual gross sales proceeds derived from the operations of the Hanzhong Plaza less the relevant value-added tax for the portion of annual gross sales proceeds exceeding RMB 160,000,000; and (c) 25% of the proceeds derived from sub-letting the units in the Hanzhong Plaza less property tax, business tax and other relevant taxes. The minimum guarantee rental payable under the Hanzhong Plaza Tenancy Agreement is RMB 6,100,000 per calendar year. The consideration was determined after arm's length negotiation between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Hanzhong Plaza Tenancy Agreement for the year ended 31 December 2009 amounted to approximately RMB3,271,000.

The aforesaid parties have entered into a facilities leasing agreement (the "Facilities Leasing Agreement") on 3 June 2009 in relation to lease the ancillary facilities located on the first to fifth floors of the Hanzhong Plaza (the "Ancillary Facilities") for a term of 10 years from the operation of the Hanzhong Plaza.

The consideration for the lease of the Ancillary Facilities is RMB1,900,000 per calendar year. The consideration was determined after arm's length negotiation between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for lease of the Ancillary Facilities for the year ended 31 December 2009 amounted to approximately RMB950,000.

Lease of property for department store from Xianlin Golden Eagle Properties by Xianlin Golden Eagle Shopping Centre

On 9 November 2009, Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.* or where the context so requires, the department store operated by such company ("Nanjing Xianlin Store") entered into a tenancy agreement in respect of the lease of first to fifth floors of Block 1 of Xianlin Golden Eagle Tiandi (the "Xianlin Tenancy Agreement") with Nanjing Xianlin Golden Eagle Properties Co., Ltd.* ("Xianlin Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 20 years in order to increase its presence and market share in Nanjing.

The annual consideration for the lease shall be equivalent to the higher of (a) the aggregate of (i) 5% of the annual gross sales proceeds derived from the operations of the Nanjing Xianlin Store less the relevant value-added tax; and (ii) 50% of the proceeds derived from sub-letting the units in the Nanjing Xianlin Store less property tax, business tax and other relevant taxes or (b) RMB5,000,000. The consideration was determined after arm's length negotiation between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Xianlin Tenancy Agreement for the year ended 31 December 2009 amounted to approximately RMB192,000.

Property Management Services Agreements

On 18 December 2007, Nanjing Xinjiekou Store and Nanjing Golden Eagle Properties Asset Management Co., Ltd.* (formerly known as Nanjing Golden Eagle International Properties Management Co., Ltd.) ("Nanjing Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, entered into a property management services agreement, pursuant to which Nanjing Golden Eagle Properties shall provide property management services to Nanjing Xinjiekou Store and a number of department stores under its control, including Nantong, Yangzhou, Suzhou, Xuzhou, Taizhou, Kunming, Yancheng. Huai'an, Hanzhong, Xianlin and Shanghai for a term of three years commencing from 1 January 2008 and expiring on 31 December 2010.

On 29 December 2008, Nanjing Zhujiang Store and Nanjing Zhujiang No. 1 entered into an additional property management services agreement, pursuant to which Nanjing Zhujiang No. 1 shall provide property management services to Nanjing Zhujiang Store for a term of two years commencing from 1 January 2009 and expiring on 31 December 2010.

The entering into of the aforesaid property management services agreements allows the Group to focus on the development and operations of department stores. The property management services shall include the provision of property (interior) maintenance, cleaning, environmental and greenery services and a fee equivalent to the actual cost incurred plus a mark-up of 10% will be charged. These fees were determined after arm's length negotiation between the respective parties and with reference to the prevailing market rate. The property management services fees paid by the Group under the aforesaid property management services agreements for the year ended 31 December 2009 amounted to approximately RMB22,476,000.

Carpark Management Services Agreement

On 29 December 2008, Nanjing Xinjiekou Store and Nanjing Golden Eagle International Group Co., Ltd.* ("Golden Eagle International Group"); Xuzhou Golden Eagle International Industry Co., Ltd.*, or where the context so requires, the department store operated by such company ("Xuzhou Store") and Xuzhou Golden Eagle International Properties Co., Ltd.* ("Xuzhou Golden Eagle International Properties") and Nanjing Zhujiang Store and Nanjing Zhujiang No. 1, entered into a carpark management services agreement (the "Carpark Management Services Agreement") for a term of two years commencing from 1 January 2009 and expiring on 31 December 2010. Golden Eagle International Group and Xuzhou Golden Eagle International Properties are connected persons (as defined in the Listing Rules) of the Company as they are companies ultimately and wholly-owned by Mr. Wang.

Pursuant to the Carpark Management Services Agreement, Golden Eagle International Group, Nanjing Zhujiang No. 1 and Xuzhou Golden Eagle International Properties shall provide free carparks to the customers of Nanjing Xinjiekou Store, Nanjing Zhujiang Store and Xuzhou Store respectively. Nanjing Xinjiekou Store shall pay to Golden Eagle International Group and Nanjing Zhujiang Store shall pay to Nanjing Zhujiang No. 1 the carpark fees at a rate of RMB4.0 per hour. Xuzhou Store shall pay to Xuzhou Golden Eagle International Properties the carpark fee at a rate of RMB1.8 per hour. The carpark fees which have been incurred by the respective stores are part of the value added services provided to the customers. The entering into of the Carpark Management Services Agreement allows the Group to provide better services to customers in order to generate sale.

These fees were determined after arm's length negotiation between the respective parties and with reference to the prevailing market rate. The carpark management services fee paid by the Group under the Carpark Management Services Agreement for the year ended 31 December 2009 amounted to approximately RMB4,892,000.

Project Management Services Agreement

On 18 December 2007, Nanjing Xinjiekou Store and Golden Eagle International Group entered into a project management services agreement (the "Project Management Services Agreement") for a term of three years commencing from 1 January 2008 and expiring on 31 December 2010, pursuant to which Golden Eagle International Group will provide project management services for the construction of the Group's new stores.

The project management services will include design, purchase of building materials and construction of the Group's new stores. The entering into of the Project Management Services Agreement allows the Group to focus on the development and operation of department stores. Golden Eagle International Group will provide project management services to the Group at a fee equivalent to 2% of the estimated cost agreed by both parties and in the event that the actual cost is lower than the estimated cost agreed by both parties, an incentive fee equivalent to 10% of the cost saved will be paid to Golden Eagle International Group. These fees were determined after arm's length negotiation between the parties and with reference to the prevailing market rate and on terms no worse off than the Group can obtain in the market and no less favourable than terms offered by Golden Eagle International Group to other independent third parties. The consideration paid by the Group to Golden Eagle International Group under the Project Management Services Agreement for the year ended 31 December 2009 amounted to approximately RMB1,000,000.

Decoration Services Agreement

On 18 December 2007, Nanjing Xinjiekou Store entered into a decoration services agreement (the "Decoration Services Agreement") with Nanjing Golden Eagle Construction Work Co., Ltd.* (formerly known as Nanjiang Golden Eagle International Group Decoration Project Co., Ltd.) ("Nanjing Golden Eagle Construction Work"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, pursuant to which Nanjing Golden Eagle Construction Work agreed to provide decoration services to Nanjing Xinjiekou Store and department stores under its control for a term of three years commencing from 1 January 2008 and expiring on 31 December 2010. The entering into of the Decoration Services Agreement allows the Group to focus on the development and operation of department stores.

Pursuant to the Decoration Services Agreement, Nanjing Golden Eagle Construction Work will provide the decoration services to the Group at rates to be determined after arm's length negotiations and on terms no worse off than the Group can obtain in the market and no less favourable than terms offered by Nanjing Golden Eagle Construction Work to other independent third parties. The consideration paid by the Group under the Decoration Services Agreement for the year ended 31 December 2009 amounted to approximately RMB19,716,000.

Views of the auditor and independent non-executive Directors

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the Board. The Board has made all the applicable confirmation as set out in Rule 14A.37 (1) to (3) of the Listing Rules.

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

* *for identification purpose only*

CONNECTED TRANSACTIONS

The following connected transactions were non-exempt connected transactions entered into between the Group and its connected persons during the year ended 31 December 2009:

Taizhou Sale and Purchase Agreement

On 3 June 2009, Golden Eagle International Group and Taizhou Golden Eagle Retail Co., Ltd.* ("Taizhou Golden Eagle") entered into a sale and purchase agreement (the "Taizhou Sale and Purchase Agreement") in respect of the acquisition of the entire equity interest of Taizhou Jinxin Investment Management Co., Ltd.* ("Taizhou Company"). Pursuant to which Golden Eagle International Group agreed to sell, and Taizhou Golden Eagle agreed to purchase, the entire equity interest in Taizhou Company at a consideration of RMB62,516,618. The purpose of the acquisition is to increase the operating area of the Taizhou Store.

According to the unaudited management accounts of Taizhou Company, up to 31 May 2009, Golden Eagle International Group has advanced a shareholder's loan in the sum of RMB11,483,382 (the "Shareholder's Loan") to Taizhou Company. Taizhou Golden Eagle paid an amount equivalent to the Shareholder's Loan to Golden Eagle International Group for the purpose of taking up the Shareholder's Loan upon the completion of the acquisition.

Sale and Purchase of (Nanjing Xinbai) shares

On 3 June 2009, Golden Eagle (China) and Golden Eagle International Group have entered into a sale and purchase agreement in respect of the disposal of shares 4,075,252 shares in Nanjing Xinjiekou Department Store Co. Ltd* ("Nanjing Xinbai") (the "Nanjing Xinbai Shares"). Pursuant to which Golden Eagle (China) agreed to sell, and Golden Eagle International Group agreed to purchase, the Nanjing Xinbai Shares.

Golden Eagle (China) disposed of the Nanjing Xinbai Shares on 5 June 2009 at a consideration of RMB8.48 per share and the total amount of proceeds derived from the disposal of the Naijing Xinbai Shares is approximately RMB34,499,000.

Framework Agreement

On 9 November 2009, Golden Eagle International Group and Golden Eagle (China) have entered into a framework agreement (the "Framework Agreement") pursuant to which Golden Eagle International Group agreed to develop and sell, and Golden Eagle (China) agreed to acquire the whole of first to sixth floor and portion of second level of basement of Golden Eagle Phase 3, a 41-story building with 4 levels of basement to be located adjacent to Nanjing Xinjiekou Store ("Golden Eagle Phase 3") and to be developed by Golden Eagle International Group (the "Xinjiekou Store Phase II") at a consideration of RMB875,000,000. The purpose of the acquisition of the Xinjiekou Store phase II is to increase the operating area of Nanjing Xinjiekou Store and the consideration wil be paid in phases.

Details of the Taizhou Sale and Purchase Agreement and the Sale and Purchase of Nanjing Xinbai Shares have been disclosed in the announcement of the Company dated 5 June 2009 and details of the Framework Agreement have been disclosed in the announcement of the Company dated 11 November 2009.

* *for identification purpose only*

DEED OF NON-COMPETITION

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

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

(b) the Group entered into the Shanghai Tenancy Agreement with Shanghai Golden Eagle Tiandi for the leasing of the Shanghai Properties for a term of 20 years commencing from the date on which the Shanghai Store commences operation. Details are disclosed under the sub-section "Lease of property for department store and exhibition centre from Shanghai Golden Eagle Tiandi by Shanghai Store and Golden Eagle China respectively" in the section headed "Annual Review of Continuing Connected Transactions" of this report. During the year, the Group also entered into the Shanghai Additional Tenancy Agreement with Shanghai Golden Eagle Tiandi for the leaseing of the Shanghai Additional Properties for a term of 2 years commencing from 1 July 2009; and

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

Accordingly, the independent non-executive Directors do not consider it is necessary for the Company to exercise or not to exercise the Right of First Refusal, the Shanghai Shopping Option and the Xinbai Shopping Option at this moment.

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

MAJOR CUSTOMERS AND SUPPLIERS

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practical date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is sufficient public float as required by the Listing Rules throughout the year ended 31 December 2009.

PRE-EMPTIVE RIGHTS

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

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wang Hung, Roger
Chairman

7 April 2010

Deloitte.
德勤

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

We have audited the consolidated financial statements of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 122, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000 (restated)
Revenue	7	**1,850,093**	1,426,361
Other operating income	9	**121,328**	67,898
Changes in inventories of merchandise		**(398,766)**	(316,801)
Employee benefits expense		**(171,574)**	(129,264)
Depreciation and amortisation of property, plant and equipment		**(98,300)**	(71,271)
Release of prepaid lease payments on land use rights		**(5,541)**	(4,824)
Other operating expenses		**(339,028)**	(262,139)
Profit from operations		**958,212**	709,960
Finance income	10	**49,854**	82,585
Finance costs	11	**(55,712)**	(81,444)
Changes in fair value of derivative financial instruments		**(461,734)**	74,071
Other gains and losses	12	**13,187**	53,469
Profit before tax		**503,807**	838,641
Income tax expense	13	**(252,897)**	(225,285)
Profit for the year, attributable to owners of the Company	14	**250,910**	613,356
Earnings per share			
– Basic (RMB per share)	16	**0.137**	0.339
– Diluted (RMB per share)	16	**0.136**	0.290

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (restated)
Profit for the year	**250,910**	613,356
Other comprehensive income		
Gain (loss) on fair value changes of available-for-sale investments	**21,529**	(53,274)
Investment revaluation reserve reclassified to profit or loss on impairment of available-for-sale investments	**—**	6,940
Reclassified to profit or loss on disposal of available-for-sale investments	**(13,465)**	(165)
Income tax relating to other comprehensive income	**(2,002)**	11,624
Other comprehensive income (expense) for the year (net of tax)	**6,062**	(34,875)
Total comprehensive income for the year, attributable to owners of the Company	**256,972**	578,481

Consolidated Statement Of Financial Position

At 31December 2009

	NOTES	31.12.2009 RMB'000	31.12.2008 RMB'000 (restated)	1.1.2008 RMB'000 (restated)
Non-current assets				
Property, plant and equipment	18	**2,378,087**	2,259,626	1,699,504
Land use rights - non-current portion	19	**478,845**	174,635	178,569
Deposits for acquisition of property, plant and equipment	20	**262,500**	—	49,338
Deposits for acquisition of land use rights	21	**219,194**	—	—
Deposit for acquisition of a subsidiary	22	**12,000**	—	—
Goodwill	23	**26,035**	26,035	26,035
Available-for-sale investments	24	**11,594**	26,348	76,864
Deferred tax assets	25	**26,976**	24,249	21,151
		3,415,231	2,510,893	2,051,461
Current assets				
Inventories		**156,332**	97,405	66,979
Trade and other receivables	26	**107,185**	78,761	63,782
Land use rights - current portion	19	**6,963**	4,829	4,794
Amounts due from related companies	27	**7,716**	162	2,157
Structured bank deposit	28	**—**	50,000	—
Pledged bank deposit	29	**269,033**	—	—
Bank balances and cash	30	**2,020,917**	2,040,574	1,747,906
		2,568,146	2,271,731	1,885,618

Consolidated Statement Of Financial Position

At 31December 2009

	NOTES	31.12.2009 RMB'000	31.12.2008 RMB'000 (restated)	1.1.2008 RMB'000 (restated)
Current liabilities				
Trade and other payables	31	**1,293,289**	1,029,427	800,862
Amounts due to related companies	32	**25,569**	26,186	19,673
Amount due to a former minority investor of a subsidiary		**—**	—	2,000
Secured short-term bank loan	33	**269,033**	—	—
Tax liabilities		**51,581**	46,412	81,327
Convertible bonds	34	**—**	852,806	—
Derivative financial instruments	34	**—**	166,173	240,244
Deferred revenue	35	**1,355,394**	950,037	614,969
		2,994,866	3,071,041	1,759,075
Net current (liabilities) assets		**(426,720)**	(799,310)	126,543
Total assets less current liabilities		**2,988,511**	1,711,583	2,178,004
Non-current liabilities				
Convertible bonds	34	**—**	—	819,968
Deferred tax liabilities	25	**69,960**	53,686	53,068
		69,960	53,686	873,036
Net assets		**2,918,551**	1,657,897	1,304,968
Capital and reserves				
Share capital	36	**197,415**	182,661	187,063
Reserves		**2,721,136**	1,475,236	1,117,905
Total equity		**2,918,551**	1,657,897	1,304,968

The consolidated financial statements on pages 46 to 122 were approved and authorised for issue by the board of directors on 7 April 2010 and are signed on its behalf by:

WANG HUNG, ROGER
DIRECTOR

ZHENG SHU YUN
DIRECTOR

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2009

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 37)	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 37)	Retained profits RMB'000	Total RMB'000
At 1 January 2008 (as originally stated)	187,063	260,189	—	217,228	32,561	20,893	81,843	536,702	1,336,479
Effect of change in the accounting of customer loyalty program (note 2)	—	—	—	—	—	—	—	(31,511)	(31,511)
As restated	187,063	260,189	—	217,228	32,561	20,893	81,843	505,191	1,304,968
Profit for the year (note 2)	—	—	—	—	—	—	—	613,356	613,356
Loss on fair value changes of available-for-sale investments	—	—	—	—	(53,274)	—	—	—	(53,274)
Reclassified to profit or loss on impairment of available-for-sale investments	—	—	—	—	6,940	—	—	—	6,940
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	—	—	(165)	—	—	—	(165)
Income tax relating to other comprehensive income	—	—	—	—	11,624	—	—	—	11,624
Total comprehensive income for the year	—	—	—	—	(34,875)	—	—	613,356	578,481
Shares repurchased and cancelled	(4,464)	(155,072)	4,464	—	—	—	—	(4,464)	(159,536)
Exercise of share options	62	3,669	—	—	—	(845)	—	—	2,886
Recognition of equity-settled share-based payments	—	—	—	—	—	9,248	—	—	9,248
Appropriation	—	—	—	—	—	—	128,880	(128,880)	—
Dividends recognised as distribution	—	—	—	—	—	—	—	(78,150)	(78,150)
At 31 December 2008 (restated)	182,661	108,786	4,464	217,228	(2,314)	29,296	210,723	907,053	1,657,897

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2009

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 37)	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 37)	Retained profits RMB'000	Total RMB'000
Profit for the year (note 2)	—	—	—	—	—	—	—	250,910	250,910
Gain on fair value changes of available-for-sale investments	—	—	—	—	21,529	—	—	—	21,529
Reclassified to profit or loss on disposal of available-for-sale investments	—	—	—	—	(13,465)	—	—	—	(13,465)
Income tax relating to other comprehensive income	—	—	—	—	(2,002)	—	—	—	(2,002)
Total comprehensive income for the year	—	—	—	—	6,062	—	—	250,910	256,972
Shares repurchased and cancelled	(584)	(29,041)	584	—	—	—	—	(584)	(29,625)
Exercise of share options	625	38,977	—	—	—	(10,391)	—	—	29,211
Conversion of convertible bonds	14,713	1,521,372	—	—	—	—	—	—	1,536,085
Recognition of equity-settled share-based payments	—	—	—	—	—	12,901	—	—	12,901
Appropriation	—	—	—	—	—	—	113,101	(113,101)	—
Dividends recognised as distribution	—	—	—	—	—	—	—	(544,890)	(544,890)
At 31 December 2009	**197,415**	**1,640,094**	**5,048**	**217,228**	**3,748**	**31,806**	**323,824**	**499,388**	**2,918,551**

Consolidated Statement Of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (restated)
Operating activities		
Profit before tax	**503,807**	838,641
Adjustments for:		
Changes in fair value of derivative financial instruments	**461,734**	(74,071)
Depreciation and amortisation of property, plant and equipment	**98,300**	71,271
Interest expenses	**55,712**	81,444
Equity-settled share-based payments	**12,901**	9,248
Release of prepared lease payments on land use rights	**5,541**	4,824
Loss on disposal of property, plant and equipment	**144**	1,005
Income from investments in interest bearing instruments	**(35,854)**	(69,031)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**(13,465)**	(165)
Interest income	**(12,960)**	(13,554)
Income from structured bank deposit	**(1,040)**	—
Impairment loss reversed in respect of other receivables	**(23)**	(8)
Investment revaluation reserve reclassified to profit or loss on impairment of available-for-sale investments	**—**	6,940
Foreign exchange gains arising from convertible bonds	**—**	(48,606)
Operating cash flows before movements in working capital	**1,074,797**	807,938
Increase in inventories	**(58,927)**	(30,426)
Increase in trade and other receivables	**(28,401)**	(14,971)
(Increase) decrease in amounts due from related companies	**(7,554)**	1,995
Increase in trade and other payables	**269,975**	194,491
Decrease in amounts due to related companies	**(617)**	(849)
Increase in deferred revenue	**405,357**	335,068
Net cash generated from operations	**1,654,630**	1,293,246
PRC income tax paid	**(236,183)**	(251,056)
Net cash from operating activities	**1,418,447**	1,042,190

Consolidated Statement Of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000 (restated)
Investing activities		
Investments in interest bearing instruments	(1,400,000)	(950,000)
Payment on lease payments of land use rights	(311,885)	(925)
Increase in pledged bank deposit	(269,033)	—
Deposit paid for acquisition of land and building	(262,500)	—
Purchase of property, plant and equipment	(223,445)	(541,895)
Deposits paid for land use rights	(219,194)	—
Deposit paid for acquisition of a subsidiary	(12,000)	—
Purchase of available-for-sale investments	(1,198)	(7,122)
Redemption of investments in interest bearing instruments	1,400,000	950,000
Redemption of investment in structure bank deposit	50,000	—
Proceeds from disposal of available-for-sale investments	37,481	4,364
Income received from investments in interest bearing instruments	35,854	69,031
Interest received from bank deposits	12,960	13,554
Income received from structured bank deposits	1,040	—
Proceeds from disposal of property, plant and equipment	87	271
Investment in structured bank deposit	—	(50,000)
Repayment to a former minority investor on acquisition of additional interest in a subsidiary	—	(2,000)
Net cash used in investing activities	(1,161,833)	(514,722)
Financing activities		
Dividends paid to owners of the Company	(544,890)	(78,150)
Repurchase of own shares	(29,625)	(159,536)
New secured short-term bank loan raised	269,033	—
Proceeds on exercise of share options	29,211	2,886
Net cash used in financing activities	(276,271)	(234,800)
Net (decrease) increase in cash and cash equivalents	(19,657)	292,668
Cash and cash equivalents at beginning of the year	2,040,574	1,747,906
Cash and cash equivalents at end of the year	2,020,917	2,040,574

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 44.

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")/CHANGES IN ACCOUNTING POLICIES

In the current year, the Company and its subsidiaries (the "Group") have applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 1 January 2008 as the Group has applied an accounting policy retrospectively during the current financial year (see below).

During the year ended 31 December 2009, the Group chose to present its consolidated income statement with expenses analysed by nature. In opinion of the Directors, presentation of income and expenses by nature gives more relevant information on the Group's performance, taking into consideration of the nature of the Group's operations. Prior period figures have been represented to conform with the new presentation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure Standard that resulted in presentation of the Group's operating segment information for the first time (see note 8).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expend the disclosures required in relation to fair value measurements in respect of financial instruments which are measure at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New HKFRS affecting the reported results and financial position

HK(IFRIC)-Int 13 Customer Loyalty Programmes

The adoption of HK(IFRIC)-Int 13 has resulted in a change to the Group's accounting policy for its customer loyalty program. Under the Group's customer loyalty program, customers are entitled to convert their awarded credits into cash vouchers upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program. HK(IFRIC)-Int 13 requires such transactions to be accounted for as 'multiple element revenue transactions' and that the consideration received in the initial sale transaction should be allocated between the sale of goods and the award credits that are earned by the customers in that transaction.

The Group has applied HK(IFRIC)-Int 13 retrospectively where the Group allocated a portion of the proceeds derived from initial sale to the awarded credits (under its customer loyalty program) as deferred revenue.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (Continued)

The effect of this change in accounting policy on the results for the current and prior year by line items presented in the consolidated income statement is as follows:

	2009	2008
	RMB'000	RMB'000
Decrease in revenue	**(19,504)**	(5,783)
Decrease in income tax expense	**4,876**	1,446
Decrease in profit for the year	**(14,628)**	(4,337)

The effect of this change in accounting policy and other reclassification made to conform with current year's presentation on the financial positions of the Group as at 1 January 2008 and 31 December 2008 is as follows:

	As at 1.1.2008 (originally stated)	**Adjustments/ Reclassification**	**As at 1.1.2008 (restated)**	**As at 31.12.2008 (originally stated)**	**Adjustments/ Reclassification**	**As at 31.12.2008 (restated)**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	10,648	10,503	21,151	12,300	11,949	24,249
Trade and other payables	(1,373,817)	572,955	(800,862)	(1,931,667)	902,240	(1,029,427)
Deferred revenue	—	(614,969)	(614,969)	—	(950,037)	(950,037)
Other assets and liabilities	2,699,648	—	2,699,648	3,613,112	—	3,613,112
Total effects on net assets	1,336,479	(31,511)	1,304,968	1,693,745	(35,848)	1,657,897
Capital and other reserves	799,777	—	799,777	750,844	—	750,844
Retained profits	536,702	(31,511)	505,191	942,901	(35,848)	907,053
Total effects on equity	1,336,479	(31,511)	1,304,968	1,693,745	(35,848)	1,657,897

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (Continued)

The effect of this change in accounting policy on the Group's basic and diluted earnings per share for the current and prior year is as follows:

Impact on basic earnings per share

	2009 RMB	2008 RMB
Figures before adjustment	**0.145**	0.341
Adjustment arising from change in the accounting of customer loyalty program	**(0.008)**	(0.002)
Restated	**0.137**	0.339

Impact on diluted earnings per share

	2009 RMB	2008 RMB
Figures before adjustment	**0.144**	0.292
Adjustment arising from change in the accounting of customer loyalty program	**(0.008)**	(0.002)
Restated	**0.136**	0.290

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK (IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

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 a parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (Continued)

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and goodwill arising on an acquisition of additional interests in subsidiaries are carried at cost less any accumulated impairment losses and are presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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.

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 includes 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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 profit or loss in the period in which the item is derecognised.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 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 to the net carrying amount on initial recognition.

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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. Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 related companies, 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.

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 other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related companies and bank loan are subsequently measured at amortised cost, using the effective interest method.

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 and/or redemption 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 components are recognised at fair value.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments

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

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, sale, issue 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 other comprehensive income 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sale of goods (including sale of goods by the relevant concessionaires) that results in awarded credits for customers under the Group's customer loyalty program are accounted for as 'multiple element revenue transactions' that the consideration received in initial sale transaction is allocated between the sale of goods and the discount entitlements that are earned by the customers. The consideration allocated to the awarded credits that are earned by the customers are not recognised as revenue at the time of the initial sale transaction – but are deferred and recognised as revenue when the Group's obligations under the customer loyalty program have been released. Under the Group's customer loyalty program, customers are entitled to convert their awarded credits into cash vouchers upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program.

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 on initial recognition.

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 profit or loss 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

Operating lease payments are recognised as an expense 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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 and amortised over the lease term on a straight-line basis.

Government grants

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred are recognised in profit or loss in the period in which they become receivable.

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 end of each reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 option reserve).

At the end of each reporting period, 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 option reserve.

At the time when the share options are exercised, the amount previously recognised in share option 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 option 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 are required to make various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other resources based on past experiences, expectation of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainty at the end of the reporting period, that may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year 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 2009, the carrying value of the Group's goodwill was RMB26,035,000 (2008: RMB26,035,000), and no impairment loss was recognised during both years. Details of the recoverable amount calculation are disclosed in note 23.

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 secured short-term bank loan as disclosed in note 33, convertible bonds which had been fully converted in current year as disclosed in note 34, cash and cash equivalents, pledged bank deposit and equity attributable to owners 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

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale investments	**11,594**	26,348	76,864
Loans and receivables			
(including cash and cash equivalents)	**2,374,715**	2,148,045	1,795,071
Financial liabilities			
Derivative financial instruments	**—**	166,173	240,244
Amortised cost	**1,454,707**	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, pledged bank deposit, bank balances and cash, amounts due from/to related parties, trade and other payables, convertible bonds and secured short-term bank loan. 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, short-term bank loan 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.

During the year ended 31 December 2009, the Group entered into foreign currency forward contracts with a bank in the PRC for the purpose of hedging short-term bank loan denominated in USD as disclosed in note 33 although hedge accounting was not applied.

Save as disclosed above, the Group currently has not entered into any contracts to hedge its other foreign currency risk exposure. 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 (other than the foreign currency forward contracts with a notional amount of USD39,857,994) (2008: nil) at the reporting date are as follows:

	Liabilities		Assets	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**269,033**	—	**13,759**	27,031
HKD	**—**	852,806	**341,675**	137,950

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 against 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 foreign currency forward contracts and adjusts their translation at the year end for a 5% change in foreign currency rates.

	USD Impact		HKD Impact	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in post-tax profit for the year:				
if RMB weakens against foreign currency	**516**	1,014	**12,813**	(26,807)
if RMB strengthens against foreign currency	**(516)**	(1,014)	**(12,813)**	26,807

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

The Group is exposed to cash flow interest rate risk for certain of its interest bearing financial assets, including structured bank deposit and bank balances, which carried interests at prevailing market rates.

(ii) Fair value interest rate risk

The Group is also exposed to fair value interest rate risk for its interest bearing financial liabilities and certain financial assets, including the liability component of the convertible bonds, short-term bank loan, pledged bank deposit and fixed-rate bank deposits, which carried interests at fixed rates.

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 34.

Exposure of interest rate risk to the Group is minimal as the balances, other than the liability component of the convertible bonds, are all short-term in nature. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

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

6. FINANCIAL INSTRUMENTS (Continued)

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

6B.1. Market risk (Continued)

Other price risks

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 15% and 30% respectively in the current year as result of the volatile financial market.

- If equity prices had been 15% higher, investment revaluation reserve would increase by RMB1,309,000 (2008: RMB2,964,000), as a result of changes in fair value of available-for-sale investments. If equity prices had been 15% lower, investment revaluation reserve would decrease by RMB1,309,000, as a result of changes in fair value of available-for-sale investments (2008: 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).

- If equity prices had been 30% higher, investment revaluation reserve would increase by RMB2,619,000 (2008: RMB5,928,000), as a result of changes in fair value of available-for-sale investments. If equity prices had been 30% lower, investment revaluation reserve would decrease by RMB2,619,000, as a result of changes in fair value of available-for-sale investments (2008: 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).

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.

6. FINANCIAL INSTRUMENTS (Continued)

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

6B.2. Credit risk

As at 31 December 2009, 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 statement of financial position.

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 related companies 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, pledged 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 related companies, 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 secured short-term bank loan as set out in note 33, the Group has no other borrowings as at the end of the reporting period 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 RMB426,720,000 (2008: RMB799,310,000 after restatement) as at the end of the reporting period. 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 based on the agreed repayment terms as well as structured bank deposit, pledged bank deposit and cash and cash equivalents. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities on the earliest date of being requested for repayment. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from applicable interest rate at the end of the reporting period.

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 interest rate	Undiscounted cash flows due within 1 year	Carrying amount at year end
	%	RMB	RMB
At 31 December 2009			
Pledged bank deposit	**2.25**	**275,086**	**269,033**
Cash and cash equivalents	**0.44**	**2,029,809**	**2,020,917**
		2,304,895	**2,289,950**
Non-derivative financial liabilities:			
Trade and other payables	**—**	**1,160,105**	**1,160,105**
Amounts due to related companies	**—**	**25,569**	**25,569**
Secured short-term bank loan	**1.18**	**272,211**	**269,033**
		1,457,885	**1,454,707**
Net		**847,010**	**835,243**
At 31 December 2008			
Structured bank deposit	3.00	51,040	50,000
Cash and cash equivalents	0.52	2,051,185	2,040,574
		2,102,225	2,090,574
Non-derivative financial liabilities:			
Trade and other payables	—	873,839	873,839
Amounts due to fellow subsidiaries	—	26,186	26,186
Convertible bonds (including derivative component)	10.42	1,021,240	1,018,979
		1,921,265	1,919,004
Net		180,960	171,570

6. FINANCIAL INSTRUMENTS (Continued)

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

6B.3. Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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;
- the fair value of option-based derivatives is estimated using the Binomial option pricing model; and
- foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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	
	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities		
Convertible bonds - liability component	852,806	947,624

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:

	2009 RMB'000	2008 RMB'000 (restated)
Revenue from department store operations		
– direct sales	**501,816**	383,675
– income from concessionaire sales	**1,312,780**	1,020,171
– rental income	**29,717**	21,556
– management service fees	**5,780**	959
	1,850,093	1,426,361

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

Gross sales proceeds

	2009 RMB'000	2008 RMB'000 (restated)
From department store operations		
– direct sales	**588,902**	438,507
– concessionaire sales	**7,564,602**	5,786,674
– rental income	**31,375**	22,823
– management service fees	**6,800**	959
	8,191,679	6,248,963

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operation decision maker for the purposes of allocating resources to segments and assessing their performance. For the purpose of the application of HKFRS 8, the Group's executive directors are considered as chief operation decision makers. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. All of the Group's operations are located and substantially carried out in the PRC and the Group's department store operation was regarded as one single business segment under HKAS 14. Accordingly, no segment information by business and geographical segments were presented. Following the adoption of HKFRS 8, the identification of the Group's reportable segments have changed.

Information reported to the Group's executive directors is based on the locations of the respective department stores in the PRC. The Group's operating segments under HKFRS 8 are therefore as follows:

— Southern Jiangsu Province

— Northern Jiangsu Province

— Western region of the PRC

— Others

8. SEGMENT INFORMATION (Continued)

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment.

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of the PRC RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2009					
Gross sales proceeds	3,397,052	3,611,887	886,996	295,744	8,191,679
Segment revenue	865,590	750,144	157,850	76,509	1,850,093
Segment results	581,348	373,199	47,255	7,976	1,009,778
Central administration costs and Directors' salaries					(51,566)
Finance income					49,854
Finance costs					(55,712)
Changes in fair value of derivative financial instruments					(461,734)
Other gains and losses					13,187
Profit before tax					503,807
Income tax expense					(252,897)
Profit for the year					250,910

8. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Southern Jiangsu Province RMB'000 (restated)	Northern Jiangsu Province RMB'000 (restated)	Western region of the PRC RMB'000 (restated)	Others RMB'000 (restated)	Total RMB'000 (restated)
For the year ended 31 December 2008					
Gross sales proceeds	2,986,019	2,616,165	611,497	35,282	6,248,963
Segment revenue	745,129	544,076	117,679	19,477	1,426,361
Segment results	465,616	277,992	11,820	4,513	759,941
Central administration costs and Directors' salarie					(49,981)
Finance income					82,585
Finance costs					(81,444)
Changes in fair value of derivative financial instruments					74,071
Other gains and losses					53,469
Profit before tax					838,641
Income tax expense					(225,285)
Profit for the year					613,356

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by/loss from each segment without allocation of central administration costs, Directors' salaries, finance income, finance costs, changes in fair value of derivative financial instruments and other gains and losses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

Segment assets

The following is an analysis of the Group's assets by operating segment.

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of the PRC RMB'000	Others RMB'000	Total RMB'000
At 31 December 2009					
Segment assets	588,656	1,409,615	707,390	147,053	2,852,714
Deposits for acquisition of property, plant and equipment					262,500
Deposits for acquisition of land use rights					219,194
Deposit for acquisition of a subsidiary					12,000
Deferred tax assets					26,976
Pledged bank deposit					269,033
Bank balances and cash					2,020,917
Unallocated assets					320,043
Consolidated total assets					5,983,377

8. SEGMENT INFORMATION (Continued)

Segment assets (Continued)

	Southern Jiangsu Province RMB'000 (restated)	Northern Jiangsu Province RMB'000 (restated)	Western region of the PRC RMB'000 (restated)	Others RMB'000 (restated)	Total RMB'000 (restated)
At 31 December 2008					
Segment assets	566,362	1,232,976	708,990	30,371	2,538,699
Deferred tax assets					24,249
Structured bank deposit					50,000
Bank balances and cash					2,040,574
Unallocated assets					129,102
Consolidated total assets					4,782,624

	Southern Jiangsu Province RMB'000 (restated)	Northern Jiangsu Province RMB'000 (restated)	Western region of the PRC RMB'000 (restated)	Others RMB'000 (restated)	Total RMB'000 (restated)
At 1 January 2008					
Segment assets	625,794	738,206	695,817	12,291	2,072,108
Deferred tax assets					21,151
Bank balances and cash					1,747,906
Unallocated assets					95,914
Consolidated total assets					3,937,079

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than deposits for acquisition of property, plant and equipment, deposits for acquisition of land use rights, deposit for acquisition of subsidiary, deferred tax assets, structured bank deposit, pledged bank deposit, bank balances and cash, and other corporate assets.

8. SEGMENT INFORMATION (Continued)

Other segment information

Amounts included in the measurement of segment profit or loss or segment assets:

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of the PRC RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2009					
Depreciation and amortisation of property, plant and equipment	**21,703**	**40,428**	**27,372**	**5,333**	**94,836**
Release of prepaid lease payments on land use rights	**—**	**4,282**	**1,259**	**—**	**5,541**
For the year ended 31 December 2008					
Depreciation and amortisation of property, plant and equipment	18,617	25,978	25,752	262	70,609
Release of prepaid lease payments on land use rights	—	3,570	1,254	—	4,824

9. OTHER OPERATING INCOME

	2009 RMB'000	2008 RMB'000
Income from suppliers and customers	**99,828**	44,861
Government grants	**20,542**	16,067
Compensation received	**—**	4,113
Others	**958**	2,857
	121,328	67,898

10. FINANCE INCOME

	2009 RMB'000	2008 RMB'000
Income from investments in interest bearing instruments	**35,854**	69,031
Income from structured bank deposit	**1,040**	—
Interest income on bank deposits	**12,620**	13,554
Interest income on pledged bank deposits	**340**	—
	49,854	82,585

11. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Effective interest expense on convertible bonds (note 34)	**55,372**	81,444
Interest on secured short-term bank loan	**340**	—
	55,712	81,444

12. OTHER GAINS AND LOSSES

	2009 RMB'000	2008 RMB'000
Net foreign exchange (losses) gains	**(1,240)**	47,020
Changes in fair value of held-for-trading investments	**962**	13,224
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**13,465**	165
Investment revaluation reserve reclassified to profit or loss on impairment of available-for-sale investments	**—**	(6,940)
	13,187	53,469

13. INCOME TAX EXPESNE

	2009 RMB'000	2008 RMB'000 (restated)
PRC Enterprise Income Tax:		
Current year	**239,113**	214,335
Underprovision in prior years	**2,239**	1,806
	241,352	216,141
Deferred tax charge:		
Current year	**11,060**	7,518
Attributable to change in tax rate	**485**	1,626
	11,545	9,144
	252,897	225,285

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 2009 (2008: nil).

Subsidiaries of the Company located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2008: 25%) pursuant to the relevant PRC Enterprise Income Tax laws, 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 of 15% effective from 1 January 2007 for 4 years and Xi'an Golden Eagle International Shopping Centre Co., Ltd. ("Xi'an Golden Eagle Gaoxin") which was granted on 30 April 2009 a preferential income tax rate of 15% effective from 1 January 2008 for 3 years and subject to review on an annual basis. The deferred tax balance of both Kunming Golden Eagle and Xi'an Golden Eagle Gaoxin 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.

13. INCOME TAX EXPESNE (Continued)

The tax charge for the year ended 31 December 2009 can be reconciled to the profit before tax as follows:

	2009 RMB'000	2008 RMB'000 (restated)
Profit before tax	**503,807**	838,641
Tax at the applicable tax rate of 25% (2008: 25%)	**125,952**	209,660
Tax effect of expenses not deductible for tax purpose	**130,316**	29,735
Tax effect of income not taxable for tax purpose	**(10,185)**	(23,165)
Tax effect of tax losses not recognised	**1,915**	1,716
Tax effect on utilisation of tax losses previously not recognised	**(66)**	—
Changes in opening deferred tax balances resulting from a decrease in applicable tax rate	**485**	1,626
Underprovision in prior years	**2,239**	1,806
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**7,088**	3,912
Tax effect of preferential income tax rate of subsidiaries	**(4,847)**	(5)
Tax charge for the year	**252,897**	225,285

14. PROFIT FOR THE YEAR

	2009 RMB'000	2008 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**1,232**	1,056
Other staff:		
Salaries and other benefits	**140,722**	109,541
Retirement benefits schemes contributions	**17,130**	9,821
Equity-settled share-based payments	**12,490**	8,846
	171,574	129,264
Auditor's remuneration	**1,800**	1,800
Loss on disposal of property, plant and equipment	**144**	1,005
Impairment loss reversed in respect of other receivables	**(23)**	(8)
Operating lease rentals in respect of land and buildings	**57,831**	23,939

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2009					2008				
		Other emoluments					Other emoluments			
	Fees	Salaries and other 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	–	–	–	–	–	–	–	–	–	–
Ms. Zheng Shu Yun (Note 1)	–	226	–	165	391	–	–	–	–	–
Mr. Han Xiang Li (Note 2)	–	–	–	–	–	–	263	21	402	686
Sub-total	–	226	–	165	391	–	263	21	402	686
Non-executive Director										
Mr. Han Xiang Li (Note 2)	–	44	5	246	295	–	–	–	–	–
Independent non-executive Directors										
Mr. Wong Chi Keung	158	88	–	–	246	158	–	–	–	158
Mr. Wang Yao	106	44	–	–	150	106	–	–	–	106
Mr. Lau Shek Yau, John	106	44	–	–	150	106	–	–	–	106
Sub-total	370	176	–	–	546	370	–	–	–	370
Total	370	446	5	411	1,232	370	263	21	402	1,056

Notes:

1. Ms. Zheng Shu Yun was appointed as an executive Director of the Company on 15 April 2009.

2. Mr. Han Xiang Li was re-designated as a non-executive Director of the Company with effect from 15 April 2009.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

One (2008: 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 (2008: four) individuals were as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other benefits	**2,147**	987
Retirement benefits scheme contributions	**103**	52
Equity-settled share-based payments	**523**	1,365
	2,773	2,404

Their emoluments were within the following bands:

	2009	2008
	No. of employees	No. of employees
Within HKD1,000,000		
(Equivalent to within RMB881,900)	**3**	4
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.

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners 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 during the year 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 owners of the Company is based on the following data:

	2009	2008
	RMB'000	RMB'000 (restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**250,910**	613,356
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	**250,910**	572,123

	2009	2008
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,832,284**	1,812,645
Effects of dilutive potential ordinary shares:		
Share options	**13,902**	4,599
Convertible bonds	**—**	155,763
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,846,186**	1,973,007

The computation of diluted earnings per share for the year ended 31 December 2009 excludes the effect arising from convertible bonds which will result in an increase in earnings per share.

16. EARNINGS PER SHARE (Continued)

Adjusted earnings per share:

	2009	2008
	RMB	RMB
		(restated)
Adjusted earnings per share		
– Basic	**0.419**	0.316
– Diluted	**0.416**	0.290

Adjusted basic and diluted earnings per share have also been disclosed to present the Company's adjusted basic and diluted earnings per share after the exclusion of the related effects on convertible bonds which had been charged to profit or loss during the year.

	2009	2008
	RMB'000	RMB'000
		(restated)
Earnings		
Profit for the year attributable to owners of the Company	**250,910**	613,356
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments	**461,734**	(74,071)
Effective interest expense on convertible bonds	**55,372**	81,444
Exchange realignment on convertible bonds	**—**	(48,606)
Earnings for the purposes of adjusted earnings per share	**768,016**	572,123

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

17. DIVIDENDS

	2009	2008
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2008 of RMB0.308 (year ended 31 December 2007: RMB0.043) per share	**544,890**	78,150

The final dividend of RMB 0.108 (2008: RMB0.308) per share total amounting to approximately RMB 210 million (2008: RMB545 million) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annualgeneralmeeting.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2008	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
Additions	—	81,332	2,399	14,708	198	44,355	142,992
Acquired on acquisition of a subsidiary (note 39)	74,000	—	—	—	—	—	74,000
Transfers	12,521	82,980	2,271	75	—	(97,847)	—
Disposals	—	—	(121)	(712)	—	—	(833)
At 31 December 2009	**2,265,318**	**399,405**	**90,086**	**53,559**	**4,970**	**18,017**	**2,831,355**
DEPRECIATION AND AMORTISATION							
At 1 January 2008	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
Provided for the year	41,739	42,172	7,601	6,330	458	—	98,300
Eliminated on disposals	—	—	(26)	(576)	—	—	(602)
At 31 December 2009	**220,108**	**173,753**	**30,623**	**25,471**	**3,313**	**—**	**453,268**
CARRYING VALUES							
At 31 December 2009	**2,045,210**	**225,652**	**59,463**	**28,088**	**1,657**	**18,017**	**2,378,087**
At 31 December 2008	2,000,428	103,512	62,489	19,771	1,917	71,509	2,259,626
At 1 January 2008	1,580,891	77,194	19,298	16,801	2,015	3,305	1,699,504

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

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%

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	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	**1,580,456**	1,527,971	1,100,731
Long-term land use rights	**464,754**	472,457	480,160
	2,045,210	2,000,428	1,580,891

As at the end of the reporting period, the Group is in the process of obtaining title deeds of buildings with a carrying value of approximately RMB228,269,000 (2008: RMB433,007,000).

19. LAND USE RIGHTS

	2009	2008
	RMB'000	RMB'000
CARRYING VALUE		
At beginning of the year	**179,464**	183,363
Additions	**238,310**	925
Acquired on acquisition of a subsidiary (note 39)	**73,575**	—
Released to profit or loss during the year	**(5,541)**	(4,824)
At end of the year	**485,808**	179,464

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
Analysed for reporting purposes as:			
Non-current assets	**478,845**	174,635	178,569
Current assets	**6,963**	4,829	4,794
	485,808	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 the end of the reporting period, the Group is in the process of obtaining land use right certificates in respect of medium-term land use rights with a carrying value of approximately RMB237,199,000.

20. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

In November 2009, the Group entered into a sale and purchase agreement with a fellow subsidiary of the Company, 南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Limited), in which a Director of the Company, Mr. Wang Hung, Roger ("Mr. Wang") has beneficial interest, for the acquisition of land and building to be erected in Nanjing, Jiangsu Province at an aggregate consideration of RMB875,000,000. The consideration will be settled in phases. Details of the transaction are set out in the announcement of the Company dated 11 November 2009.

As at the end of the reporting period, the Group paid RMB262,500,000 as deposit for the acquisition. The acquisition is expected to be completed before 31 December 2012. The Group intends to develop department store in the said property.

21. DEPOSITS FOR ACQUISITION OF LAND USE RIGHTS

During the year ended 31 December 2009, the Group entered into three agreements with two independent third parties for the acquisition of land use rights situated in Jiangsu Province.

As at the end of the reporting period, the Group paid an aggregate amount of RMB219,194,000 as deposits for the acquisitions. The Group intends to develop department stores on those pieces of land and the land acquisitions are expected to be completed before 31 December 2010.

22. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

In June 2009, the Group entered into an agreement with an independent third party at a consideration of RMB120,000,000 for acquisition of 100% equity interests in a company which owns a piece of land in Jiangsu Province and the Group intends to develop a department store on that piece of land.

As at the end of the reporting period, the Group paid RMB12,000,000 as deposit for the acquisition, which is expected to be completed before 31 December 2010.

23. GOODWILL

	Amount RMB'000
COST AND CARRYING VALUE	
At 1 January 2008, 31 December 2008 and 31 December 2009	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 2009 allocated to these units is as follows:

	31.12.2009, 31.12.2008 and 1.1.2008 RMB'000
Operation of department stores:	
Nantong Golden Eagle International Shopping Centre Co., Ltd.	9,735
Yangzhou Golden Eagle International Industry Co., Ltd.	481
Xuzhou Golden Eagle International Industry Co., Ltd.	731
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 2009, 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 a 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% (2008: 10%) per annum.

23. 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, rental expenses, marketing and promotion expenses and other operating expenses. Value assigned to the key assumption reflects past experience and management's commitment to maintain its cost of sales and operating expenses at 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.

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of a particular CGU to exceed the aggregate recoverable amount.

24. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
Equity securities listed in the PRC			
– stated at fair value	**11,594**	26,348	76,864

Fair values of equity securities listed in the PRC are derived from quoted prices in active market (Level 1 fair value measurement as determined by HKFRS 7).

25. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
Deferred tax assets	**26,976**	24,249	21,151
Deferred tax liabilities	**(69,960)**	(53,686)	(53,068)
	(42,984)	(29,437)	(31,917)

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 costs	Tax losses	Revaluation of investments	Deferred revenue	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008 (as originally stated)	42,214	–	(5,608)	(4,361)	10,854	–	(679)	42,420
Effect of change in the accounting of customer loyalty program (note 2)	–	–	–	–	–	(10,503)	–	(10,503)
At restated	42,214	–	(5,608)	(4,361)	10,854	(10,503)	(679)	31,917
Charge (credit) for the year (note 13)	7,560	3,912	(718)	(10)	(1,735)	(1,446)	(45)	7,518
Credit to other comprehensive income	–	–	–	–	(11,624)	–	–	(11,624)
Change in tax rate recognised in profit or loss (note 13)	–	–	1,172	454	–	–	–	1,626
At 31 December 2008	49,774	3,912	(5,154)	(3,917)	(2,505)	(11,949)	(724)	29,437
Charge (credit) for the year (note 13)	9,186	7,088	1,080	(1,639)	–	(4,876)	221	11,060
Charge to other comprehensive income	–	–	–	–	2,002	–	–	2,002
Change in tax rate recognised in profit or loss (note 13)	–	–	485	–	–	–	–	485
At 31 December 2009	**58,960**	**11,000**	**(3,589)**	**(5,556)**	**(503)**	**(16,825)**	**(503)**	**42,984**

At the end of the reporting period, the Group has unused tax losses of approximately RMB57,282,000 (2008: RMB40,600,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB29,548,000 (2008: RMB20,261,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB27,734,000 (2008: RMB20,339,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

25. DEFERRED TAXATION (Continued)

Pursuant to the PRC Enterprise Income Tax laws, withholding tax is imposed on dividends declared by PRC subsidiaries of the Group in respect of profits earned from 1 January 2008 onwards. Deferred taxation has been provided for the portion of profits that are expected to be distributed by the PRC subsidiaries and no deferred taxation has been provided for the remaining profits as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future.

26. TRADE AND OTHER RECEIVABLES

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
Trade receivables	**36,176**	33,545	27,772
Trade prepayments to suppliers	**735**	834	7,204
Deposits (note)	**27,631**	19,222	8,367
Deposits paid for purchases of goods	**1,770**	1,396	3,203
Other receivables	**40,873**	23,787	17,267
	107,185	78,784	63,813
Less: Allowance for doubtful debts on other receivables	**—**	(23)	(31)
	107,185	78,761	63,782

Note: Of the balance, RMB16,458,000 (31.12.2008: RMB13,000,000) represent rental deposits paid in respect of leasing of properties for department store operations from fellow subsidiaries of the Company, in which a director of the Company, Mr. Wang, has beneficial interests.

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

27. AMOUNTS DUE FROM RELATED COMPANIES

	31.12.2009 RMB'000	31.12.2008 RMB'000	1.1.2008 RMB'000
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 1)	**7,273**	—	—
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) (Note 2)	**—**	—	492
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.) (Note 2)	**200**	162	95
徐州金鷹國際物業管理有限公司 (Xuzhou Golden Eagle International Properties Management Co., Ltd.) (Note 2)	**—**	—	1,431
上海金鷹國際購物中心有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.) (Note 2)	**—**	—	124
Others	**243**	—	15
	7,716	162	2,157

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

Notes:

1. A related company, in which a Director of the Company, Mr. Wang, has significant influence.

2. Fellow subsidiaries of the Company, in which a Director of the Company, Mr. Wang, has beneficial interests.

28. STRUCTURED BANK DEPOSIT

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
RMB LIBOR-linked structured bank deposit (the "LSBD"), at amortised cost	**—**	50,000	—

The LSBD placed by the Group was matured and fully redeemed on 16 March 2009. Pursuant to the underlying agreement, the LSBD carried 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.

29. PLEDGED BANK DEPOSIT

Pledged bank deposit represents a deposit pledged to a bank in the PRC for short-term bank loan denominated in USD granted to the Group as set out in note 33. The pledged bank deposit carries a fixed interest rate of 2.25% per annum. The pledged bank deposit will be released for or after the settlement of the relevant short-term bank loan.

30. 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 ranging from 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 2009 is approximately 0.44% (2008: 0.52%) per annum. The bank balances are deposited with creditworthy banks.

As at the end of the reporting period, 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.

31. TRADE AND OTHER PAYABLES

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
Trade payables	995,729	728,981	594,172
Other taxes payable	85,155	120,885	97,307
Purchase of property, plant and equipment	68,272	74,725	40,651
Suppliers' deposits	48,029	34,703	26,361
Accrued salaries and welfare expenses	19,835	16,944	10,541
Other payables	76,269	53,189	31,830
	1,293,289	1,029,427	800,862

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

	2009	2008
	RMB'000	RMB'000
0 to 30 days	836,845	615,245
31 to 60 days	105,887	70,466
61 to 90 days	15,812	16,402
Over 90 days	37,185	26,868
	995,729	728,981

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

32. AMOUNTS DUE TO RELATED COMPANIES

	31.12.2009	31.12.2008	1.1.2008
	RMB'000	RMB'000	RMB'000
南京金鷹工程建設有限公司 (formerly known as 南京金鷹國際集團裝飾工程有限公司) (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Golden Eagle Construction and Development ") (Note 1)	**16,100**	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") (Note 1)	**3,879**	5,465	—
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.) (Note 1)	**1,673**	1,359	2,840
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	**1,159**	—	—
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) ("Nanjing Orient") (Note 2)	**981**	—	—
Others	**1,777**	700	68
	25,569	26,186	19,673

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

Notes:

1. Fellow subsidiaries of the Company, in which a Director of the Company, Mr. Wang, has beneficial interests.

2. A related company, in which a Director of the Company, Mr. Wang, has significant influence.

33. SECURED SHORT-TERM BANK LOAN

The secured short-term bank loan is denominated in USD, fully repayable within one year and carries interest at an effective interest rate of 1.18% per annum. The loan is secured by bank deposit of RMB269,033,000 as set out in note 29. The Group had entered into foreign currency forward contracts to hedge against the foreign currency risk of the short-term bank loan. According to the foreign currency forward contracts, the Group will buy USD39,857,994 at a weighted average exchange rate of RMB6.8295:USD1.0000 on the due date of short-term bank loan. The fair value of the foreign currency forward contract as at 31 December 2009 is insignificant.

34. CONVERTIBLE BONDS

The Company issued zero coupon convertible bonds due 2011 with 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). Pursuant to the Company's announcement on 2 June 2009, the conversion price is adjusted from HKD6.42 per share to HKD5.99 per share effective from 15 June 2009.

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. During the year ended 31 December 2009, the Bonds had been fully converted into 166,944,866 ordinary shares of HKD0.10 each of the Company.

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.

34. CONVERTIBLE BONDS (Continued)

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). Pursuant to the Company's announcement on 2 June 2009, the conversion price is adjusted from HKD6.42 per share to HKD5.99 per share effective from 15 June 2009.

(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.

34. CONVERTIBLE BONDS (Continued)

Bondholder early redemption option (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:

	2009	2008
Risk-free interest rate	**0.48% - 0.63%**	0.73%
Volatility of the Company's share price (with references to historical volatility of the Company and comparable companies' share prices)	**38.21% - 40.41%**	47.22%
Dividend yield	**4.00%**	1.00%
Discount rate	**6.50% - 8.40%**	6.33%
The Company's share price on valuation date	**HKD8.63 - HKD13.22**	HKD5.44

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**
At 1 January 2008	819,968	240,244	1,060,212
Exchange realignment	(48,606)	—	(48,606)
Effective interest expense charged during the year (note 11)	81,444	—	81,444
Changes in fair value	—	(74,071)	(74,071)
At 31 December 2008	852,806	166,173	1,018,979
Effective interest expense charged during the year (note 11)	55,372	—	55,372
Changes in fair value	—	461,734	461,734
Conversion during the year	(908,178)	(627,907)	(1,536,085)
At 31 December 2009	**—**	**—**	**—**

35. DEFERRED REVENUE

At 31 December 2009, RMB67,301,000 (31.12.2008: RMB47,797,000, 1.1.2008: RMB42,014,000) represents deferred revenue arises in respect of the Group's customer loyalty programme, and RMB1,288,093,000 (31.12.2008: RMB902,240,000, 1.1.2008: RMB572,955,000) represents prepayments from customers.

36. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2008	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
Shares repurchased and cancelled	(6,629,000)	(663)
Exercise of share options	7,096,000	710
Conversion of convertible bonds	166,944,866	16,694
At 31 December 2009	**1,941,966,866**	**194,197**

	RMB'000
Shown in the consolidated statement of financial position:	
At 31 December 2009	**197,415**
At 31 December 2008	182,661
At 1 January 2008	187,063

36. SHARE CAPITAL (Continued)

During the year ended 31 December 2009, 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
January 2009	6,629,000	5.48	4.09	32,673

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 HKD663,000 (2008: HKD4,337,000) (equivalent to approximately RMB584,000 (2008: RMB4,464,000)) of all the shares cancelled during the year was credited to capital redemption reserve account, and the premium paid or payable and the related costs incurred for the repurchase of approximately HKD32,952,000 (2008: HKD176,614,000) (equivalent to approximately RMB29,041,000 (2008: RMB155,072,000)) was charged against the share premium account of the Company.

In addition, during the year ended 31 December 2009, a total of 7,096,000 (2008: 695,000) ordinary shares of HKD0.10 each of the Company were issued upon exercise of share options and a total of 166,944,866 ordinary shares of HKD0.10 each of the Company were issued upon the conversion of the entire Bonds with principal amount of HKD1,000,000,000 at a conversion price of HKD5.99 per share. These shares issued rank pari passu in all respects with the then existing shares.

37. 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.

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.

38. 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 directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the board 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, eligible employees, consultants and advisors. The Share Option Scheme will remain effective for a period of ten years commencing from 26 February 2006.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

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

38. 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	10%	05/12/2010 ~ 04/12/2018	4.20
			10%	05/12/2011 ~ 04/12/2018	4.20
			10%	05/12/2012 ~ 04/12/2018	4.20
			10%	05/12/2013 ~ 04/12/2018	4.20
			10%	05/12/2014 ~ 04/12/2018	4.20
			10%	05/12/2015 ~ 04/12/2018	4.20
			10%	05/12/2016 ~ 04/12/2018	4.20
			30%	05/12/2017 ~ 04/12/2018	4.20

38. SHARE-BASED PAYMENTS (Continued)

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 2009						
Executive Directors	**1,000,000**	**(50,000)**	**–**	**(380,000)**	**–**	**570,000**
Non-executive Director	**–**	**1,000,000**	**–**	**(390,000)**	**–**	**610,000**
Independent non-executive Directors	**300,000**	**–**	**–**	**–**	**(300,000)**	**–**
Key management	**4,980,000**	**530,000**	**–**	**(1,666,000)**	**(460,000)**	**3,384,000**
Other employees	**31,668,000**	**(1,480,000)**	**–**	**(4,660,000)**	**(1,412,000)**	**24,116,000**
	37,948,000	**–**	**–**	**(7,096,000)**	**(2,172,000)**	**28,680,000**
Exercisable at 31 December 2009						**3,992,000**
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

The weighted average share price at the time of exercise was HKD9.12 (2008: HKD7.86) per share.

The Group recognised total expenses of RMB12,901,000 for the year ended 31 December 2009 (2008: RMB9,248,000) in relation to share options granted by the Company.

39. ACQUISITION OF ASSETS IN SUBSIDIARIES

In June 2009, the Group acquired 100% equity interests in 泰州金信投資管理有限公司 (Taizhou Jinxin Investment Management Co., Ltd.) ("Taizhou Jinxin"), in which a Director of the Company, Mr. Wang, has beneficial interest, at an aggregation consideration of RMB74,000,000. Details of the transaction are set out in the announcement of the Company dated 5 June 2009.

On the date of acquisition, Taizhou Jinxin owned a vacant property and has not commenced operations. The property will be used for the Group's department store operation. Taizhou Jinxin had been de-registered after the vacant property had been transferred to a subsidiary of the Company during the year ended 31 December 2009.

In June 2009, the Group also entered into a sale and purchase agreement for the acquisition of 100% equity interests in 連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.) ("Lianyungang Golden Eagle") at an aggregate consideration of RMB73,575,000. On the date of acquisition, Lianyungang Golden Eagle owned a piece of land in Jiangsu Province and has not commenced operations. The piece of land will be used for the Group's department store operation.

In the opinion of the Directors, the above acquisitions do not constitute business combination in accordance with HKFRS 3 *Business Combination* and as such, the acquisitions have been accounted for as acquisition of assets.

Assets acquired in the transactions are as follows:

	RMB'000
Property, plant and equipment (note)	74,000
Land use rights	73,575
Total consideration	147,575

Note: The amount includes land use rights, of which the lease payments cannot be allocated reliably between the land and building elements. The entire lease is treated as a finance lease and accounted for as property, plant and equipment.

40. OPERATING LEASE ARRANGEMENTS

The Group as leasee

At the end of the reporting period, 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:

	2009 RMB'000	2008 RMB'000
Within one year	27,945	19,524
In the second to fifth year inclusive	69,319	45,402
Over five years	39,600	4,842
	136,864	69,768

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:

	2009 RMB'000	2008 RMB'000
Within one year	15,573	7,123
In the second to fifth year inclusive	40,262	7,123
Over five years	36,000	—
	91,835	14,246

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 2009 amounted to approximately RMB12,466,000 (2008: RMB8,021,000).

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

40. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor (Continued)

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

	2009 RMB'000	2008 RMB'000
Within one year	**19,853**	9,141
In the second to fifth year inclusive	**37,916**	19,471
Over five years	**17,904**	2,449
	75,673	31,061

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 2009 was approximately RMB21,797,000 (2008: RMB17,415,000).

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

41. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**612,500**	—
– acquisition of land use rights	**587,425**	—
– acquisition of a subsidiary	**108,000**	—
	1,307,925	—

42. 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 profit or loss of RMB17,134,900 (2008: RMB9,842,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2009, contributions of RMB537,000 (2008: RMB672,000) due in respect of the reporting period had not been paid over to the schemes.

43. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in notes 15, 20, 26, 27, 32, 38, 39 and 40, the Group had the following significant transactions with related companies:

a) Transactions:

Relationship with related parties	**Nature of transactions**	**2009**	2008
		RMB'000	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	**19,716**	66,718
	Property management fee paid	**22,967**	18,223
	Property and ancillary facilities rentals paid	**34,116**	13,991
	Property rentals received	**28**	803
	Parking management fee paid	**4,892**	4,087
	Project management fee paid	**1,000**	9,695
	Management service fee received	**—**	959
	Sales of merchandise	**5,780**	1,525
	Proceeds from sales of available-for-sale investments	**34,499**	—
A related company, in which a Director of the Company, Mr. Wang, has significant influence	Management service fee received	**6,800**	—

43. RELATED PARTY TRANSACTIONS (Continued)

b) On 31 December 2009, the Company entered into a management service agreement with 南京新街口百貨商店股份有限公司 (Nanjing Xinjiekou Department Store Co., Ltd.) ("Nanjing Xinbai"), a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange and a Director of the Company, Mr. Wang, has significant influence, for a term of three years commencing from 1 January 2010. Pursuant to which, Nanjing Xinbai agreed to engage the Company to undertake and provide management service for Nanjing Orient, a subsidiary of Nanjing Xinbai and the business of which is the operation of stylish premium department store.

c) Compensation of key management personnel:

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

	2009	2008
	RMB'000	RMB'000
Salaries and allowances	**4,333**	2,632
Retirement benefits schemes contributions	**315**	135
Equity-settled share-based payments	**1,921**	2,851
	6,569	5,618

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

44. 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 activities
			2009	2008	
Goldjoint Group Limited (Note 1)	British Virgin Islands	Share – USD1	**100%**	100%	Investment holding
Golden Eagle International Trading Limited (金鷹國際貿易有限公司)	Hong Kong	Share – HKD10,000	**100%**	100%	Investment holding
Eagle Ride Ventures Limited （鷹威企業有限公司）	British Virgin Islands	Share – USD300	**100%**	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%**	100%	Investment holding and 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%**	100%	Operation of department store
揚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%**	100%	Operation of department store
蘇州金鷹國際購物中心有限公司 (Suzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Operation of department store
徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB60,000,000	**100%**	100%	Operation of department store
西安金鷹國貿購物中心有限公司 (Xi'an Golden Eagle International Trading Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB1,000,000	**100%**	100%	Operation of department store
西安金鷹國貿購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store

44. 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 2009	2008	Principal activities
泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	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%**	100%	Operation of department store
南京金鷹天地購物中心有限公司 (Nanjing Golden Eagle G-City PRC Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Operation of department store
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%**	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%**	100%	Operation of department store
上海金鷹國際購物廣場有限公司 (formerly known as 上海金鷹實業有限公司) (Shanghai Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100%	Operation of department store
南京金鷹商貿特惠中心有限公司 (Nanjing Golden Eagle Retail Outlet Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	—	Operation of department store
南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB15,000,000	**100%**	—	Operation of department store
連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	—	Operation of department store

44. 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 activities
			2009	2008	
昆山金鷹國際購物中心有限公司 (Kunshan Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**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%**	100%	Trading

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.