金鷹 GOLDEN EAGLE

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

ANNUAL REPORT 年報

Enriching everyone's life.

2011

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

We do better than we promise!

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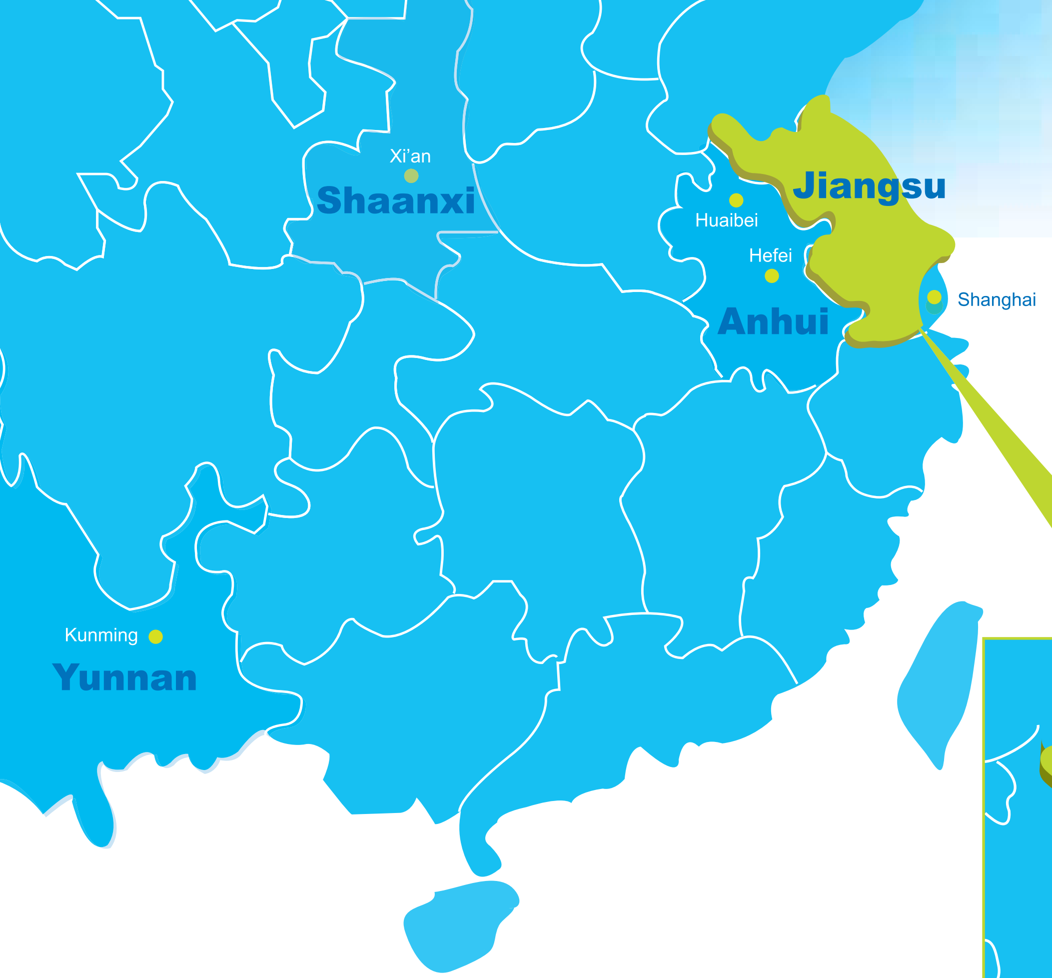
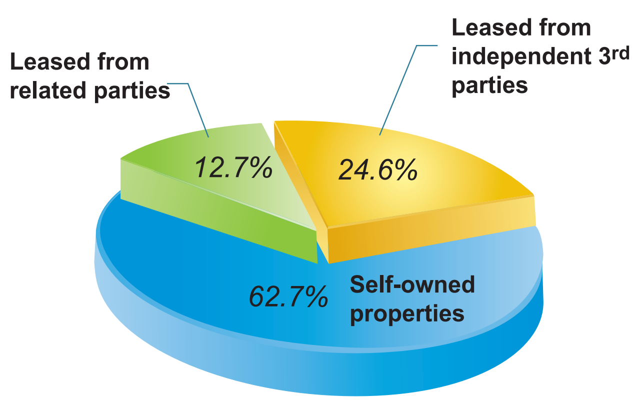


Self-owned properties situated at prime shopping districts accounted for **62.7%*** of total gross floor area.

	Gross Floor Area (square meters)		
	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		14,958	14,958
Xuzhou Store	59,934		59,934
Xi'an Gaoxin Store	27,287		27,287
Taizhou Store	58,373		58,373
Kunming Store	116,817		116,817
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	49,689		49,689
Yancheng Store	94,840		94,840
Yangzhou Jinghua Store		29,598	29,598
Shanghai Store		23,588	23,588
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		42,795	42,795
Hefei Dadongmen Store		10,356	10,356
Hefei Baihuajing Store		12,294	12,294
Anhui Huaibei Store		34,714	34,714
Hefei Suzhou-Road Store		59,906	59,906
Changzhou Jiahong Store		32,920	32,920
Xi'an Xiaozhai Store		19,000	19,000
Suqian Store	66,520		66,520
Total			**882,883**

* As a percentage of total gross floor area (square meters) as at 31 December 2011



Corporate Profile

BUILDING NATIONWIDE NETWORK FROM YANGTZE RIVER DELTA FOOTHOLD

After nearly 16 years of operation since the opening of our first department store, Nanjing Xinjiekou Store, the Group has successfully opened 25 self-owned stores and managed 1 store, with a total gross floor area of over 1,057,000 square meters and a total operating area of over 733,000 square meters as at the date of this report. These stores span across four provinces, namely Jiangsu, Anhui, Shaanxi and Yunnan, covering 16 cities including Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Changzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Liyang, Hefei, Huaibei, Xi'an and Kunming.

The Group has successfully established a leading position in Jiangsu Province, a market in which the Group enjoys strong competitive advantages. The Group will also place its strategic focus on its development in Anhui Province. It will gradually expand its market share to achieve a leading position in the Anhui market. As for the western region of China, the Group positions itself strategically in Xi'an in Shaanxi Province and Kunming in Yunnan Province for development in the western region of China. The Group will devote more efforts to solidify and expand its market share in these markets and expand further into their neighboring cities. Meanwhile, the Group will actively explore opportunities in the first and second-tier cities as well as third-tier cities with immense potential to achieve the target of developing a nationwide network of chain stores.

SECURING LONG-TERM LEASES TO SUPPLEMENT SELF-OWNED PROPERTIES

The Group's department stores are situated at prime shopping districts in their respective cities. As at 31 December 2011, the proportion of our stores located at self-owned properties was approximately 62.7%. In order to capture development opportunities, the Group also secures high quality properties by entering into long-term leases, which can minimise the impact of rental increase on the department stores operation. The target term of these leases is of ten years or longer.

DEVELOPING MORE MEGA STORES FOR ONE-STOP SHOPPING

In response to the competitive landscape among different retail formats, the Group has, in addition to the core functions of department store, introduced more varieties of services, such as dining, entertainment, beauty & personal care, hair styling, cinemas and pre-school educations, in our retailing complexes so as to enrich the categories of our services, to enhance the attractiveness of our department stores to target customers and to promote the idea of one-stop shopping.

DEVELOPING PROPRIETARY BRANDS TO ENHANCE "GOLDEN EAGLE" BRAND

The Group has formed a professional team to develop our own proprietary brands. By offering a rich brand mix with a wide varieties of products in our stores, the Group will further boost the competitiveness of its brands so as to meet target customers' needs and enhance the brand value of "Golden Eagle".

Corporate Profile

EXPLORING NEW SALES CHANNELS WITH FOCUS ON INTERNET USERS

The department store and retail industry have been proactively exploring new sales channels. E-commerce is a new trend of development. In order to develop e-commerce as a new growth driver for our department store operation, the Group has formed a professional team to conduct feasibility studies of adopting e-commerce as one of our sales channels, and to identify a profitable e-commerce business model for department store operation. Moreover, through the introduction of e-commerce, the Group can transcend geographical boundaries and deliver high quality products and services to more customers.

BUILDING RELATIONSHIPS WITH VIP CUSTOMERS

Through the provision of exclusive value-added services for VIPs and continuous improvement in the quantity and quality of our services, the Group has successfully secured over 1,028,000 loyal VIP customers as at 31 December 2011, which has further strengthened the Group's position for long-term development and expansion. VIP customers' spending accounted for approximately 62.1% of the gross sales proceeds of the Group during the period under review.

IMPLEMENTING INTELLIGENT E-PLATFORM

The Group has obtained the ISO9001 quality management award and manages every department store via a standardised management system. Moreover, the Group is developing a leading intelligent e-platform in the industry. Such platform is customer-oriented which is built on an advanced Enterprise Resource Planning (ERP) system. Customer experience will be improved, operational efficiency will be elevated and new business value will be created through core elements of business intelligence (BI), supply chain management (SCM), customer relationship management (CRM), precision marketing (PM) and e-commerce. This new platform will become the new driving force of the Group's accelerating business growth and core competencies upgrading.

UTILISING LOCALISED EXPERTISE WITH INTERNATIONAL VISION

The Group appreciates the efforts and contributions of its employees. The Group organises 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 internationalised management. The Group also implements a localised management system which is suitable for the relevant local markets, the Group recruits local talents, to make use of their knowledge of the local market, to form its own management team. As at 31 December 2011, the Group had approximately 6,000 employees.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Ms. Zheng Shu Yun
Mr. Cheng Siu Ming (appointed on 19 May 2011 and resigned on 30 December 2011)

NON-EXECUTIVE DIRECTOR

Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Liu Chi Husan, Jack (elected on 18 May 2011)
Mr. Lau Shek Yau, John (retired on 18 May 2011)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1206, 12th Floor, Tower 2, Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY

Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUDIT COMMITTEE

Mr. Wong Chi Keung *(Chairman)*
Mr. Wang Yao
Mr. Liu Chi Husan, Jack (appointed on 18 May 2011)
Mr. Lau Shek Yau, John (retired on 18 May 2011)

REMUNERATION COMMITTEE

Mr. Liu Chi Husan, Jack *(Chairman)**
Mr. Wang Hung, Roger #
Mr. Wong Chi Keung
Mr. Lau Shek Yau, John (retired on 18 May 2011)

* Appointed as member on 18 May 2011 and as chairman on 12 March 2012
# Retired as chairman on 12 March 2012 but remained as member

NOMINATION COMMITTEE

Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Liu Chi Husan, Jack (appointed on 18 May 2011)
Mr. Lau Shek Yau, John (retired on 18 May 2011)

PRINCIPAL BANKERS IN THE PRC

Agricultural Bank of China
Bank of China
China CITIC Bank
China Construction Bank
China Minsheng Banking
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Bank of East Asia (China)

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
The Bank of East Asia
The Royal Bank of Scotland

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

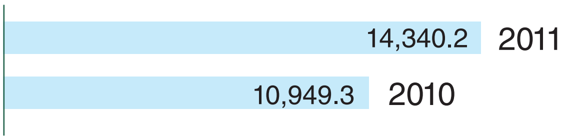
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman, Cayman Islands

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

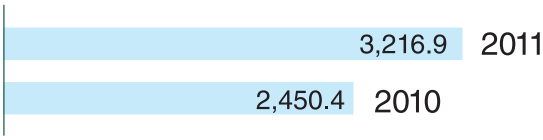
Financial Highlights

GROSS SALES PROCEEDS (RMB MILLION)



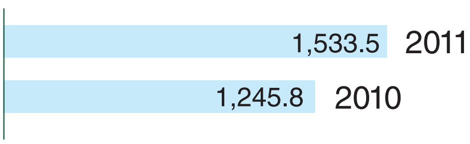
+31.0%

REVENUE (RMB MILLION)



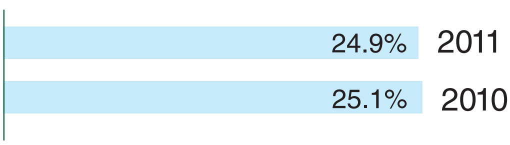
+31.3%

PROFIT FROM OPERATIONS (RMB MILLION)



+23.1%

SAME STORE SALES GROWTH[1]



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

Five Years Financial Summary

	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000 (Restated)	**2011** **RMB'000**	**2010 vs 2011** **%**
Consolidated Income Statement for the year ended 31 December						
Gross sales proceeds (note 1)	4,858,263	6,248,963	8,191,679	10,949,318	**14,340,232**	31.0%
Revenue (note 2)	1,065,644	1,426,361	1,850,093	2,450,358	**3,216,892**	31.3%
Profit from operations (note 2)	496,768	709,960	958,212	1,245,765	**1,533,490**	23.1%
Profit for the year attributable to owners of the Company (note 2)	354,224	613,356	250,910	959,202	**1,212,057**	26.4%
Basic earnings per share RMB (note 2)	0.195	0.338	0.137	0.494	**0.623**	26.2%
Consolidated Statement of Financial Position as at 31 December						
Non-current assets (notes 2 and 3)	2,051,461	2,510,893	3,415,231	4,787,647	**6,959,206**	45.4%
Current assets	1,885,618	2,271,731	2,568,146	3,196,686	**4,383,379**	37.1%
Total assets (notes 2 and 3)	3,937,079	4,782,624	5,983,377	7,984,333	**11,342,585**	42.1%
Current liabilities (notes 2 and 3)	1,759,075	3,071,041	2,994,866	4,209,451	**6,647,862**	57.9%
Non-current liabilities	873,036	53,686	69,960	94,706	**124,961**	31.9%
Total liabilities (notes 2 and 3)	2,632,111	3,124,727	3,064,826	4,304,157	**6,772,823**	57.4%
Net Assets (note 2)	1,304,968	1,657,897	2,918,551	3,680,176	**4,569,762**	24.2%
Capital and reserves						
Equity attributable to owners of the Company (note 2)	1,304,968	1,657,897	2,918,551	3,680,176	**4,566,778**	24.1%
Non controlling interest	—	—	—	—	**2,984**	N/A
	1,304,968	1,657,897	2,918,551	3,680,176	**4,569,762**	24.2%
Net assets per share (RMB) (note 2)	0.718	0.934	1.503	1.894	**2.351**	24.1%
Net assets per share attributable to owners of the Company (RMB) (note 2)	0.718	0.934	1.503	1.894	**2.349**	24.0%
Number of share issued (in thousands)	1,817,227	1,774,555	1,941,967	1,942,824	**1,943,846**	

Notes:

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

(2) 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".

(3) The consolidated statement of financial position as at 31 December 2010 has been restated to reflect an adjustment to the consideration for a business combination which was completed during the year ended 31 December 2010.

Chairman’s Statement

INDUSTRY OVERVIEW

In 2011, China’s economy faced challenges from complicated and volatile economic situations externally and internally. The Euro-zone debt crisis sent the world economy reeling, whilst the geopolitics in the Middle East and Northern Africa regions remained fragile. The economy of Japan was hardly hit by the earthquake and tsunami, whilst the pace of recovery in the United States appeared to be slow. Meanwhile, the tightened monetary policies and the macroeconomic control measures to cool off the real estate sector hampered the growth of China’s economy.

Notwithstanding the challenges mentioned above, China’s economy still secured a relatively strong growth in 2011. Inflation was well contained. Economy structure continued to optimise, which effectively averted a hard landing of China’s economy. The national gross domestic product (“GDP”) in 2011 reached RMB47.2 trillion, representing an increase of 9.2% over last year. Although the rate of growth slowed down as compared to 2010, such rate was still higher than most of the other countries and regions in the world. China’s contribution to the global economy growth continued to increase. The total retail sales of consumer goods reached RMB18.4 trillion, representing an increase of 17.1% over last year. The contribution from final consumption to the growth of economy was 51.6%, an increase of 10.1 percentage points over last year. At the same time, domestic demand became a more significant driving force for economic growth in the PRC. Urban and rural disposable income per capita increased by 14.1% and 17.9% respectively over last year.

In 2011, Jiangsu Province, where the Group has already established a leading market position, achieved a GDP growth of 11.0% and total retail sales of consumer goods also grew by 17.5% over last year. Urban disposable income per capita increased by 14.8% over last year.

Anhui Province is the Group’s new focus for strategic development. In 2011, the GDP of Anhui Province grew by 13.5% while its total retail sales of consumer goods grew by 18.0% over last year. Urban disposable income per capita increased by 17.8% over last year.

BUSINESS REVIEW

Benefiting from the strong growth in domestic consumption and the Group’s flexible and efficient operation strategies, the Group sustained remarkable financial results in 2011. Gross sales proceeds (“GSP”) reached RMB14.34 billion, representing an increase of 31.0% over last year. Net profit amounted to RMB1.21 billion, representing an increase of 26.4% over last year. Same store sales growth (“SSSG”) remained at a relatively high level and achieved a growth of 24.9%.

In order to meet target customers’ consumption demand and add on growth momentum on chain store sales, in 2011, each chain store under the Group undertook an extensive merchandising and branding revamp with an aim to enhance the Group’s product offering and sales performance. Nanjing Xinjiekou Store, the Group’s flagship store, relocated its entire gold and jewellry section from the first floor to the sixth floor. This relocation, other than improving the productivity of the sixth floor, also freed up floor space on the first floor for renowned international brands and cosmetic brands, which could satisfy high-end customers’ demand for top-tier brands. This adjustment has become the driving force of Nanjing Xinjiekou Store’s new sales growth. As a mature store with 16 years of operation history, the store achieved SSSG of 12.3% in 2011.

The Group continues to focus on VIP customer base expansion and maintenance. In order to enhance VIP customers' satisfaction and their loyalty, we offered quality merchandise with attentive value-added services that cater for their individual needs through analysing their consumption patterns and changing needs. During the period under review, the Group expanded its collaborations with different banks. Through co-branded credit cards, the Group shares valuable customer base and promotion resources with these banks. As at 31 December 2011, the Group had more than 1,028,000 VIP customers, and sales from VIP customers accounted for approximately 62.1% of the Group's total GSP.

The Group is developing a leading intelligent e-platform in the industry. It is a customer-oriented platform which is built on an advanced Enterprise Resource Planning (ERP) system. Customer experience will be improved, operational efficiency will be elevated and new business value will be created through core elements of business intelligence (BI), supply chain management (SCM), customer relationship management (CRM), precision marketing (PM) and e-commerce. This platform will become the new driving force of the Group's accelerating business growth and core competencies upgrade.

DEVELOPMENT OF NEW STORES

In order to capture opportunities arising from the boom of China's consumer market in the future, the Group will continue to expedite its pace in new store development. In 2011, four new stores commenced operation and two stores enlarged their operating area which increased the Group's total gross floor area ("GFA") by approximately 282,000 square meters. In January 2012, three more new stores commenced operation and adding another 147,000 square meters to the Group's total GFA.

On 15 January 2011, Hefei Store, the Group's flagship store in Anhui Province, commenced soft opening. Hefei Store is located at the central business district of Hefei City, occupying a GFA of approximately 60,000 square meters. This store created synergy with the Group's Dadongmen Store and Baihuajing Store and established a solid foundation for the Group in the Hefei market.

On 15 April 2011, the extension of Nanjing Xianlin Store commenced operation, bringing the store's total GFA to approximately 43,000 square meters. By introducing the "Outlet Mall" business model in Nanjing for the first time, the store's ability to attract customers was enhanced and its sales performance was improved significantly.

On 20 May 2011, Kunming Store Phase 2 with a GFA of approximately 83,000 square meters commenced operation. Together with the Kunming Store at the opposite side, the total GFA of Kunming Store has been increased to approximately 117,000 square meters. The introduction of stylish brands such as H&M and Studio A as well as auxiliary services offer such as cinemas and restaurants had successfully turned Kunming Store into a one-stop shopping destination encompassing department store, leisure, entertainment, dining, beauty care as well as pre-school education.

On 5 June 2011, Changzhou Jiahong Store with a GFA of approximately 33,000 square meters commenced soft opening. The Group's two other stores in Changzhou are scheduled to be opened in 2012 and 2014. The synergy to be created among the three stores will establish a solid market position of the Group in Changzhou.

On 30 September 2011, Xi'an Xiaozhai Store commenced operation with a GFA of approximately 19,000 square meters. The store is located at the developed Xiaozhai business district in Xi'an City. Leveraging on the strong supplier network of the former Xi'an Guomao Store and extensive customer base, it is expected that its ramp-up period will be much shorter. The Group is planning to open its third Xi'an store in 2012. By then, the three stores will increase the competitiveness of the Group in Xi'an market.

On 23 December 2011, Jiangsu Suqian Store commenced operation with a GFA of approximately 67,000 square meters. Located at the central business district of Suqian City and leveraged on its rich merchandise mix and new auxiliary services offer in the local market such as boutique supermarket, Suqian Store has quickly become the preferred shopping destination of mid-to-high-end customers in the local market.

On 12 January 2012, the Group's Jiangsu Liyang Store, Xuzhou People's Square Store and Kunming Nanya Store commenced operation on the same day. This not only reflects the Group's determination in accelerating our pace of store expansion despite the volatile and uncertain external economic environment, but also demonstrated the Group's superb execution capabilities in opening a number of new stores at the same time.

According to the development plan formulated by the Group in 2010, the Group has secured a number of locations for its new store expansion. It is anticipated that these new stores will increase the Group's total GFA by over 900,000 square meters in the coming three years. In the meantime, the Group will continue to actively identify opportunities that are in line with its development and investment returns strategy.

OUTLOOK

Looking ahead, China, being the second largest economy in the world, will undoubtedly play a more important role in the global economy, although China's own economic development is still subject to a lot of uncertainties and instabilities both externally and internally. China will lead the developing and emerging economies to drive the recovery and growth of the global economy in the years ahead.

It is the Chinese government's long-term objective to maintain a relatively fast economic growth. In the meantime, the government will use its best endeavors to restructure the economy. In light of this, the contribution from domestic consumption to China's economic growth will continue to play an important role in the foreseeable future. A series of measures such as increasing income levels, reducing taxation and perfecting social security system with an aim to expand domestic consumption are gradually achieving results. The rise of the middle class and the acceleration of the urbanisation process will further facilitate the growth of the overall retail industry.

Chairman's Statement

The management is optimistic about China's economic development and growth of domestic consumption in the future. Therefore, we will continue to accelerate our pace of new chain stores development, which will reinforce our leading position in the industry. In the coming three years, the Group will continue to expand its store network briskly and steadily. The Group is planning to open 5-8 new stores every year in self-owned properties, long-term leased premises or via mergers and acquisitions so as to enhance the Group's market presence in Jiangsu, Anhui, Shaanxi and Yunnan Provinces. In the meantime, the Group will continue to enhance the performance of its existing chain stores through continuous merchandise adjustments and upgrades, creative and effective marketing and promotion campaigns and customer shopping experience refinement.

The management believes that by leveraging on its strong brand equity, prominent execution capabilities, sound balance sheet and loyal VIP customer base, the Group will be able to continue to maintain its leading position in the industry and bring better returns to its shareholders.

Lastly, on behalf of the Board, I would like to express my sincere appreciation for the devoted hard work of the management and all our staff members, as well as the support from our shareholders, government, business partners and loyal customers. In the coming year, the management and all staff members will continue to collaborate with each other, and be prepared to capture new opportunities and tackle challenges, striving to achieve greater success for the Group.

Wang Hung, Roger
Chairman

12 March 2012

Management Discussion and Analysis

FINANCIAL REVIEW

GSP and Revenue

GSP of the Group grew to RMB14,340.2 million, representing a year-on-year growth of 31.0% or RMB3,390.9 million. The growth was mainly contributed by 24.9% SSSG; the inclusion of full year sales proceeds of stores opened/acquired in the year 2010; and the sales proceeds of new stores/additional retail spaces opened/commenced operation in the year 2011.

Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store all maintained satisfactory SSSG of 12.3%, 21.7% and 28.3% respectively for the year 2011. Furthermore, younger stores like Xi'an Gaoxin Store, Nanjing Zhujiang Store, Yancheng Store and Nanjing Xianlin Store continued to generate remarkable SSSG of 37.9%, 53.9%, 61.5% and 153.7% respectively.

With the increase in GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP decreased from 29.7% to 25.5% while the aggregate contributions to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, decreased from 55.5% to 50.2%.

During the year 2011, concessionaire sales contributed 91.8% (2010: 92.3%) of the Group's GSP representing an increase by 30.2% from RMB10,109.4 million to RMB13,160.2 million and direct sales contributed 7.8% (2010: 7.2%) of the Group's GSP representing an increase by 41.5% from RMB791.1 million to RMB1,119.6 million.

Commission rate from concessionaire sales slightly decreased to 19.6% (2010: 20.0%). The slight decrease was mostly due to (i) the relatively strong performance of certain product categories which carry lower commission rates, including gold, jewellery and luxury accessories and (ii) the increase in sales contribution from younger stores which carry lower commission rates as opposed to mature stores like Nanjing Xinjiekou Store.

Gross profit margin from direct sales decreased from 22.3% to 20.2% as a result of (i) the increase in supermarket sales, which generally carry lower gross profit margin, by 46.1% from RMB128.0 million to RMB187.0 million as most of the Group's new stores will operate a boutique supermarkets as one of the value-added services offer to their customers and (ii) more discount initiatives on our own proprietary brands in the second half of the year so as to provide good quality products with bargain price to the Group's loyal VIP customers and to enhance traffic in the stores. Combined gross profit margin from concessionaire sales and direct sales decreased to 19.6% (2010: 20.2%).

In terms of GSP contribution by merchandise categories, apparel and accessories contributed 58.6% (2010: 59.2%) of the GSP, gold, jewellery and timepieces contributed 17.3% (2010: 16.3%), cosmetics contributed 7.1% (2010: 6.7%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 17.0% (2010: 17.8%).

The Group's total revenue increased to RMB3,216.9 million or 31.3% from the same period last year. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income increased by RMB27.1 million or 24.4% to RMB138.2 million for the year 2011. The increase was mainly due to the increase in income from suppliers by RMB47.7 million which was in line with the GSP growth and the decrease in income from customers by RMB27.9 million as a large portion of the income recognised last year was derived from an one-off transaction.

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 increased by RMB238.4 million or 45.4% to RMB763.8 million for the year 2011. The increase was generally in line with the increase in direct sales.

Employee benefits expense

Employee benefits expense increased by RMB79.2 million or 35.6% to RMB301.7 million for the year 2011. The increase was mainly contributed by (i) the inclusion of full year employee benefits expense for stores opened/acquired in the year 2010; (ii) the inclusion of employee benefits expense for stores/additional retail spaces opened/commenced operation in 2011; (iii) the increase in salaries for all levels of staff; and (iv) the increase in headcounts for upcoming new stores and new functions and departments established such as supermarket department and SAP implementation team.

Employee benefits expense as a percentage to GSP increased by 0.1 percentage point to 2.5% as compared to 2.4% in the same period last year.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and release of prepaid lease payments on land use rights increased by RMB20.3 million or 16.5% to RMB143.7 million for the year 2011. The increase was primarily due to (i) the inclusion of full year depreciation and amortisation for stores opened/acquired in the year 2010; (ii) the inclusion of depreciation and amortisation for stores/additional retail spaces opened/commenced operation in 2011; and (iii) the additional depreciation and amortisation charges recognised for construction, renovation and expansion of the Group's existing stores during the year 2011.

Depreciation and amortisation expenses as a percentage to GSP decreased by 0.1 percentage point to 1.2% as compared to 1.3% for the same period last year.

Rental expenses

Rental expenses increased by RMB40.3 million or 45.5% to RMB129.0 million for the year 2011. The increase was mainly due to (i) the inclusion of full year rental expenses for stores operating at leased properties opened/acquired in the year 2010; (ii) the inclusion of rental expenses for leased stores/additional retail spaces opened/commenced operation in the year 2011; and (iii) the increase in sales contribution from stores which are operating at leased properties and paying rental expenses with reference to a percentage of GSP. These stores include Nanjing Zhujiang Store, Yangzhou Jinghua Store, Shanghai Store, Nanjing Hanzhong Store and Nanjing Xianlin Store.

Rental expenses as a percentage to GSP increased by 0.1 percentage point to 1.1% as compared to 1.0% in the same period last year.

Other operating expenses

Other operating expenses increased by RMB127.5 million or 35.8% to RMB483.4 million for the year 2011. Other operating expenses mainly include water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fees. The increase was primarily contributed by (i) the inclusion of full year operating expenses for stores opened/acquired in the year 2010; (ii) the operating expenses incurred for the stores/additional retail spaces opened/commenced operation in the year 2011; and (iii) the preparation works performed for the upcoming new stores, including the three new stores opened on 12 January 2012.

Other operating expenses as a percentage to GSP increased by 0.1 percentage point to 3.9% as compared to 3.8% for the same period last year.

Profit from operations

Profit from operations, which is the earnings before interest and taxes, increased by RMB287.7 million or 23.1% to RMB1,533.5 million for the year 2011. Profit from operations as a percentage to revenue decreased to 47.7%, a 3.1 percentage points decrease as compared to 50.8% for the same period last year. This was mainly due to the decrease in income from customers by RMB27.9 million and the increase in operating expenses incurred for the upcoming new stores.

Finance income

Finance income comprised income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group with banks when the Group has surplus capital. Finance income increased by RMB49.9 million or 1.3 times for the year 2011 which was primarily due to more capital being placed in various short-term bank related deposits during the year 2011.

Interest expenses on short-term bank loans

Interest expenses on short-term bank loans increased by RMB9.5 million or 1.5 times to RMB15.8 million for the year 2011. The increase was due to the increase in short-term bank borrowings.

Other gains and losses

Other gains and losses mainly comprised net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB and gains and losses arising from the Group's securities investments. Other gains and losses increased by RMB15.4 million to RMB32.1 million. Such increase was primarily due to the net effects of (i) the increase of net foreign exchange gains by RMB29.1 million to RMB33.5 million as a result of the gradual appreciation of RMB during the year; and (ii) the net decrease in securities investments related gains from RMB12.3 million to a net loss of RMB1.3 million for the year 2011.

Changes in fair value of derivative financial instruments

During the year, the Group subscribed zero coupon convertible bonds (the "Bonds") issued by a trade supplier (the "Issuer") at an aggregate consideration of RMB49.0 million which will become due on 14 August 2016. The Bonds will, at the option of the Group, in whole or in part, be convertible into the Issuer's fully paid ordinary shares or be redeemed by the Issuer at an interest to be accrued at the rate of 4.5% per annum in arrear of the principal amount. Assuming full conversion has taken place, the Group is able to convert the Bonds into 49% equity interests in the Issuer. Changes in fair value of derivative financial instruments represent the fair value changes of these options, i.e. the derivative components of the Bonds.

Share of (loss) profit of associates

Share of (loss) profit of associates represents the Group's share of results of its 49% owned associate, Allied Industrial Corp., Ltd. (中美聯合實業股份有限公司), and 30% owned associate, Anhui Sanxin Watch Co., Ltd. (安徽三新鐘錶有限公司).

Income tax expense

Income tax expense of the Group increased by RMB76.7 million or 22.7% to RMB414.0 million due to the increase in profit before income tax. The effective tax rate for the period under review was 25.5% (2010: 26.0%).

Profit for the year

Profit for the year increased to RMB1,211.9 million, representing an increase of 26.3% or RMB252.7 million for the same period last year. The increase was mainly contributed by the increase in profits from the Group's core and non-core operations. Net profit margin to GSP remained stable at 9.9% (2010: 10.3%).

Capital expenditure

Capital expenditure of the Group during the year amounted to RMB1,584.1 million (2010: RMB1,403.7 million). The amount mainly represented contractual payments made for acquisition of property, plant and equipment, land use rights, investment property and construction of greenfield projects for department store chain expansion, including acquisitions via acquisition of subsidiaries, and the upgrade and/or expansion of the Group's existing retail spaces in order to further enhance the shopping environment and the Group's competitiveness in its local markets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relies principally on cash flows generated from its operating activities as its primary source of liquidity. In order to take advantage of future RMB appreciation and interest rate spreads among different currencies, the Group borrowed short-term bank loans denominated in foreign currencies with an equivalent amount of RMB deposits as securities/guarantees. As at 31 December 2011, the Group's cash and near cash (including bank balances and cash, pledged bank deposit, structured bank deposits and investments in interest bearing instruments) were RMB3,799.0 million (2010: RMB2,746.5 million) whereas the Group's short-term bank loans were RMB1,484.4 million (2010: RMB458.4 million).

Total assets of the Group as at 31 December 2011 amounted to RMB11,342.6 million (2010: RMB7,984.3 million) whereas total liabilities of the Group amounted to RMB6,772.8 million (2010: RMB4,304.1 million), resulting in a net assets position of RMB4,569.8 million (2010: RMB3,680.2 million). The gearing ratio, calculated by total bank borrowings divided by total assets of the Group, increased to 13.1% (2010: 5.7%) as at 31 December 2011. After excluding the effects of cross currency interest rate swap arrangements, the adjusted gearing ratio was 5.8% (2010: zero).

The capital commitments of the Group as at 31 December 2011 were RMB1,578.5 million (2010: RMB879.4 million), which were contracted for but not provided in the consolidated financial statements for the contractual payments of acquisition of property, plant and equipment and land use rights.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2011, bank deposit of RMB110.0 million (31 December 2010: nil) was pledged to a bank in the PRC for a short-term bank loan. Save for the aforesaid, the Group has not pledged any property, plant and equipment nor other assets to secure the general banking facilities of the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's certain bank balances and cash and short-term bank loans are denominated in HKD or USD which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HKD/USD and RMB. During the year ended 31 December 2011, the Group recorded net foreign exchange gains of RMB33.5 million (2010: RMB4.4 million).

EMPLOYEES

As at 31 December 2011, the Group employed a total of 6,000 employees (2010: 4,400) with remuneration in the aggregate sum of RMB301.7 million (2010: RMB222.5 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 and Management Profiles

DIRECTORS

Executive Directors

Mr. Wang Hung, Roger (王恒), aged 63, 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. Mr. Wang received the award of honorary citizen of Nanjing in 1994. Concurrently, he is also the honorary chairperson of 南京市海外聯誼會(The Association of Overseas Affairs of Nanjing City). Mr. Wang was also awarded Entrepreneur of the Year 2011 China by Ernst & Young. He has over 33 years of experience in the development and management of real estate and department store retailing.

Ms. Zheng Shu Yun (鄭淑雲), aged 66, is the executive Director and 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 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 46 years of experience in accounting and financial resources management.

Non-executive Director

Mr. Han Xiang Li (韓相禮), aged 46, is the non-executive Director. 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 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. He is a member of the Chinese Institute of Certified Public Accountants. Mr. Han has over 25 years of experience in financial management.

Directors and Management Profiles

Independent non-executive Directors

Mr. Wong Chi Keung （黃之強）, aged 57, holds a MBA degree from 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 Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was 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 the 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, ENM Holdings Limited, First Natural Foods Holdings Limited (provisional liquidators appointed), 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. Mr. Wong has over 35 years of experience in finance, accounting and management.

Mr. Wang Yao（王耀）, aged 53, obtained a PhD degree in engineering from Harbin Institute of Technology（哈爾濱工業大學）in March 1989. Mr. Wang is a vice-chairman of China General Chamber of Commerce（中國商業聯合會）. Mr. Wang is also an officer（主任） of Information Centre of Commerce of the PRC（中華全國商業信息中心）. He is primarily dedicated to the research on the PRC retail market, macroeconomy and retail data statistics and analysis. He also offers retail marketing consultancy services to the government. He also published periodic reports on the monitoring and forecast of China consumables retail market from 1997 to 2011.

Mr. Liu Chi Husan, Jack（劉積瑄）, aged 53, obtained a bachelor degree in law from National Taiwan University （國立台灣大學） in 1981, and obtained Master of Law degrees from the University of Pennsylvania （美團賓州大學） and the University of Chicago （美國芝加哥大學） in the United States in 1984 and 1985 respectively. Mr. Liu was admitted to practice the laws of the State of California and Washington, D.C, in the United States and as a foreign lawyer permitted to practice the laws of Taiwan. Mr. Liu is now a director and a member of the Compensation Committee of East West Bancorp（華美銀行）(a company listed on the NASDAQ). He is also the chairman of East West Bank (China) Limited（華美銀行（中國）有限公司）. Mr. Liu is also an independent director of Usun Technology Co., Ltd.（陽程科技有限公司） (a company listed on the Taiwan Stock Exchange), an independent director of Lung Yen Co., Ltd.（龍巖股份有限公司）(a company listed on the Taiwan Stock Exchange), a director of Transglobe Life Insurance Co., Ltd. （全球人壽股份有限公司） and a senior lawyer of Alliance International Law Offices in association with Deacons（的近律師行（台灣康德國際法律事務所））. Mr. Liu has over 26 years of experience in legal practice and has over 14 years of experience in financial and investment area.

SENIOR MANAGEMENT (MEMBERS FROM THE OFFICE OF THE PRESIDENT)

Mr. Shao Yong （邵勇）, aged 47, vice president of the Group and general manager of Xuzhou Pengcheng Square Store, Xuzhou People's Square Store and Suqian 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 18 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. He is responsible for the daily operation and management of Xuzhou Pengcheng Square Store, Xuzhou People's Square Store and Suqian Store, participate in the Group's overall operation management through regional management as well as responsible for the Group's chain development in the northern part of Jiangsu Province.

Mr. Kong Jun （孔軍）, aged 42, vice president of the Group and general manager of Nanjing Xinjiekou Store and Nanjing Zhujiang 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 the United Kingdom between 2006 to 2008. He joined the Group in October 2009. Mr. Kong is responsible for the Group's promotion planning and management of the merchandising centre. Mr. Kong is also responsible for the daily operation and management of Nanjing Xinjiekou Store and Nanjing Zhujiang Store. Mr. Kong has over 20 years of experience in operational management, and has worked in the United Kingdom for marketing management from May 2006 to September 2009.

Mr. Wang Ming Yuan（王明遠）, aged 41, vice president and chief information officer of the Group. Mr. Wang obtained a bachelor degree in Materials Science from University of Jiangsu（江蘇大學）in July 1993 and a master degree in Applied Computer Science from Xian University of Electronic Science and Technology（西安電子科技大學）in July 2003. He joined the Group in December 2011 for the current position, and is responsible for the Group's information technology works and the implementation and integration of the Group's business intelligent project. Mr. Wang has over 16 years of experience in information technology.

Mr. Xia Ke Ying （夏克穎）, aged 44, vice president of the Group. Mr. Xia obtained a bachelor degree in Industrial Management and Engineering from University of Fuzhou （福州大學）. He obtained the qualification of certified public accountant in 1995, asset valuer in 1997, property valuer in 1998, legal affairs in 2001 and professional lawyer in 2004. He joined the Group in December 2009 and acted as the director of finance department and assistant president of the Group prior to being promoted to the current position in July 2011. He is responsible for the Group's central financial management and the management of each chain store's finance department. Mr. Xia has over 22 years of experience in financial administration.

Ms. Tai Ping, Patricia （戴苹）, aged 39, 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 fellow member of Hong Kong Institute of Certified Public Accountants and member of CPA Australia. She has over 16 years of experience in auditing and financial management. Ms. Tai joined the Group in September 2008 as assistant president of the Group and was promoted as Chief Financial Officer in April 2009. She also acts as the Company Secretary with effective from December 2010.

Directors and Management Profiles

Ms. Zhu Yi(朱逸), aged 36, vice president of the Group. Ms. Zhu graduated from Nanjing University of Aeronautics and Astronautics(南京航空航天大學) in July 1995. She obtained the Executive MBA degree from Macau University of Science and Technology(澳門科技大學) in August 2004. She joined the Group in April 2011 for the current position, and is responsible for the corporate development of the Group, the planning and pre-operation of new stores and administration work of the Group. Ms. Zhu has over 15 years of experience in operation management.

Ms. Zhang Hong (張紅), aged 44, vice 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 a MBA degree from Nanjing University in 2010. She joined Golden Eagle International Group in 2004 and has held the positions of manager and deputy director of the human resources department of Golden Eagle International Group. She was designated to the Group in 2007 as deputy director and acted as director of the human resources department and assistant president of the Group prior to being promoted to the current position in July 2011. She is responsible for the Group's daily human resources management. Ms. Zhang has over 16 years of experience in administration and human resources management.

Mr. Ma Xiao Dong (馬曉東), aged 42, vice president of the Group and general manager for Hefei region. Mr. Ma was graduated from Harbin Institute of Physical Education(哈爾濱體育學院) in 1989. He obtained a postgraduate qualification in Economics Management from Anhui Provincial Party School (安徽省委黨校) in July 2001. He joined the Group in July 2011 and is responsible for the daily operation and management of Hefei Suzhou Road Store, Dadongmen Store and Baihuajing Store, as well as the Group's chain development in Anhui region. Mr. Ma has over 18 years of experience in retail management.

Mr. Wang Wei Liang (王衛良), aged 36, 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 current position in July 2008. He is responsible for investor relations as well as merger and acquisition opportunities of the Group. Mr. Wang has over 14 years of experience in financial management and corporate finance.

Mr. Shao Long (邵龍), aged 35, assistant president of the Group. Mr. Shao obtained a bachelor degree from Industry University of Wuhan(武漢工業大學)in 1998, and a MBA degree from Nanjing University in 2006. He also obtained another MBA degree from University of Missouri, United States in 2007. He joined the Group in June 2008, and acted as deputy director and director of the planning and pre-operation department of the Group. He was promoted to the current position in July 2010. He is responsible for the planning and pre-operation of new stores and renovation of existing stores. He has over 13 years of experience in construction management.

Directors and Management Profiles

Mr. Sheng Shao Hua（盛少華）, aged 62, assistant president of the Group. Mr. Sheng obtained a master degree in Economics Law from Nanjing University in 2001. He joined Golden Eagle International Group in December 2002, and was designated to the Group for the current position in August 2010. He is responsible for the legal administration and daily administration of corporate development of the Group. Mr. Sheng has over 41 years of experience in legal affairs.

Mr. Tang Xi Qing（唐喜慶）, aged 42, assistant president of the Group, Mr. Tang obtained a bachelor degree in Physics from Gannan Institute of Education（贛南師範學院）in 1993. He joined the Group for the current position since 2008. He is responsible for the public relations management and new store development of the Group. Mr. Tang has over 19 years of experience in mass media and public relations management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") and management of the Company are committed to achieving and maintaining high standards of corporate governance to enhance corporate performance, transparency and accountability through a set of corporate governance principles and practices.

The Directors are of the opinion that save for the deviation disclosed under the section headed "Chairman and Chief Executive Officer" to this report, 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which were in force at the material time for the year ended 31 December 2011.

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

THE BOARD

The Board plays a central supporting and supervisory role of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The Board oversees the management of the Company including formulation and approval of overall business strategies and policies, annual budgets, financial results, investment proposals, internal control and monitoring of 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 operations of the Company are delegated to the management of the Group.

The Board is responsible for the corporate governance matters of the Company. The Board has established its terms of reference, pursuant to which the duties of the Board include, inter alia, (i) to develop, review and implement the policies and practices of the Company on corporate governance; (ii) to review, monitor and implement the policies and practices of the Company on compliance with legal and regulatory requirements; (iii) to review, monitor and implement the training and continuous professional development of the Directors and senior management of the Group; (iv) to develop, review, monitor and implement the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review and implement the compliance with the Code and disclosure in the Corporate Governance Report.

BOARD COMPOSITION

As at the date of this report, the Board comprised 6 members, including two executive Directors, Mr. Wang Hung, Roger (Chairman) and Ms. Zheng Shu Yun (Chief Operating Officer, the "COO"); one non-executive Director, Mr. Han Xiang Li; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Liu Chi Husan, Jack. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Company and its shareholders as a whole.

Each Director has different professional qualification, knowledge, skills, industry experience and expertise, which enable them to make valuable and diversified contribution and guidance to the Group's business development and operations. The Directors' biographical details are set out in the section headed "Directors and Management Profiles" to this annual report.

The independence of the independent non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. 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 and the Company is of the view that all independent non-executive Directors meet the independence guidelines and are independent in accordance with the relevant rules and requirements.

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 Group's business development and operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT, RE-ELECTION AND REMOVAL

The appointment, re-election and removal of Directors are governed by the Articles of Association of the Company. The Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board.

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, the number nearest to but not less than one-third) shall retire by rotation in accordance with the Company's Articles of Association.

Each of the non-executive Directors of the Company were appointed for a term of one year subject to retirement by rotation at the annual general meeting of the Company.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the year ended 31 December 2011, eleven Board meetings were held and four sets of unanimous written resolutions of the Directors were made. 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 eleven Board meetings was as follows: —

Mr. Wang Hung, Roger (11/11), Ms. Zheng Shu Yun (11/11), Mr. Cheng Siu Ming (8/11)[note 1], Mr. Han Xiang Li (11/11), Mr. Wong Chi Keung (11/11), Mr. Wang Yao (11/11), Mr. Lau Shek Yau, John (0/2)[note 2] and Mr. Liu Chi Husan, Jack (9/9)[note 3].

During the year ended 31 December 2011, three general meetings were held. The individual attendance of each of the Directors at the three general meetings was as follows:-

Mr. Wang Hung, Roger (1/3), Ms. Zheng Shu Yun (0/3), Mr. Cheng Siu Ming (1/1)[note 1], Mr. Han Xiang Li (1/3), Mr. Wong Chi Keung (3/3), Mr. Wang Yao (0/3), Mr. Lau Shek Yau, John (0/2)[note 2] and Mr. Liu Chi Husan, Jack (0/2)[note 3].

Notes:

1. Mr. Cheng Siu Ming was appointed as an executive Director of the Company with effect from 19 May 2011 and resigned with effect from 30 December 2011.

2. Mr. Lau Shek Yau, John retired as an independent non-executive Director of the Company with effect from 18 May 2011.

3. Mr. Liu Chi Husan, Jack was elected as an independent non-executive Director of the Company with effect from 18 May 2011.

PRACTICES AND CONDUCT OF MEETINGS OF THE BOARD AND BOARD COMMITTEES

The Company Secretary is responsible for ensuring the proper convening and conducting of the Board and board committee meetings, with relevant notices, agenda and all relevant Board and board committee papers being provided to the Directors and board committee members in a timely manner before the meetings.

The Company Secretary is responsible for keeping minutes of all meetings of the Board and board committees. Board and board committee minutes are available for inspection by Directors and board committee members.

DIRECTORS' 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 as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the year ended 31 December 2011.

ACCOUNTABILITY AND AUDIT AND AUDITOR'S REMUNERATION

The Directors acknowledge their responsibility for the preparation of the financial statements which give a true and fair presentation of the state of affairs of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011. This responsibility has also been mentioned in the Independent Auditor's Report on page 45 of this annual report.

In preparing the financial statements for the year ended 31 December 2011, the Board (a) adopted all applicable accounting and financial reporting standards, including but not limited to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; (b) selected suitable accounting policies and applied them consistently; (c) made prudent and reasonable judgements and estimates; and (d) ensured that the financial statements were prepared on a going concern basis.

The Directors are also responsible to ensuring timely publication of the Group's financial statements and aims to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public and is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information. The annual and interim results of the Group for the year ended 31 December 2011 were published within 3 months and 2 months respectively after the end of the relevant periods to provide stakeholders with transparent and timely financial information of the Group.

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 RMB1.95 million for the provision of audit services rendered during the year ended 31 December 2011 and no non-audit services has been rendered by the auditor of the Company during the period under review.

INTERNAL CONTROL AND THEIR EFFECTIVENESS

The Board has the overall responsibility for maintaining sound and effective internal controls for the Group to safeguard interests of stakeholders and assets of the Group at all times. To this end, an internal control and risk management system has been established to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage or mitigate rather than eliminate risks of failure to achieve the Group's business objectives.

The internal audit department is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management system, reporting regularly the results to the Board through the Audit Committee and making recommendations to the relevant department management for necessary actions.

During the year ended 31 December 2011, the internal audit department had conducted reviews on the effectiveness of the internal control system covering all material factors related to financial, operational, compliance controls, various functions for risk management and physical and information security. Two semi-annual internal control reports contained its findings and results were reported to the Audit Committee during the Audit Committee meetings and had been delivered to all Directors for review.

The Audit Committee had been reported during the Audit Committee meetings of key findings identified by the Company's external auditor relating to the Group's internal controls and discussed findings and actions or measures taken in addressing those findings. No material issues on the internal control system have been identified by the internal audit department and the Company's external auditor during the year ended 31 December 2011 which required significant rectification works.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under code provision A.6.1 of the Principles of Good Governance, Code Provisions and Recommended Best Practices as set out in Appendix 14 of the Listing Rules regarding continuous professional development which became effective from 1 April 2012. Details of how each Director complies with such requirement for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

BOARD COMMITTEES

As at the date of this report, there were three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee with specific terms of references to assist the Board in discharging its responsibilities.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Liu Chi Husan, Jack. The Audit Committee is chaired by Mr. Wong Chi Keung, who is a certified public accountant. The principal functions of the Audit Committee are to review and supervise the Group's financial reporting processes and internal control procedures.

During the year ended 31 December 2011, the Audit Committee reviewed the Group's interim and annual accounts and the effectiveness of internal control procedures. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30 June 2011 and for the year ended 31 December 2011;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewed the effectiveness of the internal control and risk management system;

(d) reviewed the findings and recommendations of the internal control department the Company's external auditor on the operations of the Group; and

(e) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31 December 2011.

During the year ended 31 December 2011, two Audit Committee meetings were held. The individual attendance of its members was as follows:—

Mr. Wong Chi Keung (2/2), Mr. Wang Yao (2/2), Mr. Lau Shek Yau, John (0/1)[note 1] and Mr. Liu Chi Husan, Jack (1/1)[note 2].

Notes:

1. Mr. Lau Shek Yau, John retired as a member with effect from 18 May 2011.

2. Mr. Liu Chi Husan, Jack was appointed as a member with effect from 18 May 2011.

REMUNERATION COMMITTEE

As at the date of this report, the Remuneration Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Liu Chi Husan, Jack. The Remuneration Committee is chaired by Mr. Liu Chi Husan, Jack. In order to comply with the amendments to the Listing Rules which has become effective on 1 April 2012, Mr. Liu Chi Husan, Jack has been appointed as chairman of the Remuneration Committee in place of Mr. Wang Hung, Roger with effect from 12 March 2012.

The principal functions of the Remuneration Committee are (i) to make recommendation to the Board on the Company's policy and structure for the remuneration of all Directors and senior management in order to retain and attract talent to manage the Group effectively, (ii) to determine, with the delegated responsibility, the specific remuneration packages of all executive Directors and senior management, (iii) to assess the performance of the executive Directors and (iv) to approve the terms of the service contracts of the executive Directors. For the avoidance of doubt, the Directors and their associates do not participate in the decisions in relation to their own remuneration.

During the year ended 31 December 2011, the Remuneration Committee had reviewed the Group's policy on the remuneration of all Directors and senior management and one Remuneration Committee meeting was held. The individual attendance of its members was as follows:—

Mr. Liu Chi Husan, Jack (1/1) [note 1], Mr. Wang Hung, Roger (1/1), Mr. Wong Chi Keung (1/1) and Mr. Lau Shek Yau, John (0/0) [note 2].

Notes:

1. Mr. Liu Chi Husan, Jack was appointed as a member with effect from 18 May 2011 and as chairman with effect from 12 March 2012.

2. Mr. Lau Shek Yau, John retired as a member with effect from 18 May 2011.

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Liu Chi Husan, Jack. The Nomination Committee is chaired by Mr. Wang Hung, Roger. Mr. Wang is also the chairman of the Board.

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

At the conclusion of the annual general meeting of the Company held on 18 May 2011 (the "AGM"), Mr. Lau Shek Yau, John retired as an independent non-executive Director and did not offer himself for re-election and has ceased to be a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

At the AGM, Mr. Liu Chi Husan, Jack was elected as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Since Mr. Liu has over 25 years of experience in legal practice and have over 13 years of experience in financial and investment area, the Nomination Committee considered that Mr. Liu was a competent person to act as an independent non-executive Director.

On 19 May 2011, Mr. Cheng Siu Ming has been appointed as an executive Director of the Company. After taken into consideration the fact that Mr. Cheng has over 25 years of experiences in the management of corporate information technology, supply chain management and trading, the Nomination Committee considered that Mr. Cheng was a competent person to become an additional member of the Board by acting as an executive Director. However, Mr. Cheng has resigned as an executive Director of the Company with effect from 30 December 2011 after Mr. Cheng has been appointed as a director of certain fellow subsidiaries of the Company.

During the year ended 31 December 2011, one Nomination Committee meeting was held. The individual attendance of its members was as follows:—

Mr. Wang Hung, Roger (1/1), Mr. Wong Chi Keung (1/1), Mr. Lau Shek Yau, John (1/1) (note 1) and Mr. Liu Chi Husan, Jack (0/0) (note 2).

Notes:

1. Mr. Lau Shek Yau, John retired as a member with effect from 18 May 2011.

2. Mr. Liu Chi Husan, Jack was appointed as a member with effect from 18 May 2011.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") executed by 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") in favour of the Company, 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) (as defined in the prospectus of the Company dated 8 March 2006) 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 were in full compliance of the same.

COMMITMENT TO TRANSPARENCY

The Board emphasises in creating and maintaining a high level of transparency through timely disclosure of relevant information on the Group's business and activities to shareholders, investors, media and investment public through various channels including the Company's annual general meeting, analyst's briefings, press conferences following the announcements of interim and annual results, regular press releases, timely update of the Company's website as well as the availability of designated investor relationship agent to handle enquiries. The executive Directors and senior management, who look after the business operation, are committed to respond to enquiries from regulators, shareholders, investors and business partners.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always seeks to provide relevant information to existing and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. The Company is committed to ensuring that all shareholders and potential investors have equal opportunities to receive and obtain publicly available information that is released by the Group. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and the management of risk are made through various channels.

- the Company's annual general meeting
- analysts' briefing and press conferences following the announcements of interim and annual results
- timely update the websites of the Company and the Stock Exchange
- meeting with shareholders and the investing public
- prompt press releases and announcements regarding major corporate actions and business initiatives

The Company has established a shareholders communication policy to ensure that the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Company will regularly review its effectiveness.

The Company maintains a website at www.geretail.com where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted. Shareholders are encouraged to access corporate communication from the Company through the corporate website.

The Group also participated in various investor conferences and forums during the year in order to enhance the investing public the awareness of the Group's vision and strategies.

The Company always welcome shareholders' views and inputs. Shareholders and other stakeholders may at any time address their concerns and raise their enquiries to the Company Secretary, Ms. Tai Ping, Patricia by mail at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, by fax at (852) 2529 8618 or by email at ir@netge.com.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Any one or more shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

The Company did not amend its Articles of Association during the year ended 31 December 2011.

Directors' Report

The Directors have pleasure in presenting the 2011 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

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 and associates of the Company are set out in notes 44 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 47.

The Directors now recommend the payment of a final dividend of RMB0.188 (2010: RMB0.150) per share to the shareholders appeared on the register of members of the Company on Wednesday, 23 May 2012. The final dividend (if approved) will be paid on or before 15 June 2012.

PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INVESTMENT PROPERTY

Details of movements in property, plant and equipment, land use rights and investment property of the Group during the year are set out in notes 17, 18 and 19 respectively to the consolidated financial statements.

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

During the year ended 31 December 2011, pursuant to the general mandate given to the Directors of the Company, the Company repurchased an aggregate of 2,015,866 shares of its own ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HKD30.6 million (equivalent to approximately RMB24.9 million).

Subsequent to the year ended 31 December 2011 and up to the date of this report, the Company repurchased an aggregate of 5,692,000 shares of its own ordinary shares through the Stock Exchange at an aggregate consideration of approximately HKD88.9 million (equivalent to approximately RMB72.3 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 the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

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

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution to shareholders amounted to approximately RMB413.2 million (2010: RMB66.9 million).

DIRECTORS

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

Executive Directors
Mr. Wang Hung, Roger *(Chairman)*
Ms. Zheng Shu Yun *(Chief Operating Officer)*
Mr. Cheng Siu Ming *(appointed on 19 May 2011 and resigned on 30 December 2011)*

Non-executive Director
Mr. Han Xiang Li

Independent non-executive Directors
Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Liu Chi Husan, Jack *(elected on 18 May 2011)*
Mr. Lau Shek Yau, John *(retired on 18 May 2011)*

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

According to Article 87 of the Articles of Association of the Company, Ms. Zheng Shu Yun and Mr. Wang Yao will retire by rotation and each of them, being eligible, had offered herself/himself for re-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 2011, 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 HKD0.10 each of the Company ("Shares")

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Mr. Wang Hung, Roger ("Mr. Wang") *(Note)*	Interest in controlled corporation	1,328,845,000	68.36%

Note: These 1,328,845,000 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 1,328,845,000 Shares under the SFO.

Long position in underlying Shares

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Ms. Zheng Shu Yun	150,000	0.01%
Mr. Han Xiang Li	610,000	0.03%

Save as disclosed above, as at 31 December 2011, 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 2011, 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	1,328,845,000	68.36%
Golden Eagle International Retail Group Limited *(Note)*	Beneficial owner	1,328,845,000	68.36%

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 2011, 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 Company's share option scheme approved by written resolutions of the sole shareholder of the Company on 26 February 2006 (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 2011, 3,038,000 share options were exercised, 26,982,000 share options were forfeited and 20,000,000 share options were granted under the Scheme at the exercise price of HKD20.26 per Share exercisable from 31 May 2012 to 30 May 2021. Details of the Scheme are set out in note 36 to the consolidated financial statements.

As at 31 December 2011, there were a total of 36,781,000 Shares available for issue pursuant to options that were granted under the Scheme, representing about 1.90 per cent. of the entire 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 2011 were as follows:

	Number of share options										Price of the Company's Share immediately before the grant date	Price of the Company's Shares on the date immediately before the exercise date (Note 2)
	Outstanding at 1 January 2011	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2011	Date of Grant	Exercise period (Note1)	Exercise price			
									HKD		HKD	HKD
Executive Directors	50,000	–	–	(50,000)	–	–	28 April 2006	28 April 2007 to 27 April 2012	4.35		4.45	19.74
	383,000	–	–	(233,000)	–	150,000	20 October 2006	20 October 2007 to 19 October 2012	4.80		4.70	20.68
	–	400,000	–	–	(400,000)	–	05 December 2008	05 December 2010 to 04 December 2018	4.20		4.19	N/A
	–	1,500,000	–	–	(1,500,000)	–	20 October 2010	20 October 2011 to 19 October 2020	19.95		20.00	N/A
	–	–	1,000,000	–	(1,000,000)	–	31 May 2011	31 May 2012 to 30 May 2021	20.26		20.05	N/A
Non-executive Director	100,000	–	–	–	–	100,000	28 April 2006	28 April 2007 to 27 April 2012	4.35		4.45	N/A
	510,000	–	–	–	–	510,000	20 October 2006	20 October 2007 to 19 October 2012	4.80		4.70	N/A
Key management	180,000	(30,000)	–	(150,000)	–	–	28 April 2006	28 April 2007 to 27 April 2012	4.35		4.45	20.04
	1,379,000	(200,000)	–	(689,000)	–	490,000	20 October 2006	20 October 2007 to 19 October 2012	4.80		4.70	19.70
	1,430,000	220,000	–	(115,000)	–	1,535,000	05 December 2008	05 December 2010 to 04 December 2018	4.20		4.19	19.40
	4,500,000	(1,700,000)	–	–	–	2,800,000	20 October 2010	20 October 2011 to 19 October 2020	19.95		20.00	N/A
	–	2,700,000	–	–	–	2,700,000	31 May 2011	31 May 2012 to 30 May 2021	20.26		20.05	N/A
Other employees	553,000	30,000	–	(322,000)	(44,000)	217,000	28 April 2006	28 April 2007 to 27 April 2012	4.35		4.45	19.54
	5,726,000	200,000	–	(1,232,000)	(243,000)	4,451,000	20 October 2006	20 October 2007 to 19 October 2012	4.80		4.70	19.95
	16,490,000	(620,000)	–	(247,000)	(845,000)	14,778,000	05 December 2008	05 December 2010 to 04 December 2018	4.20		4.19	20.10
	15,500,000	200,000	–	–	(6,850,000)	8,850,000	20 October 2010	20 October 2011 to 19 October 2020	19.95		20.00	N/A
	–	(2,700,000)	19,000,000	–	(16,100,000)	200,000	31 May 2011	31 May 2012 to 30 May 2021	20.26		20.05	N/A
	46,801,000	–	20,000,000	(3,038,000)	(26,982,000)	36,781,000						
Exercisable at 31 December 2011						10,220,000						

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 companies, 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 OF SIGNIFICANCE

Save as disclosed under the sections headed "Annual Review of Continuing Connected Transactions" and "Connected Transactions" 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 International Group by Nanjing Xinjiekou Store

On 16 November 2010, a lease agreement (the "Xinjiekou Tenancy Agreement") in respect of the lease of the entire 8th floor of Golden Eagle International Plaza with a gross floor area of approximately 5,420 square meters ("Xinjiekou Office Premises") 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 Co., Ltd.* ("Golden Eagle International Group") for a term of 3 years commencing from 1 January 2011. Golden Eagle International Group 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 into of this agreement enables the Group to secure tenancy of office premises which are in the close proximity to Nanjing Xinjiekou Store, the flagship store of the Group.

Under the Xinjiekou Tenancy Agreement, the annual rent in respect of the Xinjiekou Office Premises is approximately RMB7.6 million. The annual rent was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for the year ended 31 December 2011 amounted to approximately RMB7,519,000.

Lease of property for department store operation 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 1st to 5th floors of 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 from approximately 22,780 square meters to approximately 24,545 square meters in order to provide additional area for 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 units B1F-B2F of the south wing (collectively the "South Additional Units") and units 2F-4F of the north wing of Zhujiang No.1 Plaza (collectively the "North Additional Units") for a period between the date on which the South Additional Units and North Additional Units commence operation to 27 December 2027. The entering into 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 at a prime location in Nanjing.

The annual consideration for the lease shall be equivalent to 5% of the gross sales proceeds derived from the operations of Nanjing Zhujiang Store less relevant value-added tax, subject to the use of the minimum guaranteed gross sales proceeds of the sub-lessees of the South Additional Units (if any) in the calculation of consideration if the gross sales proceeds derived from the relevant area are lower than the minimum guaranteed gross sales proceeds. The consideration was arrived at after arm's length negotiations 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 2011 amounted to approximately RMB21,310,000.

Lease of property for department store operation 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.*, 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 1st to 5th floors, a portion of the 6th floor and the relevant accessory room of Golden Eagle Shopping Plaza (the "Shanghai Properties") with Shanghai Golden Eagle Tiandi Industry 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 9th floor of Golden Eagle Shopping Plaza (the "Additional Shanghai Properties") as exhibition centre for a period of 2 years commencing from 1 July 2009. On 16 November 2010, a supplemental agreement to the Shanghai Additional Tenancy Agreement was entered into between Golden Eagle (China) and Shanghai Golden Eagle Tiandi to extend the lease for another $2^1/_2$ years commencing from 1 July 2011.

The purpose of entering into the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement is to use the Shanghai Properties and the Additional Shanghai Properties, which are 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 Shanghai Store less relevant value-added tax while the consideration for the lease of the Additional Shanghai Properties is RMB6.5 per square meter per day and a property management fee of RMB81,880.50

each month. The considerations were arrived at after arm's length negotiations 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 2011 amounted to approximately RMB19,484,000 and RMB3,885,000 respectively while the property management fee paid by the Group under the Shanghai Additional Tenancy Agreement amounted to approximately RMB983,000.

Lease of property and ancillary facilities for department store operation from Golden Eagle International Group 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 Golden Eagle International Group 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 Hanzhong Plaza less 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 Hanzhong Plaza less relevant value-added tax for the portion of annual gross sales proceeds exceeding RMB160,000,000; and (c) 25% of the proceeds derived from sub-letting the units in Hanzhong Plaza less property tax, business tax and other relevant taxes. The minimum guaranteed rental payable under the Hanzhong Plaza Tenancy Agreement is RMB6,100,000 per calendar year. The consideration was arrived at after arm's length negotiations 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 2011 amounted to approximately RMB7,646,000.

The aforesaid parties have entered into a facilities leasing agreement (the "Facilities Leasing Agreement") on 3 June 2009 in relation to the lease of ancillary facilities located on the 1st to 5th floors of Hanzhong Plaza (the "Ancillary Facilities") for a term of 10 years commencing from the date on which Hanzhong Plaza commences operation.

The consideration for the lease of Ancillary Facilities is RMB1,900,000 per calendar year. The consideration was arrived at 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 Ancillary Facilities for the year ended 31 December 2011 amounted to RMB1,900,000.

Lease of property for department store operation 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 1st to 5th 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.

On 10 November 2010, the aforesaid parties entered into another lease agreement (the "Xianlin Additional Tenancy Agreement") in respect of the lease of 1st and 2nd floors of Blocks 3 and 5 and the 1st floor of Blocks 4 and 5 of Xianlin Golden Eagle Tiandi (the "Xianlin Additional Retail Area"), pursuant to which Xianlin Golden Eagle Properties shall lease to Nanjing Xianlin Store the Xianlin Additional Retail Area for a period between the date on which the Xianlin Additional Retail Area commences operation to 17 December 2029.

On 20 January 2012, the aforesaid parties entered into (a) a supplemental agreement to the Xianlin Tenancy Agreement (the "Xianlin Supplemental Agreement") to amend certain terms of the Xianlin Tenancy Agreement and (b) a supplemental agreement to the Xianlin Additional Tenancy Agreement (the "Xianlin Additional Supplemental Agreement") (i) to amend certain terms of the Xianlin Additional Tenancy Agreement and (ii) to lease 1st floor of Block 2, 1st and 2nd floors of Block 5 and the 1st floor of Block 6 of Xianlin Golden Eagle Tiandi (the "Xianlin Further Additional Retail Area"). Details of the supplemental agreements are set out in the Company's announcement dated 20 January 2012. The amended terms on rental payable under the supplemental agreements shall be effective from 1 July 2011 while the terms in respect of the lease of the Xianlin Further Additional Retail Area commences from the date of delivery of the said area to 17 December 2029. The entering into of the Xianlin Tenancy Agreement, the Xianlin Supplemental Agreement, the Xianlin Additional Tenancy Agreement and the Xianlin Additional Supplemental Agreement (collectively referred to as the "Total Xianlin Tenancy Agreement") allow the Group to increase its presence and market share in Nanjing.

Pursuant to the Total Xianlin Tenancy Agreement, the annual consideration for the leases (a) from 1 January 2011 to 30 June 2011 shall be equivalent to the higher of (i) the aggregate of a) 5% of the annual gross sales proceeds derived from the operations of Nanjing Xianlin Store less relevant value-added tax; and b) 50% of the proceeds derived from sub-letting the units in Nanjing Xianlin Store less property tax, business tax and other relevant taxes or (ii) RMB5,000,000 and (b) from 1 July 2011 to 31 December 2011 shall be equivalent to the higher of (i) the aggregate of a) for those concessionaires which the Group charges 10% or more commission rate on their concessionaire sales, 5% of the annual gross sales proceeds derived from the operations of those concessionaires less relevant value-added tax; b) for those concessionaires which the Group charges less than 10% commission rate on their concessionaire sales, 50% of the gross sale proceeds derived from the operations of those concessionaires (less relevant value-added tax) multiplied by the commission rate charged by the Group; and c) 50% of the proceeds derived from sub-letting the units in Nanjing Xianlin Store less property tax, business tax and other relevant taxes or (ii) RMB9,500,000. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate.

The rental expenses paid by the Group under the Total Xianlin Tenancy Agreement for the year ended 31 December 2011 amounted to approximately RMB9,898,000.

Lease of office premises from Nanjing Zhujiang No.1 by Golden Eagle (China)

On 23 June 2011, a lease agreement (the "Zhujiang Office Tenancy Agreement") in respect of the lease of 47th floor and 55th floor of Zhujiang No. 1 Plaza ("Nanjing Zhujiang No. 1 Offices") was entered into between Golden Eagle (China) and Nanjing Zhujiang No. 1, for a term commencing from 17 August 2011 and expiring on 31 December 2013. The Group will use Nanjing Zhujiang No. 1 Offices as its new Nanjing head office in order to increase the operating area of Nanjing Xinjiekou Store as the existing office is immediately above Nanjing Xinjiekou Store.

On 20 January 2012, Golden Eagle (China) and Nanjing Zhujiang No. 1 entered into a termination agreement to terminate the Zhujiang Office Tenancy Agreement and release from each other of any liabilities arising for such termination as the Group decided to postpone the relocation plan and to focus its resources on new store expansion and existing store extension plan in light of the global financial instability and the uncertainty in the PRC's macroeconomic environment and the retail market.

No rental or termination cost has been paid or payable by Golden Eagle (China) to Nanjing Zhujiang No.1 in respect of the lease.

Property Management Services Agreements

On 16 November 2010, Golden Eagle (China) and Nanjing Golden Eagle Properties Asset 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 those stores under its control, including, as at 31 December 2011, Nantong Store, Yangzhou Store, Suzhou Store, Xuzhou Store, Taizhou Store, Kunming Store, Huai'an Store, Yancheng Store, Yangzhou Jinghua Store, Nanjing Hanzhong Store, Nanjing Xianlin Store, Hefei Dadongmen Store, Hefei Baihuajing Store, Hefei Store, Changzhou Jiahong Store and Suqian Store for a term of three years commencing from 1 January 2011.

On 16 November 2010, 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 three years commencing from 1 January 2011.

The entering into of the aforesaid property management services agreements enables the Group to focus on the development and operations of department store chain in the PRC. The property management services shall include but not limited to 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 arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of property management services fees paid by the Group under the aforesaid property management services agreements for the year ended 31 December 2011 amounted to approximately RMB38,931,000.

Carpark Management Services Agreements

On 16 November 2010, each of (i) Nanjing Xinjiekou Store and Golden Eagle International Group; (ii) Nanjing Zhujiang Store and Nanjing Zhujiang No. 1; and (iii) 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 Properties") entered into a carpark management services agreement (collectively referred to as the "Carpark Management Services Agreements") for a term of three years commencing from 1 January 2011. Xuzhou Golden Eagle Properties 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.

Pursuant to the Carpark Management Services Agreements, Golden Eagle International Group, Nanjing Zhujiang No. 1 and Xuzhou Golden Eagle Properties shall provide free carparks to the customers of Nanjing Xinjiekou Store, Nanjing Zhujiang Store and Xuzhou Store respectively. Nanjing Xinjiekou Store and Nanjing Zhujiang Store shall pay carpark fees at a rate of RMB4.0 per hour during the term of the relevant carpark management services agreement. Xuzhou Store shall pay carpark fees at a rate of RMB2.6 per hour for the period from 1 January 2011 to 31 December 2011 and RMB3.0 per hour for the period from 1 January 2012 to 31 December 2013. The carpark fees which have been incurred by the respective stores for their customers are part of the value-added services provided. The entering into of the Carpark Management Services Agreements enables the Group to provide better services to its customers in order to enhance sales performance.

These fees were arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of carpark management services fees paid by the Group under the Carpark Management Services Agreements for the year ended 31 December 2011 amounted to approximately RMB2,500,000.

Project Management Services Agreement

On 16 November 2010, Golden Eagle (China) 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 2011, pursuant to which Golden Eagle International Group shall provide project management services including design, purchase of building materials and construction of the Group's new stores to Golden Eagle (China).

The entering into of the Project Management Services Agreement enables the Group to focus on the development and operation of department store chain in the PRC. Golden Eagle International Group shall provide project management services to the Group at a fee of no more than 5% of the total estimated costs to be agreed by both parties (the "Estimated Costs") and in the event that the actual costs are lower than the Estimated costs, an incentive fee equivalent to no more than 10% of the costs saved will be paid to Golden Eagle International Group. These fees were arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate and on terms no less favorable than (i) the Group can obtain from third party suppliers in the market and (ii) the terms offered by Golden Eagle International Group to other Independent third parties.

The service fees paid by the Group to Golden Eagle International Group under the Project Management Services Agreement for the year ended 31 December 2011 amounted to approximately RMB19,559,000.

Decoration Services Agreement

On 16 November 2010, Golden Eagle (China) entered into a supplemental agreement to the decoration services agreement dated 26 February 2006 (as supplemented by the supplemental agreement dated 18 December 2007) (collectively referred to as the "Decoration Services Agreement") with Nanjing Golden Eagle Construction Work Co., Ltd.* ("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, to extend the service period for a term of three years commencing from 1 January 2011. The entering into of the Decoration Services Agreement enables the Group to focus on the development and operation of department store chain in the PRC.

Pursuant to the Decoration Services Agreement, Golden Eagle Construction Work shall provide decoration services to the existing and new department stores of the Group at the fee to be determined after arm's length negotiations from time to time with reference to the specific decoration works to be done and on terms no less favourable than (i) the Group can obtain from third party suppliers in the market and (ii) the terms offered by Golden Eagle Construction Work to other independent third parties.

The service fees paid by the Group under the Decoration Services Agreement for the year ended 31 December 2011 amounted to approximately RMB211,910,000.

* *For identification purpose only*

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 factual finding 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 favorable 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.

CONNECTED TRANSACTIONS

The following connected transactions were non-exempt connected transactions entered into between the Group and its connected person during the year ended 31 December 2011:

Cooperation Framework Agreements

On 28 March 2011, the Group entered into two cooperation framework agreements respectively with 雲南金鷹實業有限公司 (Yunnan Golden Eagle Industry Co., Ltd.) and 昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.), which are the fellow subsidiaries of the Company and are the connected persons (as defined in the Listing Rules) of the Company as they are companies ultimately and wholly-owned by Mr. Wang, for the acquisition of two properties which are situated at Kunming City, Yunnan Province and Kunshan City, Jiangsu Province respectively. Details of the transactions have been disclosed in the Company's announcement and circular dated 28 March 2011 and 21 April 2011 respectively.

Non-exercise of the Right of First Refusal

On 23 May 2011, the Company has received a pre-emption notice (the "Pre-emption Notice") from Mr. Wang, GEICO Holdings Limited and Golden Eagle International Retail Group Limited (collectively referred to as the "Covenantors" and are the connected persons of the Company), pursuant to which the Covenantors informed the Company that they intend to dispose of 60,916,150 shares (the "Sale Shares") in 南京新街口百貨商店股份有限公司 (Nanjing Xinjiekou Department Store Co., Ltd.) ("Xinbai Shopping"), representing approximately 17% of the entire issued share capital of Xinbai Shopping.

The Company decided not to exercise the right of first refusal to acquire the equity interest in Xinbai Shopping which the Covenantors are interested in, including the Sale Shares (the "Right of First Refusal"). The Directors are of the view that the non-exercise of the Right of First Refusal is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole since, inter alia, (i) the acquisition of a minority interest in Xinbai Shopping is not the best way to utilise the financial resources of the Company as the Company will not be able to control Xinbai Shopping after such acquisition and (ii) Xinbai Shopping is now engaging in the businesses of, inter alia, property development and investment and operation of department stores which are inconsistent with the Company's focused development strategy of becoming a nationwide stylish premium department store chain in the PRC. Details of the transaction are set out in the Company's announcement and circular dated 6 June 2011 and 11 July 2011 respectively. No money is payable between the Company and the Covenantors in respect of the non-exercise of the Right of First Refusal.

DEED OF NON-COMPETITION

As disclosed under the sub-section headed "Non-exercise of the Right of First Refusal" in the section headed "Connected Transactions" of this report, on 23 May 2011, the Company has received the Pre-emption Notice from the Covenantors for their intention to dispose of the Sale Shares. The Company decided not to exercise the Right of First Refusal to acquire the Sale Shares, the detailed reasons of which are set out in the said sub-section.

The independent non-executive Directors believe that, other than the Sale Shares, the exercise or non-exercise of each of the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal (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 (other than the Sale Shares) to third parties;

(b) the Group entered into the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement with Shanghai Golden Eagle Tiandi for the lease of the Shanghai Properties for a term of 20 years commencing from the date on which Shanghai Store commences operation and for the lease of the Additional Shanghai Properties for a term of $2^1/_2$ years commencing from 1 July 2011. Details of the aforesaid agreements are disclosed under the sub-section headed "Lease of property for department store operation 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; 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 that it is necessary for the Company to decide to exercise or not to exercise the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal at this moment.

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 during the year under review and they are satisfied that the Covenantors were in full compliance with the same.

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 than 30% of the Group's total purchases for the year.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2012, the Company repurchased an aggregate of 5,692,000 shares of its own ordinary shares through the Stock Exchange at an aggregate consideration of approximately HKD88.9 million (equivalent to approximately RMB72.3 million).

The Group is in the process of negotiation of an agreement with a number of overseas banks to borrow a three-year term-loan in order to (i) re-finance bridging loans with aggregate outstanding sum of approximately USD105.0 million (equivalent to approximately RMB662.5 million) as at 31 December 2011; (ii) provide funding for its business expansion; and (iii) satisfy other general corporate funding requirements. The agreement is expected to be entered into in April 2012.

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

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 2011.

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

12 March 2012

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 47 to 130, which comprise the consolidated statement of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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.

Independent Auditor's Report

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 2011, 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

12 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Revenue	7	**3,216,892**	2,450,358
Other operating income	9	**138,158**	111,098
Changes in inventories of merchandise		**(763,797)**	(525,356)
Employee benefits expense		**(301,699)**	(222,491)
Depreciation and amortisation of property, plant and equipment		**(138,845)**	(118,513)
Release of prepaid lease payments on land use rights		**(4,829)**	(4,829)
Rental expenses		**(128,959)**	(88,617)
Other operating expenses		**(483,431)**	(355,885)
Profit from operations		**1,533,490**	1,245,765
Finance income	10	**88,912**	38,973
Interest expenses on short-term bank loans		**(15,840)**	(6,343)
Other gains and losses	11	**32,142**	16,693
Changes in fair value of derivative financial instruments	24	**7,389**	—
Share of (loss) profit of associates		**(20,162)**	1,439
Profit before tax		**1,625,931**	1,296,527
Income tax expense	12	**(414,010)**	(337,325)
Profit for the year	13	**1,211,921**	959,202
Profit (loss) attributable to:			
Owners of the Company		**1,212,057**	959,202
Non-controlling interest		**(136)**	—
		1,211,921	959,202
Earnings per share			
– Basic (RMB per share)	16	**0.623**	0.494
– Diluted (RMB per share)	16	**0.618**	0.489

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**1,211,921**	959,202
Other comprehensive expense		
Loss on fair value changes of available-for-sale investments	**(40,132)**	(60)
Reclassified to profit or loss on disposal of available-for-sale investments	**1,689**	(1,958)
Income tax relating to components of other comprehensive item	**2,549**	1,871
Other comprehensive expense for the year (net of tax)	**(35,894)**	(147)
Total comprehensive income for the year	**1,176,027**	959,055
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,176,163**	959,055
Non-controlling interest	**(136)**	—
	1,176,027	959,055

Consolidated Statement of Financial Position

At 31December 2011

	NOTES	31.12.2011 RMB'000	31.12.2010 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	17	**3,906,293**	2,721,966
Land use rights - non-current portion	18	**1,318,887**	913,122
Investment property	19	**92,738**	—
Deposits	20	**992,800**	737,944
Goodwill	21	**256,908**	256,908
Interests in associates	22	**91,701**	13,496
Available-for-sale investments	23	**170,667**	76,122
Investment in convertible bonds	24	**57,869**	—
Amount due from a former shareholder of a subsidiary	25	**19,756**	38,520
Deferred tax assets	26	**51,587**	29,569
		6,959,206	4,787,647
Current assets			
Inventories		**304,366**	212,632
Trade and other receivables	27	**248,298**	210,998
Land use rights - current portion	18	**22,103**	10,439
Amounts due from related companies	28	**9,644**	16,113
Investments in interest bearing instruments	29	**872,494**	400,439
Structured bank deposits	29	**863,048**	526,868
Pledged bank deposit	29	**110,000**	—
Bank balances and cash	29	**1,953,426**	1,819,197
		4,383,379	3,196,686
Current liabilities			
Trade and other payables	30	**2,062,924**	1,724,059
Amounts due to related companies	31	**455,465**	49,735
Short-term bank loans	32	**1,484,371**	458,427
Tax liabilities		**126,506**	85,359
Deferred revenue	33	**2,518,596**	1,891,871
		6,647,862	4,209,451
Net current liabilities		**(2,264,483)**	(1,012,765)
Total assets less current liabilities		**4,694,723**	3,774,882

Consolidated Statement of Financial Position

At 31December 2011

	NOTES	31.12.2011 RMB'000	31.12.2010 RMB'000 (restated)
Non-current liability			
Deferred tax liabilities	26	**124,961**	94,706
Net assets		**4,569,762**	3,680,176
Capital and reserves			
Share capital	34	**197,577**	197,489
Reserves		**4,369,201**	3,482,687
Equity attributable to owners of the Company		**4,566,778**	3,680,176
Non-controlling interest		**2,984**	—
Total equity		**4,569,762**	3,680,176

The consolidated financial statements on pages 47 to 130 were approved and authorised for issue by the board of directors on 12 March 2012 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 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 35)	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interest RMB'000	Total RMB'000
At 1 January 2010	197,415	1,640,094	5,048	217,228	3,748	31,806	323,824	499,388	2,918,551	–	2,918,551
Profit for the year	–	–	–	–	–	–	–	959,202	959,202	–	959,202
Loss on fair value changes of available-for-sale investments	–	–	–	–	(60)	–	–	–	(60)	–	(60)
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	–	(1,958)	–	–	–	(1,958)	–	(1,958)
Income tax relating to components of other comprehensive expense	–	–	–	–	1,871	–	–	–	1,871	–	1,871
Total comprehensive (expense) income for the year	–	–	–	–	(147)	–	–	959,202	959,055	–	959,055
Shares repurchased and cancelled	(67)	(8,094)	67	–	–	–	–	(67)	(8,161)	–	(8,161)
Exercise of share options	141	8,836	–	–	–	(2,426)	–	–	6,551	–	6,551
Recognition of equity-settled share-based payments	–	–	–	–	–	12,470	–	–	12,470	–	12,470
Appropriation	–	–	–	–	–	–	149,063	(149,063)	–	–	–
Dividends recognised as distribution (note 15)	–	–	–	–	–	–	–	(208,290)	(208,290)	–	(208,290)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 35)	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Retained profits RMB'000	Total RMB'000	Attributable to non-controlling interest RMB'000	Total RMB'000
At 31 December 2010	197,489	1,640,836	5,115	217,228	3,601	41,850	472,887	1,101,170	3,680,176	–	3,680,176
Profit (loss) for the year	–	–	–	–	–	–	–	1,212,057	1,212,057	(136)	1,211,921
Loss on fair value changes of available-for-sale investments	–	–	–	–	(40,132)	–	–	–	(40,132)	–	(40,132)
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	–	1,689	–	–	–	1,689	–	1,689
Income tax relating to components of other comprehensive expense	–	–	–	–	2,549	–	–	–	2,549	–	2,549
Total comprehensive (expense) income for the year	–	–	–	–	(35,894)	–	–	1,212,057	1,176,163	(136)	1,176,027
Shares repurchased and cancelled	(164)	(24,743)	164	–	–	–	–	(164)	(24,907)	–	(24,907)
Exercise of share options	252	16,081	–	–	–	(4,600)	–	–	11,733	–	11,733
Recognition of equity-settled share-based payments	–	–	–	–	–	13,584	–	–	13,584	–	13,584
Appropriation	–	–	–	–	–	–	189,846	(189,846)	–	–	–
Dividends recognised as distribution (note 15)	–	–	–	–	–	–	–	(289,971)	(289,971)	–	(289,971)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	3,120	3,120
At 31 December 2011	197,577	1,632,174	5,279	217,228	(32,293)	50,834	662,733	1,833,246	4,566,778	2,984	4,569,762

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Operating activities		
Profit before tax	**1,625,931**	1,296,527
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	**138,845**	118,513
Share of loss (profit) of associates	**20,162**	(1,439)
Interest expenses	**15,840**	6,343
Equity-settled share-based payments	**13,584**	12,470
Release of prepared lease payments on land use rights	**4,829**	4,829
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**1,689**	(1,958)
Loss on disposal of property, plant and equipment	**1,304**	459
Income from structured bank deposits	**(37,376)**	(7,118)
Net foreign exchange gains on short-term bank loans	**(33,450)**	—
Income from investments in interest bearing instruments	**(31,845)**	(11,716)
Interest income	**(15,522)**	(18,897)
Changes in fair value of derivative financial instruments	**(7,389)**	—
Effective interest income on amount due from a former shareholder of a subsidiary	**(2,689)**	(1,242)
Effective interest income on investment in convertible bonds	**(1,480)**	—
Operating cash flows before movements in working capital	**1,692,433**	1,396,771
Increase in inventories	**(91,734)**	(38,852)
Increase in trade and other receivables	**(52,771)**	(59,631)
Decrease (increase) in amounts due from related companies	**11,139**	(4,112)
Increase in trade and other payables	**240,352**	379,006
Decrease in amounts due to related companies	**(8,076)**	(402)
Decrease (increase) in amount due from a former shareholder of a subsidiary	**17,921**	(9,795)
Increase in deferred revenue	**626,725**	530,608
Net cash generated from operations	**2,435,989**	2,193,593
PRC income tax paid	**(362,077)**	(279,717)
Net cash generated from operating activities	**2,073,912**	1,913,876

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTE	2011 RMB'000	2010 RMB'000
Investing activities			
Investments in interest bearing instruments		**(870,000)**	(1,363,000)
Investments in structured bank deposits		**(842,750)**	(519,750)
Additions to property, plant and equipment		**(730,491)**	(632,164)
Purchase of subsidiaries (net of cash and cash equivalent acquired)	37	**(598,797)**	(256,697)
Deposits paid for acquisition of property, plant and equipment		**(254,856)**	—
Purchase of available-for-sale investments		**(198,406)**	(73,235)
(Increase) decrease in pledged bank deposit		**(110,000)**	269,033
Investment in an associate		**(98,367)**	—
Subscription of convertible bonds		**(49,000)**	—
Additional consideration paid for acquisition of a subsidiary		**(5,011)**	—
Payments on lease payments of land use rights		**—**	(514,821)
Redemption of structured bank deposits		**519,750**	—
Redemption of investments in interest bearing instruments		**400,000**	963,000
Proceeds from disposal of available-for-sale investments		**63,729**	8,647
Income received from investments in interest bearing instruments		**29,790**	11,277
Income received from structured bank deposits		**24,196**	—
Repayment from a former shareholder of a subsidiary		**21,453**	—
Interest received from bank deposits		**15,522**	18,897
Proceeds from disposal of property, plant and equipment		**26**	66
Net cash used in investing activities		**(2,683,212)**	(2,088,747)
Financing activities			
Repayment of short-term bank loans		**(458,427)**	(269,033)
Dividends paid to owners of the Company		**(289,971)**	(208,290)
Repurchase of own shares		**(24,907)**	(8,161)
Interest paid		**(15,840)**	(6,343)
New short-term bank loans raised		**1,517,821**	458,427
Proceeds on exercise of share options		**11,733**	6,551
Capital contribution from non-controlling interest		**3,120**	—
Net cash generated from (used in) financing activities		**743,529**	(26,849)
Net increase (decrease) in cash and cash equivalents		**134,229**	(201,720)
Cash and cash equivalents at beginning of the year		**1,819,197**	2,020,917
Cash and cash equivalents at end of the year		**1,953,426**	1,819,197

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, which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang Hung, Roger ("Mr. Wang"). 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 1206, 12th 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 and associates of the Company are set out in notes 44 and 22 respectively.

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)–Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

With regards to financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The Directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets. The Group is still in the process of assessing the impact and such impact will be disclosed in the future consolidated financial statements upon the completion of a detailed review.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. The application of HKFRS 10 may result in the Group consolidating investees that were not previously consolidated. The Group is still in the process of assessing the impact and such impact will be disclosed in the future consolidated financial statements upon the completion of a detailed review.

Other than disclosed above, the Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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.

The principal accounting policies are set out below:

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 and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 (or a cash-generating unit) 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 consolidated 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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debt receivable component in investment in convertible bonds, trade and other receivables, amount due from a former shareholder of a subsidiary, amounts due from related companies, investments in interest bearing instruments, structured bank deposits, pledged bank deposit 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 the 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).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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, amount due from a former shareholder of a subsidiary 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, amount due from a former shareholder of a subsidiary or amount due from a related company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 through profit or loss. 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)

Investment in convertible bonds

The Group's investment in convertible bonds that contain both a debt receivable component and derivative component are classified separately into the respective items on initial recognition and initially recognised at their fair values. In subsequent periods, the debt receivable component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised 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 purchase, sale, issue or cancellation of the Company's own equity instruments.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Embedded derivatives

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are 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 the goods are delivered and title has passed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Sales of goods (including sale of goods by the relevant concessionaires) that result in award credits for customers under the Group's customer loyalty program are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits that are earned by the customers. The consideration allocated to the award 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 award credits are redeemed and the Group's obligations under the customer loyalty program have been fulfilled. Under the Group's customer loyalty program, customers are entitled to convert their award 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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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. Contingent rents are credited to profit or loss in the period in which they actually arise.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified 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, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Hong Kong's Mandatory Provident Fund Scheme are recognised 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 the 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 and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the 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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 the 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 original estimates, during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When 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. The estimates and associated assumptions are based on historical experiences, expectation of the future and other information/factors 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 have a significant risk of causing 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 2011, the carrying amount of the Group's goodwill was RMB256,908,000 (2010: RMB256,908,000), and no impairment loss was recognised during both years. Details of the recoverable amount calculation are disclosed in note 21.

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 net cash, which includes the borrowings disclosed in note 32, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Company review the capital structure on an on-going basis. As part of this review, the management consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the management, 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

	31.12.2011	31.12.2010
	RMB'000	RMB'000
		(restated)
Financial assets		
Available-for-sale investments	**170,667**	76,122
Derivative component in investment in convertible bonds	**28,115**	—
Loans and receivables (including cash and cash equivalents, pledged bank deposit, structured bank deposits and investments in interest bearing instruments)	**4,005,544**	2,934,608
Financial liabilities		
Amortised cost	**3,826,178**	2,062,335

6B. Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, investment in convertible bonds, amount due from a former shareholder of a subsidiary, trade and other receivables, investments in interest bearing instruments, structured bank deposits, pledged bank deposit, bank balances, amounts due from/to related companies, trade and other payables and short-term bank loans. 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 and other equity price risk), 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 policies (Continued)

6B.1. Market risk

Foreign currency risk

Certain of the Group's bank balances and cash and short-term bank loans 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 of USD/HKD against RMB, the functional currency of the respective group entities.

The Group currently has not entered into any contracts to hedge its foreign currency risk exposure. 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 liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**403,258**	—	**11,528**	106
HKD	**1,081,113**	458,427	**187,076**	57,043

Foreign currency risk arising from structured bank deposits as disclosed in note 29 would be minimal as the principals are guaranteed.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and policies (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 adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	USD Impact		HKD Impact	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in post-tax profit for the year:				
if RMB weakens against foreign currency	**(19,587)**	4	**(45,483)**	(15,052)
if RMB strengthens against foreign currency	**19,587**	(4)	**45,483**	15,052

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.

Interest rate risk

(i) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk for its interest bearing financial liabilities and certain of its interest bearing financial assets, including short-term bank loans, investments in interest bearing instruments, structured bank deposits and bank balances, which carried interests at prevailing market rates.

During the year ended 31 December 2011, the Group entered into interest rate swap arrangements to hedge against the floating interest rate risk of certain short-term bank loans as disclosed in note 32 although hedge accounting was not applied.

6. FINANCIAL INSTRUMENTS (Continued)

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

6B.1. Market risk (Continued)

(ii) Fair value interest rate risk

The Group is also exposed to fair value interest rate risk for certain financial assets, including investment in convertible bonds, pledged bank deposit and fixed-rate bank deposits, which carried interests at fixed rates.

Exposure of interest rate risk to the Group is minimal as the balances are all short-term in nature.

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

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 a result of the volatile financial market.

- If equity prices had been 15% higher/lower, investment revaluation reserve would increase/decrease by RMB23,418,000 (2010: RMB9,088,000), as a result of changes in fair value of available-for-sale investments.
- If equity prices had been 30% higher/lower, investment revaluation reserve would increase/decrease by RMB46,837,000 (2010: RMB18,176,000), as a result of changes in fair value of available-for-sale investments.

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

6. FINANCIAL INSTRUMENTS (Continued)

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

6B.2. Credit risk

As at 31 December 2011, 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, amounts due from related companies and investment in convertible bonds 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 investments in interest bearing instruments, structured bank deposits, pledged bank deposit, bank balances and trade receivables, which are attributable to credit card sales, is limited because 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 liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants, if any. Other than the short-term bank loans as set out in note 32, 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 RMB2,264,483,000 (2010: RMB1,012,765,000) 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 of RMB8,386 million and reserved borrowing facilities in order to maintain an appropriate mix of liquidity portfolio.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on undiscounted cash flows on agreed repayment dates as well as investments in interest bearing instruments, structured bank deposits, pledged bank deposit and cash and cash equivalents. 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. The Group's monthly net settled interest rate swaps contracts as detailed in note 32 have not been presented in the following liquidity table as in the opinion of the Directors of the Company, the undiscounted cash flows of such contracts are not significant.

6. FINANCIAL INSTRUMENTS (Continued)

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

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average interest rate	Undiscounted cash flows due within 1 year	Carrying amount at year end
	%	RMB'000	RMB'000
At 31 December 2011			
Investments in interest bearing instruments	4.60	885,083	872,494
Structured bank deposits	4.31	879,242	863,048
Pledged bank deposit	3.25	113,585	110,000
Cash and cash equivalents	0.53	1,963,779	1,953,426
		3,841,689	3,798,968
Non-derivative financial liabilities:			
Trade and other payables	—	1,886,342	1,886,342
Amounts due to related companies	—	455,465	455,465
Short-term bank loans	2.58	1,523,196	1,484,371
		3,865,003	3,826,178
Net		(23,314)	(27,210)

6. FINANCIAL INSTRUMENTS (Continued)

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

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

	Weighted average interest rate %	Undiscounted cash flows due within 1 year RMB'000	Carrying amount at year end RMB'000
At 31 December 2010			
Investment in interest bearing instrument	4.00	416,000	400,439
Structured bank deposits	3.40	537,422	526,868
Cash and cash equivalents	0.39	1,826,201	1,819,197
		2,779,623	2,746,504
Non-derivative financial liabilities:			
Trade and other payables (restated)	—	1,554,173	1,554,173
Amounts due to related companies	—	49,735	49,735
Short-term bank loans	1.94	467,320	458,427
		2,071,228	2,062,335
Net		708,395	684,169

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. FINANCIAL INSTRUMENTS (Continued)

6C. 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;
- the fair value of option-based derivatives is estimated using the Binomial option pricing model; and
- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS (Continued)

6C. Fair value (Continued)

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011				
Financial assets at FVTPL				
Derivative component in investment in convertible bonds	**—**	**—**	**28,115**	**28,115**
Available-for-sale financial assets				
Listed equity securities	**170,667**	**—**	**—**	**170,667**
Total	**170,667**	**—**	**28,115**	**198,782**
At 31 December 2010				
Available-for-sale financial assets				
Listed equity securities	76,122	—	—	76,122

7. REVENUE

The Group's revenue generated 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:

	2011	2010
	RMB'000	RMB'000
Revenue from department store operations		
– direct sales	**956,946**	676,170
– income from concessionaire sales	**2,204,482**	1,728,982
– rental income	**40,974**	36,591
– management service fees	**14,490**	8,615
	3,216,892	2,450,358

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

Gross sales proceeds	**2011**	2010
	RMB'000	RMB'000
From department store operations		
– direct sales	**1,119,628**	791,120
– concessionaire sales	**13,160,153**	10,109,418
– rental income	**43,404**	38,641
– management service fees	**17,047**	10,139
	14,340,232	10,949,318

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to chief operating decision makers, the Group's executive directors, for the purposes of resource allocation and performance assessment are as follows:

— Southern Jiangsu Province

— Northern Jiangsu Province

— Western region of the PRC

— Others represent the total of other operating segments that are not reportable

Segment revenue and results

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

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2011						
Gross sales proceeds	5,022,005	6,167,883	1,542,526	12,732,414	1,607,818	14,340,232
Segment revenue	1,270,673	1,295,508	269,866	2,836,047	380,845	3,216,892
Segment results	736,268	728,981	110,017	1,575,266	28,854	1,604,120
Central administration costs and Directors' salaries						(70,630)
Finance income						88,912
Interest expenses on short-term bank loans						(15,840)
Other gains and losses						32,142
Changes in fair value of derivative financial instruments						7,389
Share of loss of associates						(20,162)
Profit before tax						1,625,931
Income tax expense						(414,010)
Profit for the year						1,211,921

8. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2010						
Gross sales proceeds	4,140,574	4,802,355	1,188,059	10,130,988	818,330	10,949,318
Segment revenue	1,044,388	977,503	218,043	2,239,934	210,424	2,450,358
Segment results	649,714	547,569	82,931	1,280,214	25,755	1,305,969
Central administration costs and Directors' salaries						(60,204)
Finance income						38,973
Interest expenses on short-term bank loans						(6,343)
Other gains and losses						16,693
Share of profit of an associate						1,439
Profit before tax						1,296,527
Income tax expense						(337,325)
Profit for the year						959,202

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 each segment without allocation of central administration costs, Directors' salaries, finance income, interest expenses on short-term bank loans, other gains and losses, changes in fair value of derivative financial instruments and share of (loss) profit of associates.

8. SEGMENT INFORMATION (Continued)

Segment assets

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

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
At 31 December 2011						
Segment assets	1,531,058	2,423,818	1,496,758	5,451,634	342,130	5,793,764
Interests in associates						91,701
Investment in convertible bonds						57,869
Deferred tax assets						51,587
Investments in interest bearing instruments						872,494
Structured bank deposits						863,048
Pledged bank deposit						110,000
Bank balances and cash						1,953,426
Other corporate assets						1,548,696
Consolidated total assets						11,342,585
At 31 December 2010						
Segment assets	733,675	1,794,391	683,194	3,211,260	336,753	3,548,013
Interest in an associate						13,496
Deferred tax assets						29,569
Investment in interest bearing instrument						400,439
Structured bank deposits						526,868
Bank balances and cash						1,819,197
Other corporate assets						1,646,751
Consolidated total assets						7,984,333

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than interests in associates, investment in convertible bonds, deferred tax assets, investments in interest bearing instruments, structured bank deposits, pledged bank deposit, bank balances and cash and other corporate assets.

8. SEGMENT INFORMATION (Continued)

Other segment information

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

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of PRC RMB'000	Total reportable segments RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2011						
Depreciation and amortisation of property, plant and equipment	**24,125**	**59,796**	**23,867**	**107,788**	**25,084**	**132,872**
Release of prepaid lease payments on land use rights	**2,118**	**7,194**	**1,259**	**10,571**	**—**	**10,571**
Less: amounts capitalised	**(2,118)**	**(3,624)**	**—**	**(5,742)**	**—**	**(5,742)**
For the year ended 31 December 2010						
Depreciation and amortisation of property, plant and equipment	23,910	48,808	28,075	100,793	12,229	113,022
Release of prepaid lease payments on land use rights	177	6,382	1,259	7,818	—	7,818
Less: amounts capitalised	(177)	(2,812)	—	(2,989)	—	(2,989)

9. OTHER OPERATING INCOME

	2011 RMB'000	2010 RMB'000
Income from suppliers and customers	**115,855**	96,078
Government grants	**19,604**	13,086
Others	**2,699**	1,934
	138,158	111,098

10. FINANCE INCOME

	2011 RMB'000	2010 RMB'000
Income from investments in interest bearing instruments	**31,845**	11,716
Income from structured bank deposits	**37,376**	7,118
Interest income on bank deposits	**13,426**	13,183
Interest income on pledged bank deposit	**2,096**	5,714
Effective interest income on:		
Amount due from a former shareholder of a subsidiary (note 25)	**2,689**	1,242
Investment in convertible bonds (note 24)	**1,480**	—
	88,912	38,973

11. OTHER GAINS AND LOSSES

	2011 RMB'000	2010 RMB'000
Net foreign exchange gains	**33,450**	4,375
Changes in fair value of held-for-trading investments	**381**	10,360
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**(1,689)**	1,958
	32,142	16,693

12. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
PRC Enterprise Income Tax:		
Current year	**402,593**	308,359
Underprovision in prior years	**631**	2,645
	403,224	311,004
Deferred tax charge:		
Current year	**10,786**	26,321
	414,010	337,325

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 2011 (2010: nil).

Subsidiaries of the Company located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2010: 25%) pursuant to the relevant PRC Enterprise Income Tax laws.

The tax charge for the year ended 31 December 2011 can be reconciled to the profit before tax as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**1,625,931**	1,296,527
Tax at the applicable tax rate of 25% (2010: 25%)	**406,483**	324,132
Tax effect of share of (loss) profit of associates	**5,040**	(360)
Tax effect of expenses not deductible for tax purpose	**9,689**	10,882
Tax effect of income not taxable for tax purpose	**(14,317)**	(8,493)
Tax effect of tax losses not recognised	**1,379**	2,382
Underprovision in prior years	**631**	2,645
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**18,150**	14,400
Others	**(13,045)**	(8,263)
Tax charge for the year	**414,010**	337,325

13. PROFIT FOR THE YEAR

	2011 RMB'000	2010 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**949**	821
Other staff:		
Salaries and other benefits	**257,653**	191,586
Retirement benefits schemes contributions	**29,689**	17,881
Equity-settled share-based payments	**13,408**	12,203
	301,699	222,491
Auditor's remuneration	**1,950**	1,980
Release of prepaid lease payments on land use rights	**10,571**	7,818
Less: amounts capitalised	**(5,742)**	(2,989)
	4,829	4,829
Loss on disposal of property, plant and equipment	**1,304**	459

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2011					2010				
		Other emoluments					Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive Directors										
Mr. Wang Hung, Roger	–	–	–	–	–	–	–	–	–	–
Ms. Zheng Shu Yun	–	192	–	48	240	–	187	–	131	318
Mr. Cheng Siu Ming (Note 1)	–	236	–	25	261	–	–	–	–	–
Sub-total	–	428	–	73	501	–	187	–	131	318
Non-executive Director										
Mr. Han Xiang Li	–	–	–	49	49	–	–	–	136	136
Independent non-executive Directors										
Mr. Wong Chi Keung	167	–	–	–	167	157	–	–	–	157
Mr. Wang Yao	111	–	–	–	111	105	–	–	–	105
Mr. Lau Shek Yau, John (Note 2)	41	–	–	–	41	105	–	–	–	105
Mr. Liu Chi Husan, Jack (Note 3)	80	–	–	–	80	–	–	–	–	–
Sub-total	399	–	–	–	399	367	–	–	–	367
Total	399	428	–	122	949	367	187	–	267	821

Notes:

1. Mr. Cheng Siu Ming was appointed as an executive Director of the Company with effect on 19 May 2011 and resigned with effect from 30 December 2011.

2. Mr. Lau Shek Yau, John retired as an independent non-executive Director of the Company with effect from 18 May 2011.

3. Mr. Liu Chi Husan, Jack was elected as an independent non-executive Director of the Company with effect from 18 May 2011.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the five individuals with highest emoluments in the Group were as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	1,698	2,167
Retirement benefits schemes contributions	73	127
Equity-settled share-based payments	3,352	1,104
	5,123	3,398

Their emoluments were within the following bands:

	2011 No. of employees	2010 No. of employees
HKD nil to HKD1,000,000 (Equivalent to RMB nil to RMB811,000)	1	4
HKD1,000,001 to HKD1,500,000 (Equivalent to RMB811,001 to RMB1,216,000)	3	1
HKD1,500,001 to HKD2,000,000 (Equivalent to RMB1,216,001 to RMB1,622,000)	1	—
	5	5

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.

15. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2010 of RMB0.150 (year ended 31 December 2009: RMB0.108) per share	289,971	208,290

The final dividend of RMB0.188 (2010: RMB0.150) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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 after taking into account the effect of dilutive share options 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:

	2011	2010
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,212,057**	959,202

	2011	2010
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,944,227**	1,941,875
Effect of dilutive potential ordinary shares attributable to share options	**18,334**	19,633
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,962,561**	1,961,508

17. 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 2010	2,265,318	399,405	90,086	53,559	4,970	18,017	2,831,355
Additions	29,620	111,428	5,630	9,576	2,949	206,522	365,725
Acquired on acquisition of subsidiaries	90,000	5,385	—	1,807	—	—	97,192
Transfers	152,218	328	3,616	45	—	(156,207)	—
Disposals	—	—	(712)	(2,752)	(130)	—	(3,594)
At 31 December 2010	2,537,156	516,546	98,620	62,235	7,789	68,332	3,290,678
Additions	4,339	183,470	1,193	11,634	687	597,148	798,471
Acquired on acquisition of subsidiaries (note 37)	229,598	—	—	1	13	296,419	526,031
Transfers	340,396	6,154	455	—	—	(347,005)	—
Disposals	(2,201)	(10,388)	(4)	(1,538)	(801)	—	(14,932)
At 31 December 2011	3,109,288	695,782	100,264	72,332	7,688	614,894	4,600,248
DEPRECIATION AND AMORTISATION							
At 1 January 2010	220,108	173,753	30,623	25,471	3,313	—	453,268
Provided for the year	47,210	57,759	5,540	7,355	649	—	118,513
Eliminated on disposals	—	—	(449)	(2,499)	(121)	—	(3,069)
At 31 December 2010	267,318	231,512	35,714	30,327	3,841	—	568,712
Provided for the year	52,580	71,009	5,368	8,905	983	—	138,845
Eliminated on disposals	(1,148)	(10,388)	(4)	(1,344)	(718)	—	(13,602)
At 31 December 2011	318,750	292,133	41,078	37,888	4,106	—	693,955
CARRYING VALUES							
At 31 December 2011	2,790,538	403,649	59,186	34,444	3,582	614,894	3,906,293
At 31 December 2010	2,269,838	285,034	62,906	31,908	3,948	68,332	2,721,966

17. 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 10 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%

	2011	2010
	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	**2,341,190**	1,812,787
Long-term land use rights	**449,348**	457,051
	2,790,538	2,269,838

As at the end of the reporting period, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB505,795,000 (2010: RMB1,380,000). The title deeds of buildings with carrying value of approximately RMB240,057,000 have been obtained after the end of the reporting period but before the consolidated financial statements are authorised for issue.

18. LAND USE RIGHTS

	2011 RMB'000	2010 RMB'000
CARRYING VALUE		
At beginning of the year	**923,561**	485,808
Additions	**—**	445,571
Acquired on acquisition of a subsidiary (note 37)	**428,000**	—
Released during the year	**(10,571)**	(7,818)
At end of the year	**1,340,990**	923,561

	2011 RMB'000	2010 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**1,318,887**	913,122
Current assets	**22,103**	10,439
	1,340,990	923,561

The amount represents prepaid lease payments on land use rights situated in the PRC for a period ranged from 37 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 RMB971,750,000 (2010: RMB543,750,000).

19. INVESTMENT PROPERTY

	Amount
	RMB'000
COST	
Acquired on acquisition of a subsidiary (note 37) and at 31 December 2011	92,738
DEPRECIATION	
Provided for the year and at 31 December 2011	—
CARRYING VALUE	
At 31 December 2011	92,738

The investment property includes the building element of the property only as the land element is included in "land use rights" in the consolidated statement of financial position. As at the end of the reporting period, the Group is in the process of obtaining title deeds of the above investment property. The title deeds have been obtained after the end of the reporting period but before the consolidated financial statements are authorised for issue.

The fair value of the Group's investment property at 31 December 2011 was RMB92,738,000. The fair value has been arrived at based on a valuation carried out by RHL Appraisal Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions.

The investment property is depreciated over 37 years using the straight-line method, and is held under a medium-term land use right in the PRC.

20. DEPOSITS

	2011	2010
	RMB'000	RMB'000
Deposits for acquisition of property, plant and equipment and land use rights (Note)	**992,800**	737,944

Note: Of the balance, RMB702,800,000 (2010: RMB437,500,000) represents deposits paid to fellow subsidiaries of the Group for acquisition of land and buildings.

21. GOODWILL

	Amount
	RMB'000
COST AND CARRYING VALUE	
At 1 January 2010	26,035
Arising on acquisition of subsidiaries	230,873
At 31 December 2010 (restated) and 31 December 2011	256,908

The carrying amount of goodwill as at 31 December 2011 has been restated. The amount of goodwill and other payables as at 31 December 2010 have been restated to reflect an increase of RMB5,011,000 due to an adjustment to the consideration for a business combination which was completed during the year ended 31 December 2010. The adjustment has no effect on the financial position of the Group as at 1 January 2010 and hence the consolidated statement of financial position as at 1 January 2010 is not presented.

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units (CGUs) and groups of CGUs which are principally engaged in the operation of department stores in respective cities. The carrying amount of goodwill as at 31 December 2011 allocated to these units is as follows:

	31.12.2010 (restated) and 31.12.2011
	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 Yanta Shopping Centre Co., Ltd.	8,371
Anhui Golden Eagle Retail Co., Ltd. and Hefei Golden Eagle International Shopping Centre Co., Ltd	230,873
	256,908

21. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

During the year ended 31 December 2011, 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% (2010: 10%) per annum.

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 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 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, 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.

22. INTERESTS IN ASSOCIATES

	2011 RMB'000	2010 RMB'000
Cost of investments in associates		
Listed	**98,367**	—
Unlisted	**12,057**	12,057
Share of post-acquisition (loss) profits and other comprehensive income	**(18,723)**	1,439
	91,701	13,496
Fair value of listed investments	**162,582**	—

As at the end of the reporting period, the Group had interests in the following associates:

Name of associate	Place of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/registered capital held by the Company		Principal activity
			2011	2010	
安徽三新鐘表有限公司 (Anhui Sanxin Watch Co., Ltd.) ("Anhui Sanxin")	PRC	Registered capital – RMB20,000,000	**30%**	30%	Trading
中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.)	Taiwan	Share capital – TWD764,100,000	**49%**	—	Manufacture and trading

During the year, the Group subscribed 37,500,000 shares of 中美聯合實業股份有限公司 (Allied Industrial Corp., Ltd.) ("Allied") at Taiwan Dollar ("TWD") 11.64 each, representing 49% equity interests of Allied. Allied is a company incorporated in the Republic of China ("Taiwan") in 1964 with its shares listed on the Taiwan's GreTai Securities Market（證券櫃臺買賣中心）. Allied is now acting as a sourcing arm of the Group in Taiwan and is also engaged in the manufacturing and trading of disperse dyestuffs and cosmetics. Total consideration paid by the Group amounting to TWD436,500,000 (equivalent to approximately RMB98,367,000).

22. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2011 RMB'000	2010 RMB'000
Total assets	329,469	82,979
Total liabilities	(133,150)	(37,993)
Net assets	196,319	44,986
The Group's share of net assets	91,701	13,496

	2011 RMB'000	2010 RMB'000
Revenue	230,326	49,456
(Loss) profit for the year	(33,435)	4,798
The Group's share of (loss) profit	(20,162)	1,439

23. AVAILABLE-FOR-SALE INVESTMENTS

	2011 RMB'000	2010 RMB'000
Equity securities stated at fair value		
– listed in the PRC	58,254	63,809
– listed in Hong Kong	112,413	12,313
	170,667	76,122

Fair values of equity securities listed in the PRC and Hong Kong are derived from quoted prices in active market.

24. INVESTMENT IN CONVERTIBLE BONDS

On 15 August 2011, the Group subscribed zero coupon convertible bonds (the "Bonds") issued by a trade supplier (the "Issuer") for an aggregate consideration of RMB49,000,000 and due on 14 August 2016.

The Bonds will, at the option of the Group, in whole or in part, be convertible into the Issuer's fully paid ordinary shares at any time from 15 August 2011 to 14 August 2016. The conversion ratio is determined on a pro-rata basis that the Group is able to convert the Bonds into 49% equity interests in the Issuer assuming full conversion had been took place. Taking into account the current exercisable potential voting right the Group has (i.e. the conversion option to convert the Bonds into 49% equity interest in the Issuer), the Group may have the power to participate in the financial and operating policy decisions of the Issuer and hence may be able to exercise significant influence over the Issuer. The summarised financial information of the Issuer is not presented as, in the opinion of the directors of the Company, the results and financial position of the Issuer does not have material financial impact to the consolidated financial statements of the Group.

The Bonds may be redeemed, at the option of the Group, in whole or in part, at an interest of 4.5% per annum in arrear of the principal amount, from 15 August 2014 to 14 August 2016 or on the occurrence of a change of the Issuer's control.

If the Bonds have not been converted in whole or in part before 14 August 2016, the Issuer has an option to request the Group to convert or redeem the Bonds, within 14 days from 15 August 2016. If the Issuer chooses to redeem the Bonds, the Issuer is required to redeem the Bonds in less than one year from the date serving the notice to the Group.

The Bonds have been split into debt receivable component and derivative component. The effective interest rate of the debt receivable component is 16.6% per annum. The derivative component comprises of (i) an option of the Group to convert the Bonds into the Issuer's ordinary shares and (ii) an option of the Group to require the Issuer to redeem the Bonds from 15 August 2014 to 14 August 2016 (see above). The fair value of the derivative component at subscription date and the end of the reporting period are determined based on valuations carried out by an independent valuer. Binomial model has been used to estimate the fair value of the embedded options of the Bonds. The inputs into the model were as follows:

	15 August 2011	31 December 2011
Risk-free interest rate	3.7%	3.2%
Dividend yield	—	—
Volatility	61.7%	65.6%
Time to maturity	5 years	4.6 years

24. INVESTMENT IN CONVERTIBLE BONDS (Continued)

The movements of the straight debt receivable component and embedded derivatives of the convertible bonds during the year are set out as follows:

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
Subscribed on 15 August 2011	28,274	20,726	49,000
Effective interest income recognised during the year (note 10)	1,480	—	1,480
Changes in fair value	—	7,389	7,389
At 31 December 2011	29,754	28,115	57,869

25. AMOUNT DUE FROM A FORMER SHAREHOLDER OF A SUBSIDIARY

	2011 RMB'000	2010 RMB'000
Loan receivable	**40,563**	59,327
Other receivable	**189**	18,110
	40,752	77,437
Analysed for reporting purposes as:		
Non-current	**19,756**	38,520
Current (note 27)	**20,996**	38,917
	40,752	77,437

The amount of loan receivable is unsecured, repayable in 3 instalments over 3 years and bears an effective interest rate of 5.31% per annum. The amount of other receivable is unsecured, interest-free and repayable on demand.

26. DEFERRED TAXATION

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

	2011 **RMB'000**	2010 RMB'000
Deferred tax assets	**51,587**	29,569
Deferred tax liabilities	**(124,961)**	(94,706)
	(73,374)	(65,137)

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

	Accelerated depreciation allowances RMB'000	Undistributable profits of the PRC subsidiaries RMB'000	Start up costs RMB'000	Tax losses RMB'000	Revaluation of investments RMB'000	Deferred revenue RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	58,960	11,000	(3,589)	(5,556)	(503)	(16,825)	(503)	42,984
Charge (credit) for the year (note 12)	9,624	14,400	(601)	1,523	1,009	(959)	1,325	26,321
Credit to other comprehensive income	–	–	–	–	(1,871)	–	–	(1,871)
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	(2,297)	(2,297)
At 31 December 2010	68,584	25,400	(4,190)	(4,033)	(1,365)	(17,784)	(1,475)	65,137
Charge (credit) for the year (note 12)	10,730	18,150	(517)	(18,796)	696	(1,547)	2,070	10,786
Credit to other comprehensive income	–	–	–	–	(2,549)	–	–	(2,549)
At 31 December 2011	**79,314**	**43,550**	**(4,707)**	**(22,829)**	**(3,218)**	**(19,331)**	**595**	**73,374**

At the end of the reporting period, the Group has unused tax losses of approximately RMB139,985,000 (2010: RMB59,000,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB97,326,000 (2010: RMB21,827,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB42,659,000 (2010: RMB37,173,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

26. 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 of approximately RMB2,128 million as at 31 December 2011 (2010: RMB1,429 million) 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.

27. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	RMB'000
Trade receivables	**67,161**	44,275
Management service fee receivable	**17,418**	—
Trade prepayments to suppliers	**10,584**	11,337
Deposits (Note)	**85,992**	63,210
Deposits paid for purchases of goods	**4,300**	2,980
Amount due from a former shareholder of a subsidiary (note 25)	**20,996**	38,917
Other receivables	**41,847**	50,279
	248,298	210,998

Note: Of the balance, RMB17,000,000 (2010: RMB17,000,000) represent rental deposits paid in respect of leasing of properties for department store operations from fellow subsidiaries of the Group.

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.

28. AMOUNTS DUE FROM RELATED COMPANIES

	2011 RMB'000	2010 RMB'000
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)	7,947	—
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development") (Note 1)	1,008	4,285
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.) (Note 1)	500	—
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.) (Note 1)	131	225
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 2)	—	11,228
Others	58	375
	9,644	16,113

The amounts due from Nanjing Golden Eagle Group and Nanjing Construction and Development relate to deposits paid to them for the acquisition of property, plant and equipment (see note 42 for more details), and the remaining amounts represent trade receivables from related companies which are unsecured, interest-free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. A company in which a fellow subsidiary of the Group had significant influence until 17 August 2011.

29. INVESTMENTS IN INTEREST BEARING INSTRUMENTS, STRUCTURED BANK DEPOSITS, PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

	2011	2010
	RMB'000	RMB'000
Investments in interest bearing instruments (Note 1)	872,494	400,439
Structured bank deposits (Note 2)	863,048	526,868
Pledged bank deposit (Note 3)	110,000	—
Bank balances and cash (Note 4)	1,953,426	1,819,197
	3,798,968	2,746,504

Notes:

1. Investments in interest bearing instruments represent the Group's investments in entrusted RMB loans arranged by banks in the PRC. The investments are principal guaranteed by the banks which carry variable rates of interest and are stated at amortised cost with effective interest range from 4.5% to 5.8% (2010: 4.0%) per annum for a term of three months to one year.

2. Structured bank deposits represent Euro ("EUR")/USD currency linked and Australian Dollar ("AUD")/USD currency linked structured bank deposits ("CSBDs") placed by the Group to a number of banks for a term of one year. Pursuant to the relevant underlying agreements, the CSBDs carry interest at variable rates from 1.8% to 5.05% (2010: 1.8% to 6.0%) per annum with reference to the exchange rate performance of EUR/USD and AUD/USD during the investment period and its principal sum is denominated in RMB fixed and guaranteed by those banks.

3. Pledged bank deposit represents deposit pledged to a bank in the PRC for a short-term bank loan denominated in HKD granted to the Group as set out in note 32. The pledged bank deposit carries a fixed interest rate of 3.25% per annum.

4. 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 to 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 2011 is approximately 0.53% (2010: 0.39%) per annum.

As at the end of the reporting period, a portion of the above balance was 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.

30. TRADE AND OTHER PAYABLES

	2011 RMB'000	2010 RMB'000 (restated)
Trade payables	**1,535,479**	1,336,602
Purchase of property, plant and equipment	**130,400**	55,059
Other taxes payable	**92,132**	105,269
Suppliers' deposits	**84,450**	64,617
Accrued salaries and welfare expenses	**37,278**	33,354
Other payables	**183,185**	129,158
	2,062,924	1,724,059

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

	2011 RMB'000	2010 RMB'000
0 to 30 days	**1,307,933**	1,127,231
31 to 60 days	**124,732**	103,602
61 to 90 days	**50,186**	35,418
Over 90 days	**52,628**	70,351
	1,535,479	1,336,602

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

31. AMOUNTS DUE TO RELATED COMPANIES

	2011 RMB'000	2010 RMB'000
南京金鷹國際集團有限公司 (Nanjing Golden Eagle Group) (Note 1)	**423,020**	11,179
南京金鷹工程有限公司 (Nanjing Construction and Development) (Note 1)	**23,835**	21,870
南京金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	**4,135**	4,230
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.) (Note 1)	**1,277**	1,043
安徽三新鐘表有限公司 (Anhui Sanxin) (Note 2)	**350**	7,984
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 3)	**—**	1,053
Others	**2,848**	2,376
	455,465	49,735

The amounts due to Nanjing Golden Eagle Group and Nanjing Construction and Development are related to acquisition of property, plant and equipment (see note 42 for more details), and the remaining amounts represent trade payables to related companies which are unsecured, interest-free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Group.

2. An associate of the Group, details of the associate are set out in note 22.

3. A company in which a fellow subsidiary of the Group had significant influence until 17 August 2011.

32. SHORT-TERM BANK LOANS

	2011 RMB'000	2010 RMB'000
Unsecured	1,383,033	458,427
Secured	101,338	—
	1,484,371	458,427

The unsecured short-term bank loans are denominated in HKD or USD, fully repayable within one year and carry interest at HIBOR plus 1.0% to 2.4% (2010: HIBOR plus 1.7%) per annum and at London Interbank Offered Rate ("LIBOR") plus 2.2% (2010: nil) per annum. The Group had entered into three monthly net settled interest rate swap arrangements expiring in 2012 to hedge against the floating interest rate risk of certain short-term bank loans. In the opinion of the Directors of the Company, the fair value of the interest rate swaps as at 31 December 2011 is insignificant.

At 31 December 2011, the secured short-term bank loan is denominated in HKD, fully repayable within one year and carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.0% per annum. The loan is secured by a bank deposit of RMB110,000,000 as set out in note 29.

33. DEFERRED REVENUE

	2011 RMB'000	2010 RMB'000
Prepayments from customers	2,438,617	1,819,153
Deferred revenue arising from the Group's customer loyalty programme	79,979	72,718
	2,518,596	1,891,871

34. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2010	1,941,966,866	194,197
Shares repurchased and cancelled	(762,000)	(76)
Exercise of share options	1,619,000	162
At 31 December 2010	1,942,823,866	194,283
Shares repurchased and cancelled	(2,015,866)	(202)
Exercise of share options	3,038,000	304
At 31 December 2011	1,943,846,000	194,385
		RMB'000
Shown in the consolidated statement of financial position:		
At 31 December 2011		197,577
At 31 December 2010		197,489

34. SHARE CAPITAL (Continued)

During the year ended 31 December 2011, 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		Aggregate consideration paid
		Highest	Lowest	
		HKD	HKD	HKD'000
September 2011	556,000	16.70	15.88	9,000
October 2011	900,866	15.86	12.48	12,649
December 2011	559,000	16.00	15.62	8,847
				30,496

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 HKD202,000 (2010: HKD76,000) (equivalent to approximately RMB164,000 (2010: RMB67,000)) of 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 HKD30,410,000 (2010: HKD9,830,000) (equivalent to approximately RMB24,743,000 (2010: RMB8,094,000)) was charged against share premium account of the Company.

In addition, during the year ended 31 December 2011, a total of 3,038,000 (2010: 1,619,000) ordinary shares of HKD0.10 each of the Company were issued at HKD4.20 to HKD4.80 per share upon exercise of share options. These shares issued rank pari passu in all respects with the then existing shares.

35. 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.

No appropriation to the enterprise expansion 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.

36. 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.

On 31 May 2011, 20,000,000 share options were granted. The closing price of the Company's shares immediately before the grant date is HKD20.25 and the estimated fair value of the options granted on that date is HKD168,669,000 (equivalent to approximately RMB139,995,000).

The Binomial model has been used to estimate the fair value of the share options granted during the year ended 31 December 2011. The inputs into the model were as follows:

Share price at grant date	HKD20.25
Exercise price	HKD20.26
Expected volatility	36.5%
Expected option life	10 years
Expected dividend yield	1.0%
Risk-free interest rate	2.4%

The variables and assumptions used in computing the fair value of the share options granted are based on the management' best estimate. The value of an option varies with different variables of certain subjective assumptions.

36. 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

36. SHARE-BASED PAYMENTS (Continued)

Option series	Share option granted	Date of grant	Vesting proportion	Exercise period	Exercise price
					HKD
2010	20,000,000	20/10/2010	10%	20/10/2011 ~ 19/10/2020	19.95
			10%	20/10/2012 ~ 19/10/2020	19.95
			10%	20/10/2013 ~ 19/10/2020	19.95
			10%	20/10/2014 ~ 19/10/2020	19.95
			10%	20/10/2015 ~ 19/10/2020	19.95
			10%	20/10/2016 ~ 19/10/2020	19.95
			10%	20/10/2017 ~ 19/10/2020	19.95
			30%	20/10/2018 ~ 19/10/2020	19.95
2011	20,000,000	31/05/2011	10%	31/05/2012 ~ 30/05/2021	20.26
			10%	31/05/2013 ~ 30/05/2021	20.26
			10%	31/05/2014 ~ 30/05/2021	20.26
			10%	31/05/2015 ~ 30/05/2021	20.26
			10%	31/05/2016 ~ 30/05/2021	20.26
			10%	31/05/2017 ~ 30/05/2021	20.26
			10%	31/05/2018 ~ 30/05/2021	20.26
			30%	31/05/2019 ~ 30/05/2021	20.26

36. 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 2011						
Executive Directors	**433,000**	**1,900,000**	**1,000,000**	**(283,000)**	**(2,900,000)**	**150,000**
Non-executive Director	**610,000**	**–**	**–**	**–**	**–**	**610,000**
Key management	**7,489,000**	**990,000**	**–**	**(954,000)**	**–**	**7,525,000**
Other employees	**38,269,000**	**(2,890,000)**	**19,000,000**	**(1,801,000)**	**(24,082,000)**	**28,496,000**
	46,801,000	**–**	**20,000,000**	**(3,038,000)**	**(26,982,000)**	**36,781,000**
Exercisable at 31 December 2011						**10,220,000**
For the year ended 31 December 2010						
Executive Directors	570,000	–	–	(137,000)	–	433,000
Non-executive Director	610,000	–	–	–	–	610,000
Key management	3,384,000	180,000	4,500,000	(503,000)	(72,000)	7,489,000
Other employees	24,116,000	(180,000)	15,500,000	(979,000)	(188,000)	38,269,000
	28,680,000	–	20,000,000	(1,619,000)	(260,000)	46,801,000
Exercisable at 31 December 2010						7,413,000

The weighted average share price at the time of exercise was HKD20.10 (2010: HKD19.57) per share.

The Group recognised total expenses of RMB13,584,000 (2010: RMB12,470,000) for the year ended 31 December 2011 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 20% of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the 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 original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

37. ACQUISITION OF SUBSIDIARIES

37.A. Acquisition of assets in subsidiaries

In January and April 2011, the Group entered into sales and purchase agreements with independent third parties for the acquisition of 100% equity interests in 徐州金鷹人民廣場購物中心有限公司 (Xuzhou Golden Eagle People Square Shopping Centre Co., Ltd.)（formerly known as 徐州成功置業有限公司） ("Xuzhou Golden Eagle") for an aggregation consideration of RMB300,945,000. On the date of acquisition, Xuzhou Golden Eagle owned a property (including land and building) in Xuzhou City, Jiangsu Province. The property will be used for the Group's department store operation.

In March 2011, the Group entered into a framework agreement with 雲南金鷹實業有限公司 (Yunnan Golden Eagle Industry Co., Ltd.) ("Yunnan Golden Eagle Industry"), a fellow subsidiary of the Group, for the acquisition of a property which is situated at Kunming City, Yunnan Province. Details of the transaction have been disclosed in the announcement of the Company dated 28 March 2011. In November 2011, a new company named 雲南尚美投資管理有限公司 (Yunnan Shangmei Investment Management Co., Ltd.) ("Yunnan Shangmei") was segregated from Yunnan Golden Eagle Industry and inherited the property to be acquired by the Group. In December 2011, the Group acquired 100% equity interests in Yunnan Shangmei at an aggregation consideration of RMB750,336,000 in accordance with the framework agreement.

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.

37. ACQUISITION OF SUBSIDIARIES (Continued)

37.A. Acquisition of assets in subsidiaries (Continued)

Net assets acquired in the transactions are as follows:

	RMB'000
Property, plant and equipment (Note)	526,031
Land use right	428,000
Investment property	92,738
Amounts due from former shareholders of a subsidiary	20,019
Other receivables	2,450
Bank balances and cash	245
Other payables	(18,202)
	1,051,281
Satisfied by:	
Cash consideration paid	599,042
Settlement of amounts due from former shareholders of a subsidiary	20,019
Other payable	9,981
Amount due to a fellow subsidiary	422,239
Total consideration	1,051,281
Net cash outflow on acquisition	
Cash consideration paid	599,042
Less: cash and cash equivalents acquired	(245)
	598,797

Note: The amount includes Xuzhou Golden Eagle's property under construction of RMB296,419,000, of which the 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. The remaining amount of RMB 229,612,000 represents the building element only. The related land element is included in the land use right.

37. ACQUISITION OF SUBSIDIARIES (Continued)

37.B. Acquisition of subsidiaries

In July 2010, the Group acquired 100% equity interests in 安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.) (formerly known as 安徽瑞景商業有限責任公司) ("Anhui Golden Eagle") at a consideration of RMB267,490,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB230,873,000. Anhui Golden Eagle's principal activities are investment holding and the operation of two mid-to-high end department stores in Hefei City, Anhui Province, the PRC.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000 (restated)
Property, plant and equipment	7,192
Interest in an associate	12,057
Amount due from a former shareholder of a subsidiary	66,400
Deferred tax assets	2,297
Inventories	17,448
Trade and other receivables	5,265
Bank balances and cash	10,793
Trade and other payables	(64,977)
Amount due to a related party	(11,498)
Tax liabilities	(2,491)
Deferred revenue	(5,869)
Net assets	36,617
Goodwill arising on acquisition	230,873
	267,490
Satisfied by:	
Cash consideration paid	267,490

Net cash outflow on acquisition

	RMB'000
Cash consideration paid	(267,490)
Less: cash and cash equivalents acquired	10,793
	(256,697)

37. ACQUISITION OF SUBSIDIARIES (Continued)

37.B. Acquisition of subsidiaries (Continued)

Goodwill arose in the acquisition of Anhui Golden Eagle because the cost of acquisition included a control premium. In addition, the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development in Hefei, the capital city of Anhui Province and the assembled workforce of Anhui Golden Eagle. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

During the year ended 31 December 2010, the subsidiaries acquired contributed RMB65,832,000 and RMB12,978,000 to the Group's revenue and profit for the year, respectively, between the date of acquisition and the date of the reporting period.

Had the acquisition been completed on 1 January 2010, the Group's revenue and profit for the year ended 31 December 2010 would have been RMB2,528,894,000 and RMB968,517,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

38. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2010, deposits for acquisition of land use rights amounted to RMB358,750,000 had been transferred to land use rights account upon the full payment of the relevant considerations.

39. 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, warehouses and department store properties rented under non-cancellable operating leases which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**75,972**	48,672
In the second to fifth year inclusive	**347,035**	218,911
Over five years	**1,773,150**	1,159,144
	2,196,157	1,426,727

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

	2011 RMB'000	2010 RMB'000
Within one year	**27,036**	15,205
In the second to fifth year inclusive	**75,147**	52,000
Over five years	**142,708**	98,000
	244,891	165,205

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 Group, 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 2011 amounted to approximately RMB84,206,000 (2010: RMB47,386,000).

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

39. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

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:

	2011 RMB'000	2010 RMB'000
Within one year	**29,108**	26,151
In the second to fifth year inclusive	**69,173**	44,627
Over five years	**30,603**	14,050
	128,884	84,828

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 tenants' monthly gross sales or gross profit. Rental income received under these contingent lease contracts during the year ended 31 December 2011 was approximately RMB33,106,000 (2010: RMB27,891,000).

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

40. CAPITAL COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment and land use rights (note)	**1,578,541**	879,442

Note: Of the balance, RMB1,177,155,000 (2010: RMB456,536,000) represents capital expenditure contracted for with fellow subsidiaries of the Group.

41. 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 RMB29,689,000 (2010: RMB17,881,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2011, contributions of RMB775,000 (2010: RMB585,000) due in respect of the reporting period had not been paid over to the schemes.

42. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in notes 14, 20, 27, 28, 31, 36, 37, 39 and 40, the Group had the following significant transactions with related companies:

a) Transactions:

Relationship with related companies	**Nature of transactions**	**2011 RMB'000**	2010 RMB'000
Fellow subsidiaries of the Group	Decoration service fee paid	**211,910**	67,766
	Property management fee paid	**39,914**	25,686
	Property and ancillary facilities rentals paid	**71,642**	58,067
	Carpark management service fee paid	**2,500**	2,076
	Project management service fee paid	**19,559**	11,116
	Sales of merchandise	**2,356**	3,519
A company in which a fellow subsidiary of the Group had significant influence until 17 August 2011	Management service fee received	**11,280**	10,139
An associate	Purchase of merchandise	**52,409**	12,043

42. RELATED PARTY TRANSACTIONS (Continued)

b) During the year, the Group entered into a framework agreement with Kunshan Golden Eagle Properties Co., Ltd.(昆山金鷹置業有限公司), a fellow subsidiary of the Group, for the acquisition of a property which is situated at Kunshan City, Jiangsu Province. Details of the transaction have been disclosed in the announcement of the Company dated 28 March 2011. The transaction has not been completed at the date when the consolidated financial statements are authorised for issue.

c) **Compensation of key management personnel:**

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

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	**4,754**	5,296
Retirement benefits schemes contributions	**350**	380
Equity-settled share-based payments	**5,708**	3,145
	10,812	8,821

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.

43. EVENTS AFTER THE END OF THE REPORTING PERIOD

a) In January 2012, the Company repurchased 5,692,000 shares of its own ordinary shares through the Stock Exchange at an aggregate consideration of approximately HKD88,859,000 (equivalent to approximately RMB72,295,000).

b) The Group is in the process of negotiation of an agreement with a number of overseas banks to borrow a three-year term-loan in order to (i) re-finance bridging loans with aggregate outstanding sum of approximately USD105.0 million (equivalent to approximately RMB662.5 million) as at 31 December 2011; (ii) provide funding for its business expansion; and (iii) satisfy other general corporate funding requirements. The agreement is expected to be entered into in April 2012.

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
			2011	2010	
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 （金鷹企業有限公司）	British Virgin Islands	Share – USD300	**100%**	100%	Investment holding
Golden Eagle (Korea) Company Limited （金鷹（韓國）有限公司）	Hong Kong	Share – HKD7,800,000	**51%**	—	Investment holding
Golden Eagle Co., Ltd.	Korea	Registered capital – South Korean Won 100,000,000	**51%**	—	Inactive
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%	Investment holding and 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

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
			2011	2010	
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
西安金鷹雁塔購物中心有限公司 (formerly known as 西安金鷹國際購物有限公司) (Xi'an Golden Eagle Yanta Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB1,000,000	100%	100%	Operation of department store
西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	100%	Investment holding and operation of department store
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
昆明金鷹購物廣場有限公司 (formerly known as 昆明金鷹國際購物中心有限公司 (Kunming Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB930,000,000	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

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
			2011	2010	
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 – RMB240,000,000	**100%**	100%	Operation of department store
上海金鷹國際購物中心有限公司 (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%**	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%**	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%**	100%	Operation of department store
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%**	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%	Investment holding and trading
宿遷金鷹國際購物中心有限公司 (Suqian 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		Principal activities
			2011	2010	
南京建鄴金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
淮北金鷹國際購物中心有限公司 (Huaibei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Operation of department store
合肥金鷹國際購物中心有限公司 (Hefei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB30,000,000	**100%**	100%	Operation of department store
安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB15,000,000	**100%**	100%	Investment holding and operation of department store
安徽逸倫商業經營管理有限公司 (Anhui Yilun Business Management Co., Ltd.)	PRC	Registered capital – RMB1,000,000	**100%**	100%	Trading with group entities
常州金鷹國際購物中心有限公司 (Changzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB300,000,000	**100%**	100%	Operation of department store
溧陽金鷹國際購物中心有限公司 (Liyang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB272,000,000	**100%**	100%	Operation of department store
徐州金浩投資管理有限公司 (Xuzhou Jinhao Investment Management Co., Ltd.) (Note 4)	PRC	Registered capital – RMB10,000,000	**–**	100%	Investment management

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
			2011	2010	
常州金鷹嘉宏購物廣場有限公司 (Changzhou Golden Eagle Jiahong Shopping Centre Co., Ltd.) ("Jiahong Golden Eagle") (Note 2)	PRC	Registered capital – USD10,000,000	**100%**	—	Operation of department store
昆明金鷹南亞購物中心有限公司 (Kunming Golden Eagle Nanya Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB60,000,000	**100%**	—	Operation of department store
徐州金鷹人民廣場購物中心有限公司 (Xuzhou Golden Eagle People Square Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	—	Operation of department store
雲南尚美投資管理有限公司 (Yunnan Shangmei Investment Management Co., Ltd.)	PRC	Registered capital – RMB156,000,000	**100%**	—	Property holding

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 and Jiahong Golden Eagle which are registered as wholly-foreign owned enterprises 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.
4. Xuzhou Jinhao Investment Management Co., Ltd. was de-registered during the year.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	31.12.2011 RMB'000	31.12.2010 RMB'000
Assets		
Property, plant and equipment	36	36
Interests in subsidiaries	178,775	178,775
Available-for-sale investments	5,327	12,313
Other receivables	18,439	551
Amounts due from related companies	229	10,362
Amounts due from subsidiaries	1,237,957	498,823
Bank balances and cash	60,994	57,064
	1,501,757	757,924
Liabilities		
Other payables	3,593	2,270
Short-term bank loans	821,852	458,427
	825,445	460,697
Net assets	676,312	297,227
Capital and reserves		
Share capital	197,577	197,489
Reserves	478,735	99,738
Total equity	676,312	297,227