茂業國際控股有限公司

Maoye International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 848

Interim Report 2008

Contents

Corporate Profile

Maoye International Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 8 August 2007. The Company and its subsidiaries (the "Group") principally engage in the operation and management of department stores in the People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 May 2008 (the "Listing Date").

We are a leading department store chain in the affluent regions of southern and southwestern China, operating 15 stores (including eight Maoye-branded stores and seven Chengshang-branded stores) across eight cities. All of our stores are situated in prime shopping locations in their respective cities primarily in two of China's special economic zones, Shenzhen and Zhuhai, and two of China's new economic reform zones, Chongqing and Chengdu.

Our department stores target at China's relatively well-off urban residents predominantly in China's special economic zones and the more developed regions. We have positioned ourselves at the medium to high-end segment of the retail market in China and offer a stylish and diversified merchandise mix suitable for a wide range of customers to cater to their preferences.

DIRECTORS

Executive Directors

Mr. Huang Mao Ru (黃茂如)
(Chairman and CEO)
Mr. Zou Minggui (鄒明貴)
(General Manager)
Mr. Wang Guisheng (王貴升)
(CFO and Qualified Accountant)
Ms. Wang Fuqin (王福琴)

Non-executive Directors

Mr. Zhong Pengyi (鍾鵬翼)
Mrs. Huang Jingzhang (張靜)

Independent Non-executive Directors

Mr. Chow Chan Lum (鄒燦林)
Mr. Pao Ping Wing (浦炳榮)
Mr. Leung Hon Chuen (梁漢全)

REGISTERED OFFICE

Scotia Centre, 4th Floor, P.O. Box 2804
George Town, Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE IN THE PRC

36/F, World Finance Centre
4003 Shennan East Road, Shenzhen
PRC

PLACE OF BUSINESS IN HONG KONG

Room 1810, 18/F, Hutchison House
10 Harcourt Road
Central, Hong Kong

COMPANY SECRETARY

Ms. Soon Yuk Tai

QUALIFIED ACCOUNTANT

Mr. Wang Guisheng *(FCCA,CICPA)*

AUDIT COMMITTEE

Mr. Chow Chan Lum *(Chairman)*
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

REMUNERATION COMMITTEE

Mr. Pao Ping Wing *(Chairman)*
Mr. Chow Chan Lum
Mrs. Huang Jingzhang

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Mr. Zou Minggui *(General Manager)*
Mr. Wang Guisheng *(FCCA,CICPA)*

AUTHORIZED REPRESENTATIVES PURSUANT TO THE HONG KONG COMPANIES ORDINANCE

Mr. Wang Guisheng *(FCCA, CICPA)*
Ms. Soon Yuk Tai

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Offshore Incorporations (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

First Shanghai Capital Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
The Bank of East Asia (China) Limited
Agricultural Bank of China

COMPANY WEBSITE

www.maoye.cn

STOCK CODE

848

Business Review

OPERATION REVIEW

During the first half of 2008, the Group overcame the adversities caused by disasters such as the snow disaster in the Southern China, earthquake in Wenchuan, Sichuan Province and the continuous rainstorm in Shenzhen happened in February, May and June respectively. With the efforts of all fellow staff members of the Group, total sales proceeds of the Group increased to RMB1,949.4 million in the first half of 2008, representing an increase of 7.8% compared to the same period in 2007. Out of this total, the sales proceeds from concessionaire sales increased by 11.4% to RMB1,724.6 million, with a same-store growth of 12.2%.

During the review period, the Group continuously optimized its product portfolio, and meanwhile launched various marketing activities such as "Bringing Service into the Communities" and "Members Only Purchasing Day" in appropriate locations and at appropriate times, thus the service quality and customers' satisfaction were both enhanced. In addition, the Group has upgraded the membership system of stores by implementing a "registered membership system" in order to improve the service provided to members.

The Group has been continuously exploring opportunities for expansion. As at the date of this interim report, the Group has acquired a piece of land and entered into agreements for the acquisition of 3 properties, in order to establish department stores in Nanshan District in Shenzhen, Nanchong City in Sichuan Province, Taiyuan City in Shanxi Province and Qinhuangdao City in Hebei Province, respectively. The construction of the store in Nanshan District is in progress and is expected to be completed in the first half of 2009. The property acquired in Nanchong City is in the process of renovation and decoration and is expected to commence operation in September 2008. The hand-over procedure for the property in Taiyuan City is still in progress. On 1 September 2008, the Group has received the Property Ownership Certificate of the property acquired in Qinhuangdao, and commenced operating a Maoye-branded department store at the property. Upon completion of the aforementioned construction and acquisitions, the total floor area of the department stores of the Group will increase by approximately 165,000 square metres, with a network of 19 stores in 10 cities.

OUTLOOK

According to the statistics of the State Statistic Bureau of China, the role of consumption in fuelling economic growth was strengthened in 2007. Consumer spending, investments and net exports in the PRC contributed to economic growth by 4.5%, 4.4% and 2.5% respectively. It was the first time that the proportion accounted for by consumer spending outstripped that by investment in past 7 years. This shows that the change in the policy of the Chinese Government from mainly relying on investments and exports to relying on coordinating consumer spending, investments and exports to stimulate economic growth has achieved positive effect. Driven by the stable growth of income per capita, consumer spending in the PRC is still growing strongly which will further boost the domestic demand and economic growth. Although the impacts of inflation and global economic instability still exist, the Group is continuously optimistic on the development outlook of the retail industry in the PRC.

Looking forward, the Group will continue to enhance its core competitiveness, accelerate the development of its network of department stores, and implement three main strategies for expansion and growth: (1) leveraging the controlling shareholder's edging advantage in property development to open new stores in prime areas, based on the operating model of the Huaqiangbei store; (2) continuously exploring suitable opportunities for merger and acquisition, in particular to consider the acquisition of department stores which are in the leading position and have a high reputation in the regional markets or which are located in prime areas of such cities;

and (3) selecting suitable properties to open new department stores under lease arrangement. Implementation of the above strategies will help the Group make further penetration into the national market and strengthen its foothold in the regional markets, and establish a coordinated business network in the regional markets with "flagship store" as the core.

Apart from attaining growth via expansion, the Group will, through deepening the services to suppliers, continuously implement measures (such as incentive program that correlates directly to performance) on concessionaires in order to form a strategic mutually-beneficial alliance with the core suppliers and to enhance the capabilities of the Group's core supply chain; enhance the quality of product portfolio and service in all areas; increase the degree of customers' satisfaction in various aspects and continuously utilize the operating and managing experience of Maoye stores in the operation of Chengshang Group Co., Ltd. (成商集團股份有限公司) ("Chengshang"), thereby enhancing the profitability of the existing department stores.

FINANCIAL REVIEW

Total Sales Proceeds

Total sales proceeds of the Group for the six months ended 30 June 2008 (representing the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores) increased to RMB1,949.4 million, representing an increase of 7.8%, over the corresponding period in the previous year. Meanwhile, the same-store sales proceeds from concessionaire sales increased to RMB1,707.1 million, representing an increase of 12.2%.

Revenue

For the six months ended 30 June 2008, revenue of the Group amounted to RMB740.5 million, representing a decrease of 9.8% as compared with RMB820.9 million in the same period last year. It was primarily due to the following factors:

- Commissions from concessionaire sales increased by 5.5% to RMB359.0 million due to the increase in concessionaire sales.

- Revenue from direct sales decreased by 13.4% to RMB224.9 million, primarily due to downscaling of direct sales business.

- Automobile sales decreased by 37.9% to RMB108.3 million, primarily due to the snow disaster in the Southern China in February 2008 and the earthquake at Wenchuan, Sichuan Province in May.

Other Income

For the six months ended 30 June 2008, other income of the Group amounted to RMB217.7 million, representing an increase of 26.3% as compared with RMB172.4 million in the same period last year. This increase was mainly driven by the growth in sales proceeds from concessionaire sales.

Purchase of and Changes in Inventories

For the six months ended 30 June 2008, purchase of and changes in inventories of the Group amounted to RMB304.6 million, representing a decrease of 23.3% as compared with RMB397.4 million in the same period last year. It was primarily due to decrease in revenue from both automobile sales and direct sales.

Employee Expenses

For the six months ended 30 June 2008, employee expenses of the Group amounted to RMB60.7 million, representing an increase of 6.3% as compared with RMB57.1 million in the same period last year. This increase was primarily due to the annual salary adjustment of the Group and the launch of the new Mianyang store in January 2008.

Depreciation and Amortisation

For the six months ended 30 June 2008, depreciation and amortisation of the Group amounted to RMB58.3 million, representing a decrease of 8.9% as compared with RMB64.0 million in the same period last year. The decrease was primarily due to the disposal of subsidiary, Chongqing Jiefangbei Maoye Department Store Co., Ltd. (重慶解放碑茂業百貨有限公司) ("Chongqing Jiefangbei Store"), by the Group in the second half of 2007, resulting in a decrease in the balance of fixed assets and the corresponding depreciation charges.

Operating Lease Rental Expenses

For the six months ended 30 June 2008, operating lease rental expenses of the Group amounted to RMB60.4 million, representing a decrease of 20.0% as compared with RMB75.5 million in the same period last year. This decrease was primarily due to the disposal of Chongqing Jiefangbei Store in 2007, resulting in a decrease in rental expenses of RMB16.5 million in the period.

Other Operating Expenses

For the six months ended 30 June 2008, other operating expenses of the Group amounted to RMB137.2 million, representing a decrease of 6.1% as compared with RMB146.1 million in the same period last year. It was primarily due to the disposal of Chongqing Jiefangbei Store in 2007.

Other Gains

For the six months ended 30 June 2008, other gains of the Group amounted to RMB79.7 million, representing an increase of 521.0% as compared with RMB12.8 million in the same period last year. The increase was primarily due to the disposal of 5,000,000 shares in Chengshang by a subsidiary of the Company, Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司) ("Maoye Shangsha"), resulting in investment gains of RMB80.0 million.

Operating Profit

For the six months ended 30 June 2008, operating profit of the Group amounted to RMB416.7 million, representing an increase of 56.7% as compared with RMB265.9 million in the same period last year. It was primarily due to the increase in commissions from concessionaire sales, the increase in other gains, as well as the combined effect of other factors described above.

Finance Costs

For the six months ended 30 June 2008, finance costs of the Group amounted to RMB27.7 million, representing a decrease of 39.6% as compared with RMB45.9 million in the same period last year, which was as a result of (1) capitalization of interest amounted to RMB14.1 million on loans secured for the development project of a new store in Nanshan District in Shenzhen; and (2) the decrease of bank loan balance in current period.

Tax

For the six months ended 30 June 2008, income tax expenses of the Group was RMB77.7 million, representing an increase of 1,125.0% as compared with RMB6.3 million in the same period last year. During the six months ended 30 June 2008, the effective tax rate applicable to the Group was 20.0%, which was as a result of the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 15% in 2007 to 18% in 2008. During the corresponding period in 2007, the effective tax rate applicable to the Group was 2.9%, which was primarily due to the recognition of deferred tax assets of approximately RMB37.2 million by Chengshang as a result of the tax loss incurred by the disposal of Chongqing Jiefangbei Store and Chengdu People's Department Store Chain Co., Ltd. (成都人民百貨連鎖有限公司).

Profit Attributable to Equity Holders of the Parent

As a result of the foregoing, profit attributable to equity holders of the parent for the six months ended 30 June 2008 amounted to RMB300.6 million, representing an increase of 54.4% as compared with RMB194.7 million in the same period last year.

Liquidity and Financial Resources

As at 30 June 2008, the Group's cash and cash equivalents amounted to RMB2,484.9 million (as at 31 December 2007: RMB362.6 million). This increase was mainly due to the cash inflow from operating activities and proceeds from the issuance of new shares.

As at 30 June 2008, total bank borrowings of the Group were RMB1,320.8 million (as at 31 December 2007: RMB1,397.1 million), among which RMB574.8 million will mature within the coming year.

The debt to total assets ratio of the Group expressed as a percentage of interest bearing bank loans over the total assets was decreased from 38.8% as at 31 December 2007 to 23.4% as at 30 June 2008.

Contingent Liabilities

As at 30 June 2008, contingent liabilities of the Group were as follows:

Chengshang is a public company with its A shares listed on the Shanghai Stock Exchange. As at 31 December 2006, all non-tradable shares of Chengshang were converted to tradable shares through the implementation of a capital restructuring plan which was approved by the shareholders of Chengshang on 31 May 2006. The key terms of the capital restructuring plan are as follows:

As Chengshang's major shareholder, Maoye Shangsha has undertaken to transfer 2,554,201 shares to Chengshang's public shareholders in the event that one of the following incidents occurs:

(i) The net profit of Chengshang for the year ending 31 December 2008, calculated in accordance with China's accounting standards, is less than RMB80,000,000;

(ii) A qualified audit opinion is issued for the statutory financial statements of Chengshang for the year ending 31 December 2008; or

(iii) Chengshang is unable to publish its 2008 annual report in accordance with the statutory timeline.

Pledge of Assets

As at 30 June 2008, buildings, investment properties and land use rights with net carrying amounts of RMB556.4 million, time deposits of RMB25 million and US$50 million had been pledged to commercial banks to obtain bank loans of RMB1,320.8 million.

Foreign Currency Risk

The Group's major operating activities are conducted in the Mainland China. Most of the income and expenses of the Group are denominated in Renminbi. The majority of the Group's assets and liabilities are denominated in Renminbi. Net proceeds from the listing of the Company are denominated in Hong Kong dollars. As at 30 June 2008, most of the proceeds from the Company's listing had been converted into time deposit denominated in United States dollars of equivalent value. The Group is exposed to foreign currency risk due to fluctuation in Renminbi exchange rate. The Group has not entered into any derivatives to hedge potential foreign currency risk.

SIGNIFICANT EVENTS

- **Acquisition of Mianyang Department Store Property**

  In September 2007, the Group acquired a department store property located at Mianyang, Sichuan Province with a gross floor area of 21,731 square meters through its subsidiary, Chengshang. The department store was launched in January 2008.

- **Acquisition of Land Use Right for Nanshan Project**

  In March 2008, the Group acquired a right to use a piece of land located in Nanshan Commercial and Culture Center, Shenzhen through bidding, for the purpose of constructing the fifth department store in Shenzhen. The project is currently under construction, and it is expected to be finished in the first half of the next year. The project will have a commercial area of approximately 63,967 square meters.

- **Acquisition of Nanchong New Store**

  In June 2008, the Group acquired 100% of the shares in Cheng Shang Group Nanchong Commercial Co., Ltd. (成商集團南充商業有限公司) (originally named as Nanchong Chongde Enterprise Limited (南充崇德實業有限公司)), from the controlling shareholder of the Company through a subsidiary of Chengshang so as to further acquire a property in Nanchong for the purpose of opening the second department store in Nanchong. The property, with a gross floor area of 24,035 square meters, is currently undergoing preparation work before commencement of business. It is expected to be launched in September this year.

- **Acquisition of Taiyuan Department Store Property**

  In June 2008, the Group entered into a sale and purchase agreement with Shanxi Province Sanjin Construction and Development Limited Company (山西省三晉建設開發有限責任公司) to acquire a commercial property located at Taiyuan Municipal, Shanxi Province for the purpose of opening a department store. The property, with a gross floor area of 30,616 square meters, is undergoing the relevant formalities of transfer.

- **Acquisition of Qinhuangdao Department Store Property**

  In August 2008, the Group entered into a sale and purchase agreement with Qin Huang Dao City Jinhe Property Development Company Limited (秦皇島市金和房地產開發有限公司) to acquire a commercial property located at Qinhuangdao, Hebei Province for the purpose of opening a department store. The property has a total gross floor area of 46,610 square meters. On 1 September 2008, the Group received the property's Property Ownership Certificate and commenced operating a Maoye-branded department store at the property.

USE OF PROCEEDS

The aggregate net proceeds from the Initial Public Offering (the "IPO") (after deducting underwriting fees and expenses in connection with the IPO) was HK$2,602.9 million. The Company will apply the net proceeds as that stated in the Company's prospectus dated 21 April 2008 (the "Prospectus").

Interim Dividend

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved to declare an interim dividend for the six months ended 30 June 2008 of 3.3 HK cents in cash per share, totalling HK$169,615,248 (equivalent to approximately RMB148,583,000). The dividend will be payable on or about 19 September 2008 to shareholders whose names appear on the Register of Members of the Company at the close of business on 17 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 12 September 2008 to 17 September 2008 (both dates inclusive), during such period no transfer of shares of the Company will be registered. In order to ascertain the right to receive interim dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 11 September 2008.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2008, the interests of the directors of the Company in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
Mr. Huang Mao Ru	Interest of controlled corporations	4,250,000,000 (Note (a))	82.68%
Mrs. Huang Jingzhang	Interest of spouse	4,250,000,000 (Note (b))	82.68%

Notes:

(a) These shares were held by Maoye Department Store Investment Limited, a wholly-owned subsidiary of MOY International Holdings Limited, which in turn was wholly owned by Mr. Huang Mao Ru.

(b) Mrs. Huang Jingzhang was deemed to be interested in these shares through the interest of her spouse, Mr. Huang Mao Ru.

(2) Long position in the shares of associated corporations

(2.1) Maoye Department Store Investment Limited, the immediate holding company of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the issued share capital in such associated corporation
Mr. Huang Mao Ru	Interest of controlled corporation	2 (Note (a))	100%
Mrs. Huang Jingzhang	Interest of spouse	2 (Note (b))	100%

Notes:

(a) These shares were held by MOY International Holdings Limited, which was wholly owned by Mr. Huang Mao Ru.

(b) Mrs. Huang Jingzhang was deemed to be interested in these shares through the interest of her spouse, Mr. Huang Mao Ru.

(2.2) MOY International Holdings Limited, the ultimate holding company of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the issued share capital in such associated corporation
Mr. Huang Mao Ru	Beneficial owner	100	100%
Mrs. Huang Jingzhang	Interest of spouse	100 (Note)	100%

Note: Mrs. Huang Jingzhang was deemed to be interested in these shares through the interest of her spouse, Mr. Huang Mao Ru.

Save as disclosed above, as at 30 June 2008, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights of such interests during the period from the Listing Date to 30 June 2008.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2008, the following persons (other than the directors of the Company, whose interests have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations") had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the shares of the Company

Name	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
Maoye Department Store Investment Limited	Beneficial owner	4,250,000,000 (Note)	82.68%
MOY International Holdings Limited	Interest of controlled corporation	4,250,000,000 (Note)	82.68%

Note: Such interests were also disclosed as the interests of Mr. Huang Mao Ru and Mrs. Huang Jingzhang in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".

Save as disclosed above, as at 30 June 2008, no person (other than the directors of the Company, whose interests have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations") had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Up to the date of this interim report, the Company has not adopted any share option scheme.

EMPLOYEES

As at 30 June 2008, the Group had a total of approximately 3,400 employees. Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualification and experience of individual employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period from the Listing Date to 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct governing the directors' dealings in the Company's securities. The Company has made specific enquiries with all Directors, who have confirmed their compliance with the required standard set out in the Model Code throughout the period from the Listing Date to 30 June 2008.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. The Board is of the view that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, Mr. Huang Mao Ru is both the Chairman and the Chief Executive Officer of the Company. As Mr. Huang is the founder of the Group and has extensive experience in the department store industry and commercial real estate industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for continuous effective management and business development of the Group.

Code Provision A.5.4

This code provision stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees, who are likely to be in possession of unpublished price-sensitive information in relation to the Company and its securities, in respect of their dealings in the securities of the Company. To conform with this code provision, the Board has adopted such written guidelines for the Company's relevant employees on 28 August 2008.

COMPLIANCE ADVISER'S INTEREST

Pursuant to the compliance adviser agreement dated 17 January 2008 entered into between the Company and First Shanghai Capital Limited ("First Shanghai"), First Shanghai has been appointed as the compliance adviser as required under the Listing Rules for the period from 5 May 2008 to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the year ending 31 December 2009.

As notified by First Shanghai, save as disclosed above, neither First Shanghai nor its respective directors, employees or associates (as defined in the Listing Rules) had any interest in the shares of the Company, or had any options or rights to subscribe for or to nominate persons to subscribe for the shares of the Company as at 30 June 2008.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of all the independent non-executive directors of the Company. The Audit Committee has reviewed the audited financial results of the Group for the six months ended 30 June 2008 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

DEED OF NON-COMPETITION

Under the deed of non-competition dated 17 April 2008 given by Mr. Huang Mao Ru, Maoye Holdings Limited and Richon Holdings Limited (the "Controlling Shareholder Group") in favour of the Company, details of which were stated in the Prospectus, the Controlling Shareholder Group has undertaken to us to use its best endeavour within three years to (x) resolve the existing litigation between Chongqing Jiefangbei Store and Chongqing Xin Long Da Real Estate Development Company Limited (重慶鑫隆達房地產開發有限公司) ("Xin Long Da"), (y) obtain all necessary consents and approvals for the transfer of the interest of the Controlling Shareholder Group in Chongqing Jiefangbei Store and Wuxi Maoye Department Store Company Limited and Wuxi Maoye Baifu Supermarket Company Limited ("Maoye Wuxi Store") to our Group, and (z) obtain all necessary consents and approvals for the transfer of the Controlling Shareholder Group's interest in Guiyang Friendship Group Holdings Company Limited (貴陽友誼(集團)股份有限公司) ("Guiyang Friendship Group"), to serve a notice on us within ten business days of any of the issues in clauses (x) through (z) above having been resolved, and to use his/its best endeavour to transfer the interest in Chongqing Jiefangbei Store, Maoye Wuxi Store and Guiyang Friendship Group, as applicable, to us as soon as practicable once the relevant issues impeding such transfer have been resolved and upon our exercise of the option to acquire such interests. The Controlling Shareholder Group has further undertaken to keep the Company informed every six months from the Listing Date as regards the progress on the matters described in clauses (x) through (z) above.

Up to the date of this interim report, the litigation between Chongqing Jiefangbei Store and Xin Long Da is still outstanding, and the Controlling Shareholder Group's application on transfer of interest in Maoye Wuxi Store and Guiyang Friendship Group has not got approval from the PRC government.

Auditors' Report

To the shareholders of Maoye International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Maoye International Holdings Limited set out on pages 18 to 94, which comprise the consolidated and company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the Group's profit and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong
28 August 2008

Consolidated Income Statement

Six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 RMB'000	2007 RMB'000
REVENUE	5	**740,525**	820,853
Other income	6	**217,715**	172,372
Purchases of and changes in inventories		**(304,627)**	(397,359)
Employee expenses	7	**(60,662)**	(57,083)
Depreciation and amortisation		**(58,314)**	(64,033)
Operating lease rental expenses	8	**(60,439)**	(75,547)
Other operating expenses	9	**(137,249)**	(146,122)
Other gains	6	**79,726**	12,838
Operating profit		**416,675**	265,919
Finance costs	10	**(27,693)**	(45,867)
Share of profits and losses of associates	20	**(313)**	563
PROFIT BEFORE TAX		**388,669**	220,615
Tax	11	**(77,717)**	(6,344)
PROFIT FOR THE PERIOD		**310,952**	214,271
Attributable to:			
Equity holders of the parent	12	**300,556**	194,711
Minority interests		**10,396**	19,560
		310,952	214,271
DIVIDENDS	13		
Special dividend		**72,608**	–
Proposed interim dividend		**148,583**	–
		221,191	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	14	**RMB6.6 cents**	RMB4.6 cents

Consolidated Balance Sheet

30 June 2008

	Notes	30 June 2008 RMB'000	31 December 2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**820,510**	825,382
Investment properties	16	**101,728**	105,123
Land lease prepayments	17	**1,214,271**	583,144
Goodwill	18	**45,286**	45,286
Interests in associates	20	**27,297**	30,509
Available-for-sale equity investments	21	**106,195**	106,195
Prepayments	26	**47,040**	4,543
Deferred tax assets	22	**35,113**	51,591
Total non-current assets		**2,397,440**	1,751,773
CURRENT ASSETS			
Inventories	23	**102,718**	113,131
Equity investments at fair value through profit or loss	24	**9,512**	11,573
Trade receivables	25	**2,632**	3,938
Prepayments and other receivables	26	**162,037**	224,151
Due from related parties	37(2)	**120,375**	1,101,015
Pledged deposits	27	**367,876**	29,000
Cash and cash equivalents	27	**2,484,867**	362,577
Total current assets		**3,250,017**	1,845,385
CURRENT LIABILITIES			
Trade payables	28	**695,752**	840,254
Deposits received, accruals and other payables	29	**475,878**	483,929
Interest-bearing bank loans	30	**574,762**	610,381
Due to related parties	37(2)	**4,320**	58,636
Income tax payable		**44,257**	36,171
Dividends payable		**–**	209,547
Total current liabilities		**1,794,969**	2,238,918
NET CURRENT ASSETS/(LIABILITIES)		**1,455,048**	(393,533)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,852,488**	1,358,240

Consolidated Balance Sheet

30 June 2008

	Notes	30 June 2008 RMB'000	31 December 2007 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	30	**746,086**	786,712
Deferred tax liability	22	**107,058**	110,042
Total non-current liabilities		**853,144**	896,754
Net assets		**2,999,344**	461,486
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	**461,587**	–
Reserves	32(a)	**2,103,268**	200,758
Proposed interim dividend	13	**148,583**	–
		2,713,438	200,758
Minority interests		**285,906**	260,728
Total equity		**2,999,344**	461,486

Huang Mao Ru
Director

Wang Guisheng
Director

Consolidated Statement of Changes in Equity

Six months ended 30 June 2008

	Attributable to equity holders of the parent									
	Issued capital RMB'000 (note 31)	Share premium account RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed interim dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	–	–	77	116,409	(1,832)	86,104	–	200,758	260,728	461,486
Profit for the period	–	–	–	–	–	300,556	–	300,556	10,396	310,952
Issuance of new shares for the global offering	77,506	2,325,241	–	–	–	–	–	2,402,747	–	2,402,747
Issuance of new shares upon exercise of the over-allotment option	2,388	71,641	–	–	–	–	–	74,029	–	74,029
Capitalisation issue of shares	381,693	(381,693)	–	–	–	–	–	–	–	–
Listing expenses for issue of new shares	–	(139,820)	–	–	–	–	–	(139,820)	–	(139,820)
Partial disposal of shares in a subsidiary	–	–	–	–	–	–	–	–	14,782	14,782
Dividends paid to its then shareholder before the listing of the Company's shares (note 13)	–	–	–	–	–	(72,608)	–	(72,608)	–	(72,608)
Proposed interim dividend (note 13)	–	–	–	–	–	(148,583)	148,583	–	–	–
Exchange realignment	–	–	–	–	(52,224)	–	–	(52,224)	–	(52,224)
At 30 June 2008	461,587	1,875,369*	77*	116,409*	(54,056)*	165,469*	148,583	2,713,438	285,906	2,999,344
At 1 January 2007	–	–	51,137	130,647	(295)	718,817	–	900,306	235,777	1,136,083
Profit for the period	–	–	–	–	–	194,711	–	194,711	19,560	214,271
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	6,601	6,601
Acquisition of an additional interest in a subsidiary	–	–	–	–	–	–	–	–	(2,713)	(2,713)
Disposal of subsidiaries (note 33(b))	–	–	–	–	–	–	–	–	(6,000)	(6,000)
Exchange realignment	–	–	–	–	(55)	–	–	(55)	–	(55)
At 30 June 2007	–	–	51,137	130,647	(350)	913,528	–	1,094,962	253,225	1,348,187
Profit for the period	–	–	–	–	–	222,288	–	222,288	7,503	229,791
Reversal of contributed surplus due to the Reorganisation	–	–	(51,060)	–	–	–	–	(51,060)	–	(51,060)
Profit appropriation to reserves	–	–	–	17,125	–	(17,125)	–	–	–	–
Dividends declared	–	–	–	–	–	(1,063,950)	–	(1,063,950)	–	(1,063,950)
Disposal of subsidiaries	–	–	–	(31,363)	–	31,363	–	–	–	–
Exchange realignment	–	–	–	–	(1,482)	–	–	(1,482)	–	(1,482)
At 31 December 2007	–	–	77*	116,409*	(1,832)*	86,104*	–	200,758	260,728	461,486

* These reserve accounts comprise the consolidated reserves of RMB2,103,268,000 (31 December 2007: RMB200,758,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**388,669**	220,615
Adjustments for:			
Interest income	6	**(10,253)**	(3,568)
Depreciation and amortisation		**58,314**	64,033
Reversal of impairment of items of property, plant and equipment	9	**–**	(838)
Impairment of goodwill	9	**–**	200
Reversal of impairment of trade receivables	9	**(157)**	(1,103)
Impairment of inventories	9	**574**	1,269
Impairment of other receivables	9	**745**	–
Reversal of impairment of an amount due from a related party	9	**(3,870)**	–
Loss/(gain) on disposal of items of property, plant and equipment	6	**283**	(578)
Gain on disposal of subsidiaries	6	**(2,210)**	(218)
Gain on disposal of associates	6	**–**	(585)
Fair value loss/(gain) on equity investments at fair value through profit or loss	6	**5,696**	(9,485)
Gain on disposal of equity investments at fair value through profit or loss	6	**(1,436)**	–
Gain on partial disposal of shares in a subsidiary	6	**(80,022)**	–
Dividend income from equity investments at fair value through profit or loss	6	**(31)**	–
Finance costs	10	**27,693**	45,867
Share of profits and losses of associates	20	**313**	(563)
		384,308	315,046
Decrease/(increase) in inventories		**9,839**	(16,653)
Decrease in trade receivables		**1,463**	3,068
Decrease in prepayments and other receivables		**71,412**	62,621
Decrease in amounts due from related parties		**363**	–
Decrease in trade payables		**(144,502)**	(15,676)
Decrease in deposits received, accruals and other payables		**(34,744)**	(16,282)
Increase in amounts due to related parties		**–**	54,954
Cash generated from operations		**288,139**	387,078
Interest received		**6,363**	3,568
PRC tax paid		**(56,137)**	(33,742)
Net cash inflow from operating activities		**238,365**	356,904

Consolidated Cash Flow Statement

Six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 RMB'000	2007 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**2,899**	1,338
Purchase of items of property, plant and equipment		**(37,285)**	(18,882)
Proceeds from disposal of items of property, plant and equipment		**1,619**	10,506
Proceeds from partial disposal of shares in a subsidiary		**94,805**	–
Purchase of available-for-sale equity investments		**–**	(6,864)
Purchase of land lease prepayments		**(650,000)**	–
Purchase of equity investments at fair value through profit or loss		**(8,196)**	(2,020)
Proceeds from disposal of equity investments at fair value through profit or loss		**5,997**	7,262
Acquisition of a subsidiary	33(a)	**(4,991)**	(12,332)
Acquisition of creditor's right		**(37,567)**	–
Acquisition of an additional interest in a subsidiary		**–**	(2,910)
Disposal of subsidiaries	33(b)	**3,261**	(6,105)
Dividend income from equity investments at fair value through profit or loss		**31**	–
Decrease in bank deposits with original maturity of over three months when acquired		**–**	80,341
Net cash inflow/(outflow) from investing activities		**(629,427)**	50,334
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**2,476,716**	–
Listing expense		**(115,489)**	–
New bank loans		**391,000**	474,500
Repayments of bank loans		**(467,245)**	(374,220)
Decrease/(increase) in amounts due from related parties		**984,147**	(502,143)
Increase/(decrease) in amounts due to related parties		**(54,316)**	44,912
Interest paid		**(27,693)**	(45,867)
Dividends paid to its then shareholder before the listing of the Company's shares		**(282,155)**	–
Increase in pledged bank deposits	27	**(338,876)**	–
Net cash inflow/(outflow) from financing activities		**2,566,089**	(402,818)

Consolidated Cash Flow Statement

Six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 RMB'000	2007 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,175,027**	4,420
Effect of foreign exchange rate changes, net		**(52,737)**	(55)
Cash and cash equivalents at beginning of period		**362,577**	262,245
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27	**2,484,867**	266,610
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**516,705**	266,610
Non-pledged time deposits with original maturity of less than three months when acquired	27	**1,968,162**	–
		2,484,867	266,610

Balance Sheet

30 June 2008

	Notes	**30 June 2008 RMB'000**	31 December 2007 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**143,788**	–
CURRENT ASSETS			
Prepayments and other receivables	26	**2,192**	7,438
Due from subsidiaries	19	**1,128,091**	–
Cash and cash equivalents	27	**1,175,334**	–
Total current assets		**2,305,617**	7,438
CURRENT LIABILITIES			
Other payables and accruals	29	**27,442**	6,745
Due to subsidiaries	19	**13,942**	12,023
Total current liabilities		**41,384**	18,768
NET CURRENT ASSETS/(LIABILITIES)		**2,264,233**	(11,330)
Net assets		**2,408,021**	(11,330)
EQUITY			
Issued capital	31	**461,587**	–
Reserves	32(b)	**1,797,851**	(11,330)
Proposed interim dividend	13	**148,583**	–
Total equity		**2,408,021**	(11,330)

Huang Mao Ru
Director

Wang Guisheng
Director

Notes to the Financial Statements

30 June 2008

1. CORPORATE INFORMATION AND GROUP REORGANISATION

Maoye International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands, and the head office and principal place of business of the Company is located at 36/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, the PRC. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the operation and management of department stores in the People's Republic of China (the "PRC").

Pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 10 January 2008. The shares of the Company were listed on the Main Board of the Stock Exchange on 5 May 2008. Details of the Reorganisation were set out in the prospectus dated 21 April 2008 (the "Prospectus").

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Maoye Department Store Investment Limited ("Maoye Investment") and MOY International Holdings Limited ("MOY International"), respectively, which were incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The acquisitions of the subsidiaries pursuant to the Reorganisation were regarded as a business combination under common control. Accordingly, the consolidated financial statements have been prepared in accordance with the principles of merger accounting. On this basis, the Company has been treated as the holding company of its subsidiaries since the beginning of the financial periods presented rather than from their respective date of acquisition. Accordingly, the consolidated results for the six months ended 30 June 2007 and 2008 include the results of the Company and its subsidiaries with effect from 1 January 2007 or since their respective dates of incorporation, whichever is shorter. The comparative consolidated balance sheet as at 31 December 2007 has been prepared as if the existing Group had been in place at that date.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised IFRSs for the first time for the current period's financial statements.

Amendments to IFRS 1 and IAS 27	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRIC 11	*IFRS 2 – Group and Treasury Share Transactions*
IFRIC 12	*Service Concession Arrangements*
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised IFRSs are as follows:

(a) Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

These amendments are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The amendments to IFRS 1 allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of an investment in a subsidiary, jointly controlled entity or associate in the separate financial statements. Such amendments have no impact on the Group. The amendments to IAS 27 remove the definition of the cost method and replace it with a requirement to present all dividends from a subsidiary, jointly controlled entity or associate as income in the separate financial statements of the investor. The amendments require the new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the Reorganisation. The Group has elected to early adopt these amendments to IAS 27 and measured accordingly the initial cost of investments in subsidiaries in the separate financial statements of the Company which is newly formed as the result of the Reorganisation.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no financial impact on the Group.

(c) IFRIC 12 *Service Concession Arrangements*

This interpretation requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC 12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation has had no financial impact on the Group.

(d) IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 14 addresses how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, IFRIC 14 is not applicable to the Group and therefore has had no financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IAS 1 (Revised)	*Presentation of Financial Statements*[1]
IAS 23 (Revised)	*Borrowing Costs*[1]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
Amendments to IAS 32 and IAS 1	*Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
Amendment to IAS 39	*Eligible Hedged Items*[3]
Amendments to IFRS 2	*Share-based Payment – Vesting Conditions and Cancellations*[1]
IFRSs (Amendments)	*Improvements to IFRSs*[4]
IFRS 3 (Revised)	*Business Combinations*[3]
IFRS 8	*Operating Segments*[1]
IFRIC 13	*Customer Loyalty Programmes*[2]
IFRIC 15	*Agreements for the Construction of Real Estate*[1]
IFRIC 16	*Hedges of a Net Investment in a foreign Operation*[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 and IAS 1 may result in new or amended disclosures, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

An associate is an entity, not being a subsidiary or jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated statement of changes in equity, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a particular component engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined to present its segment information by business segment on a primary segment reporting basis. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identifiable asset in the consolidated balance sheet.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

The carrying amount of goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets other than goodwill (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its holding companies;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values used for this purpose are as follows:

	Estimated useful lives	Residual values
Land and buildings	10 – 40 years	5 – 10%
Machinery and equipment	5 years	5 – 10%
Motor vehicles	5 – 8 years	5 – 10%
Furniture, fittings and other equipment	5 – 12 years	5 – 10%
Leasehold improvements	5 – 10 years	–

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the period the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents a property under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs, less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line basis over the estimated useful lives ranging from 10 to 40 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the period of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statements on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

Land lease prepayments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

When a building is constructed on land that is leased under an operating lease, the operating lease costs that are incurred during the construction period are capitalised as part of the construction cost of the building.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any dividends or interest earned on these financial assets which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statements. Interest and dividends earned and reported as interest income and dividend income, respectively and are recognised in the consolidated income statements as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the consolidated income statements as "Impairment losses on available-for-sale equity investments" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at each balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statements. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are amortised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities at amortised cost (including interest-bearing bank loans)

Financial liabilities including trade and other payables, interest-bearing bank loans and due to related parties are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the consolidated income statements.

Gains and losses are recognised in the consolidated income statements when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statements.

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realisable value. Cost of merchandise is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at each balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Coupon liabilities

Coupon liabilities are recognised based on the fair value of bonus points or coupons granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of coupons and are recorded in other payables. The revenue of the Group is deducted when the coupon liabilities are recognised.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statements, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at each balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at each balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) Commissions from concessionaire sales are recognised upon the sale of merchandise by the relevant concessionaires.

(b) Direct sales of merchandise and sale of automobiles are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the merchandise sold.

(c) Rental income is recognised on the straight-line accrual basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(d) Management fee income from the operation of department stores is recognised when management services are rendered.

(e) Administration and management fee income, promotion income and credit card handling fees from suppliers and concessionaires are recognised when management services are rendered.

(f) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(g) Dividend income, when the shareholders' right to receive payment has been established.

Retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are covered by government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised.

Dividends

Dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The Company and other investment holding subsidiaries incorporated in the Cayman Islands, British Virgin Islands and Hong Kong have their functional currencies in Hong Kong dollars ("HK$"). The functional currency of the PRC subsidiaries is RMB. As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at each balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group which is RMB at the exchange rates ruling at each balance sheet date and, their income statements are translated into RMB at the weighted average exchange rates for the year. Foreign exchange differences on retranslation are recognised directly in a separate component of equity.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside Mainland China which arise throughout the period/year are translated into RMB at the weighted average exchange rates for the period/year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting dates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

- *Operating lease commitments – Group as lessor*

  The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

- *Classification between investment properties and owner-occupied properties*

  The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the department store operations.

  Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at each balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- *Useful lives of property, plant and equipment*

  The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

- *Impairment of goodwill*

  The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimation of the expected future cash flows from the cash-generating units could change significantly should the cash-generating units fail to sustain the estimated growth.

- *Deferred tax assets*

  Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

- *Net realisable value of inventories*

  Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at each balance sheet date.

- *Impairment of trade receivables, other receivables and amounts due from related parties*

  The Group estimates the provisions for impairment of other receivables and amounts due from related parties by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade receivables, other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade receivables, other receivables and amounts due from related parties and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at each balance sheet date.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the operation of department stores segment comprises concessionaire and direct sales of merchandise;

(b) the sale of automobiles segment; and

(c) the "others" segment comprises, principally, the Group's leasing of investment properties, operations of hotels and provision of ancillary services and operation of restaurants, advertising, trading and construction of television networks.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (Continued)

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the six months ended 30 June 2008 and 2007.

Group

	Operation of department stores RMB'000	Sale of automobiles RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2008				
Segment revenue:				
Sales to external customers	628,728	108,290	3,507	740,525
Other income	203,360	195	171	203,726
Total	832,088	108,485	3,678	944,251
Segment results	370,980	(1,172)	(3,954)	365,854
Other income and unallocated gains				93,715
Corporate and other unallocated expenses				(42,894)
Finance costs				(27,693)
Share of profits and losses of associates	307	–	(620)	(313)
Profit before tax				388,669
Tax				(77,717)
Profit for the period				310,952
Assets and liabilities				
Segment assets	5,337,115	107,054	140,878	5,585,047
Interests in associates	3,307	–	23,990	27,297
Corporate and other unallocated assets				35,113
Total assets				5,647,457
Segment liabilities	942,682	19,857	12,821	975,360
Corporate and other unallocated liabilities				1,672,753
Total liabilities				2,648,113
Other segment information:				
Depreciation and amortisation	45,938	1,189	2,882	50,009
Corporate and other unallocated amounts				8,305
				58,314
Capital expenditure	688,034	1,249	1,020	690,303
Impairment of inventories	574	–	–	574
Reversal of impairment of trade receivables	(157)	–	–	(157)
Impairment of other receivables	745	–	–	745
Reversal of impairment of an amount due from a related party	(3,870)	–	–	(3,870)

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Group

	Operation of department stores RMB'000	Sale of automobiles RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2007				
Segment revenue:				
Sales to external customers	641,067	174,363	5,423	820,853
Other income	154,079	525	14,200	168,804
Total	795,146	174,888	19,623	989,657
Segment results	272,487	7,770	5,400	285,657
Other income and unallocated gains				16,406
Corporate and other unallocated expenses				(36,144)
Finance costs				(45,867)
Share of profits and losses of associates	858	–	(295)	563
Profit before tax				220,615
Tax				(6,344)
Profit for the period				214,271
Other segment information:				
Depreciation and amortisation	51,439	1,105	3,065	55,609
Corporate and other unallocated amounts				8,424
				64,033
Capital expenditure	15,398	1,012	2,472	18,882
Reversal of impairment of items of property, plant and equipment	–	–	(838)	(838)
Impairment of goodwill	200	–	–	200
Impairment of inventories	1,269	–	–	1,269
Reversal of impairment of trade receivables	(1,103)	–	–	(1,103)

5. REVENUE

	Group Six months ended 30 June 2008 RMB'000	2007 RMB'000
Commissions from concessionaire sales	**359,036**	340,286
Direct sales	**224,881**	259,818
Sale of automobiles	**108,290**	174,363
Rental income from the leasing of shop premises	**43,212**	40,963
Management fee income from the operation of department stores	**1,599**	–
Others	**3,507**	5,423
	740,525	820,853
The total sales proceeds and commissions from concessionaire sales are analysed as follows:		
Total sales proceeds from concessionaire sales	**1,724,563**	1,548,574
Commissions from concessionaire sales	**359,036**	340,286
The rental income from the leasing of shop premises is analysed as follows:		
Rental income	**17,910**	12,050
Sublease rental income	**21,068**	19,842
Contingent rental income	**4,234**	9,071
	43,212	40,963

6. OTHER INCOME AND GAINS

	Group Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Other income		
Income from suppliers and concessionaires		
– Administration and management fee income	**108,268**	84,882
– Promotion income	**50,924**	43,840
– Credit card handling fees	**20,595**	12,105
Rental income from investment properties	**22,337**	18,794
Interest income	**10,253**	3,568
Others	**5,338**	9,183
	217,715	172,372
Other gains		
Gain/(loss) on disposal of items of property, plant and equipment	**(283)**	578
Foreign exchange losses, net	**(4,795)**	(45)
Fair value gain/(loss) on equity investments at fair value through profit or loss	**(5,696)**	9,485
Gain on disposal of equity investments at fair value through profit or loss	**1,436**	–
Gain on disposal of subsidiaries (note 33(b))	**2,210**	218
Gain on disposal of associates	**–**	585
Gain on partial disposal of shares in a subsidiary	**80,022**	–
Dividend income from equity investments at fair value through profit or loss	**31**	–
Others	**6,801**	2,017
	79,726	12,838

7. EMPLOYEE EXPENSES

	Group	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Wages and salaries	**52,601**	51,989
Retirement benefits	**3,188**	3,794
Other employee benefits	**4,873**	1,300
	60,662	57,083

Details of directors' remuneration included in employee expenses are as follows:

	Group	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Fees	**353**	–
Other emoluments:		
Salaries and allowances	**1,991**	549
Retirement benefits	**22**	15
	2,013	564
	2,366	564

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the period were as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Mr. Pao Ping Wing	**109**	–
Mr. Leung Hon Chuen	**81**	–
Mr. Chow Chan Lum	**163**	–
	353	–

There were no other emoluments payable to the independent non-executive directors during the period.

7. EMPLOYEE EXPENSES (Continued)

(b) Executive and non-executive directors

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Six months ended 30 June 2008				
Executive directors:				
Mr. Huang Mao Ru	**–**	**60**	**–**	**60**
Mr. Zou Minggui	**–**	**600**	**9**	**609**
Mr. Wang Guisheng	**–**	**500**	**8**	**508**
Mr. Lu Fa Chee	**–**	**711**	**5**	**716**
	–	**1,871**	**22**	**1,893**
Non-executive directors:				
Mrs. Huang Jingzhang	**–**	**60**	**–**	**60**
Mr. Zhong Pengyi	**–**	**60**	**–**	**60**
	–	**120**	**–**	**120**
Six months ended 30 June 2007				
Executive directors:				
Mr. Huang Mao Ru	–	–	–	–
Mr. Zou Minggui	–	200	5	205
Mr. Wang Guisheng	–	103	5	108
Mr. Lu Fa Chee	–	–	–	–
	–	303	10	313
Non-executive directors:				
Mrs. Huang Jingzhang	–	246	5	251
Mr. Zhong Pengyi	–	–	–	–
	–	246	5	251

There was no arrangement under which a director waived or agreed to waive any remuneration during the period.

7. EMPLOYEE EXPENSES (Continued)

(c) Five highest paid employees

The five highest paid employees during the period included three (six months ended 30 June 2007: three) directors, details of whose remuneration are set out in note 7(b) above. Details of the remuneration of the remaining two (six months ended 30 June 2007: two) non-director, highest paid employees for the period are as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Salaries and allowances	**441**	505
Retirement benefits	**20**	16
	461	521

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

	Six months ended 30 June	
	2008	2007
Nil to RMB1,000,000	**2**	2

During the period, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

8. OPERATING LEASE RENTAL EXPENSES

	Group Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Operating lease rental	**56,522**	72,262
Operating sublease rental	**3,917**	3,285
	60,439	75,547

9. OTHER OPERATING EXPENSES

		Group Six months ended 30 June	
		2008	2007
	Notes	**RMB'000**	RMB'000
Utility expenses		**37,537**	43,493
Promotion and advertising		**8,186**	10,856
Repair and maintenance expenses		**8,555**	16,194
Entertainment expenses		**2,072**	2,367
Office expenses		**5,995**	6,802
Other tax expenses		**36,396**	26,220
Professional service fees		**3,094**	2,051
Auditors' remuneration		**3,367**	580
Bank charges		**12,692**	9,591
Reversal of impairment of items of property, plant and equipment	15	**–**	(838)
Impairment of goodwill	18	**–**	200
Impairment of inventories		**574**	1,269
Reversal of impairment of trade receivables	25	**(157)**	(1,103)
Impairment of other receivables	26	**745**	–
Reversal of impairment of an amount due from a related party	37(2)	**(3,870)**	–
Others		**22,063**	28,440
		137,249	146,122

10. FINANCE COSTS

	Group Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest on bank loans	**27,693**	45,867

11. TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved, and which became effective from 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] No. 39), the new policies of tax rate reductions for enterprises previously entitled to concession shall have a grace period of five years commencing on 1 January 2008, the enterprises entitled to a 15% corporate income tax rate will be subject to tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and so on. The enterprises that have been granted tax concessions under the tax preferential policies in the grand development of western region shall continue to enjoy the tax concessions until the expiry day.

Accordingly, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (six months ended 30 June 2007: 33%) on their respective taxable income, except for certain PRC subsidiaries which are exempted or taxed at a preferential rate of 18% or 15%. Certain PRC subsidiaries of the Group are situated in the Shenzhen and Zhuhai Special Economic Zones and they are entitled to a preferential CIT rate of 18% (six months ended 30 June 2007: 15%).

11. TAX (Continued)

According to the Tax Relief Notice (Cai Shui [2001] no. 202) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of Mainland China with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% in state income tax for 10 years from 1 January 2001 to 31 December 2010. Accordingly, Chongqing Maoye Department Store Co., Ltd. ("Chongqing Maoye")(重慶茂業百貨有限公司) was subject to CIT at a rate of 15% (six months ended 30 June 2007: 16.5%).

	Group Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Group:		
Current – PRC		
Charge for the period	**64,223**	38,987
Deferred (note 22)	**13,494**	(32,643)
Total tax charge for the period	**77,717**	6,344

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate of the PRC to the income tax expense at the Group's effective tax rate is as follows:

	Group Six months ended 30 June			
	2008		2007	
	RMB'000	**%**	RMB'000	%
Profit before tax	**388,669**		220,615	
Tax at the statutory tax rate	**97,166**	**25**	72,803	33
Tax effect of:				
Lower tax rates for specific districts or countries	**(22,400)**	**(6)**	(37,526)	(17)
Tax exemption for qualified fixed assets purchased	**–**	**–**	(1,128)	(1)
Income not subject to tax	**(50)**	**–**	(50,006)	(22)
Expenses not deductible for tax	**2,153**	**1**	5,186	3
Tax losses not recognised	**1,130**	**–**	14,116	6
Others	**(282)**	**–**	2,899	1
Tax charge at the Group's effective tax rate	**77,717**	**20**	6,344	3

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the six months ended 30 June 2008 includes a profit of RMB60,073,000 which has been dealt with in the financial statements of the Company (note 32(b)).

13. DIVIDENDS

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Special dividend	**72,608**	–
Proposed (not recognised as a liability as at 30 June) interim – HK$3.3 cents (2007: nil) per share	**148,583**	–
	221,191	–

The Company declared a dividend of HK$80,000,000 (equivalent to approximately RMB72,608,000) to its then shareholder on 22 March 2008 before the listing of the Company's shares.

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2008 attributable to equity holders of the parent of RMB300,556,000 (six months ended 30 June 2007: RMB194,711,000) and the weighted average of 4,525,297,275 (six months ended 30 June 2007: 4,250,000,000) ordinary shares deemed to have been in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2007 includes the pro forma issued share capital of the Company of 4,250,000,000 shares, comprising:

(i) one share allotted and issued for cash on incorporation (note 31(b)); and

(ii) the capitalisation issue of 4,249,999,999 shares (note 31(d)).

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2008 includes the weighted average of 270,280,220 shares issued upon the listing of the Company's shares on the Stock Exchange on 5 May 2008 and the weighted average of 5,017,055 shares issued upon exercise of the over-allotment option on 28 May 2008 in addition to the aforementioned 4,250,000,000 ordinary shares.

There was no potential dilutive ordinary share in existence for the six months ended 30 June 2008 and 2007, accordingly, no diluted earnings per share amount has been presented.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fittings and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2008							
At 31 December 2007 and at 1 January 2008:							
Cost	799,678	207,768	10,605	168,387	166,221	64,726	1,417,385
Accumulated depreciation and impairment	(226,273)	(148,139)	(6,041)	(116,390)	(88,551)	(6,609)	(592,003)
Net carrying amount	573,405	59,629	4,564	51,997	77,670	58,117	825,382
At 1 January 2008, net of accumulated depreciation and impairment	573,405	59,629	4,564	51,997	77,670	58,117	825,382
Additions	1,696	427	1,563	4,572	375	36,519	45,152
Disposals	–	(17)	(248)	(402)	(7,807)	–	(8,474)
Depreciation provided during the period	(15,188)	(6,754)	(705)	(9,110)	(9,793)	–	(41,550)
Transfers	856	–	–	–	569	(1,425)	–
At 30 June 2008, net of accumulated depreciation and impairment	560,769	53,285	5,174	47,057	61,014	93,211	820,510
At 30 June 2008:							
Cost	802,230	208,138	11,638	172,019	157,734	99,820	1,451,579
Accumulated depreciation and impairment	(241,461)	(154,853)	(6,464)	(124,962)	(96,720)	(6,609)	(631,069)
Net carrying amount	560,769	53,285	5,174	47,057	61,014	93,211	820,510

Amortisation of land lease payment of approximately RMB4,850,000 during the construction period was capitalised as part of the construction cost of the store in Nanshan District and included in the above addition of construction in process.

The Group's land and buildings are held under medium term leases and are situated in Mainland China. Details of the Group's land and buildings pledged to secure the Group's interest-bearing bank loans are set out in note 30(a).

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fittings and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost	748,255	204,833	12,530	166,653	199,755	32,050	1,364,076
Accumulated depreciation and impairment	(196,236)	(133,563)	(7,131)	(99,942)	(86,813)	(6,609)	(530,294)
Net carrying amount	552,019	71,270	5,399	66,711	112,942	25,441	833,782
At 1 January 2007, net of accumulated depreciation and impairment	552,019	71,270	5,399	66,711	112,942	25,441	833,782
Additions	3,275	98	941	3,229	4,297	7,042	18,882
Acquisition of a subsidiary	28,139	2,035	254	224	–	2,900	33,552
Reversal of impairment	–	–	838	–	–	–	838
Disposals	(2,929)	(24)	(1,090)	(1,023)	(4,733)	(129)	(9,928)
Depreciation provided during the period	(13,124)	(6,790)	(702)	(10,130)	(16,068)	–	(46,814)
Transfers	–	–	–	128	6,070	(6,198)	–
At 30 June 2007, net of accumulated depreciation and impairment	567,380	66,589	5,640	59,139	102,508	29,056	830,312
Additions	35,929	16	248	2,170	4,518	34,529	77,410
Transfer to investment properties (note 16)	(6,077)	–	–	–	–	–	(6,077)
Disposals	(8,941)	(624)	(527)	(4)	(76)	(28)	(10,200)
Disposal of subsidiaries	(690)	–	–	(1,038)	(15,232)	(132)	(17,092)
Depreciation provided during the period	(15,561)	(6,700)	(797)	(8,142)	(17,771)	–	(48,971)
Transfers	1,365	348	–	(128)	3,723	(5,308)	–
At 31 December 2007, net of accumulated depreciation and impairment	573,405	59,629	4,564	51,997	77,670	58,117	825,382
At 31 December 2007:							
Cost	799,678	207,768	10,605	168,387	166,221	64,726	1,417,385
Accumulated depreciation and impairment	(226,273)	(148,139)	(6,041)	(116,390)	(88,551)	(6,609)	(592,003)
Net carrying amount	573,405	59,629	4,564	51,997	77,670	58,117	825,382

16. INVESTMENT PROPERTIES

		Group	
		30 June	31 December
		2008	2007
	Notes	**RMB'000**	RMB'000
Cost at 1 January, net of accumulated depreciation		**105,123**	109,626
Additions		**–**	2,470
Disposal of subsidiaries	33(b)	**(654)**	(7,566)
Transfer from property, plant and equipment	15	**–**	6,077
Depreciation provided during the period/year		**(2,741)**	(5,484)
At 30 June/31 December		**101,728**	105,123
At 30 June/31 December:			
Cost		**172,607**	173,261
Accumulated depreciation		**(70,879)**	(68,138)
Net carrying amount		**101,728**	105,123

The Group's investment properties are held under medium term leases and are situated in Mainland China. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a). Details of the Group's investment properties pledged to secure the Group's interest-bearing bank loans are set out in note 30(b).

At 30 June 2008, the fair value of the Group's investment properties was approximately RMB124,100,000, which was based on the valuation by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis.

17. LAND LEASE PREPAYMENTS

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Carrying amount at 1 January (i)	**583,144**	572,152
Acquisition of a subsidiary	**–**	5,517
Additions	**650,000**	40,366
Disposals	**–**	(5,900)
Disposal of subsidiaries	**–**	(1,362)
	1,233,144	610,773
Amortisation provided during the period/year	**(18,873)**	(27,629)
Carrying amount at 30 June/31 December	**1,214,271**	583,144

(i) Included in the carrying amount at 1 January 2008 is an amount of RMB213,209,000 which represents the land lease prepayments related to certain investment properties of the Group. The amount has been reclassified and included in the comparative amount of RMB572,152,000 at 1 January 2007 to conform with the current period's presentation. The reclassification of the amount has no impact on the Group's net profit and equity.

The Group's leasehold land is held under a medium term lease and is situated in Mainland China.

Details of the Group's leasehold land pledged to secure the Group's interest-bearing bank loans are set out in note 30(c).

The land use right certificate for a piece of land located at Mianyang, Sichuan, the PRC with carrying amount of approximately RMB39,777,000 as at 30 June 2008 (31 December 2007: RMB40,282,000) has not yet been issued to the Group by the relevant PRC authorities. The Group are in the process of obtaining the relevant land use right certificate.

Included in the amortisation provided during the period is an amount of approximately RMB4,850,000 which was capitalised as part of the construction cost of the store in Nanshan District, further details of capitalisation are included in note 15.

18. GOODWILL

		Group	
		30 June 2008	31 December 2007
	Note	**RMB'000**	RMB'000
At 1 January, net of accumulated impairment		**45,286**	45,114
Acquisition of a subsidiary		**–**	174
Acquisition of an additional interest in a subsidiary		**–**	198
Impairment during the period/year	9	**–**	(200)
At 30 June/31 December		**45,286**	45,286
At 30 June/31 December:			
Cost		**46,255**	46,255
Accumulated impairment		**(969)**	(969)
Net carrying amount		**45,286**	45,286

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the following three cash-generating units ("CGUs"), which are reportable segments, for impairment testing:

- the CGU of the operation of department stores;
- the CGU of the sale of automobiles; and
- the CGU of other segments.

18. GOODWILL (Continued)

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	Operation of department stores RMB'000	Sale of automobiles RMB'000	Other segments RMB'000	Total RMB'000
At 30 June 2008	35,954	17	9,315	45,286
At 31 December 2007	35,954	17	9,315	45,286

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections ranged from 7% to 10% (2007: 7% to 10%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from 5% to 10% (2007: 5% to 10%). The growth rates do not exceed the projected long term average growth rates for the operation of department stores and sale of automobiles in Mainland China.

Key assumptions were used in the value in use calculation of the CGUs for 30 June 2008 and 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management has determined the budgeted gross margins based on past performance and its expectations for market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the respective units.

Purchase price inflation – Management has considered the possibility of increases in purchase price inflation ranged from 6% to 8% (2007: 6% to 8%).

19. INVESTMENTS IN SUBSIDIARIES

Company

	30 June 2008 RMB'000	31 December 2007 RMB'000
Unlisted shares, at cost	**143,788**	–

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB1,128,091,000 (31 December 2007: Nil) and RMB13,942,000 (31 December 2007: RMB12,023,000), respectively, are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and operation	Nominal value of issued and paid-up share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Maoye Department Store Holdings Limited (茂業百貨控股有限公司)	British Virgin Islands 11 September 2007	US$2/US$50,000	100	–	Investment holding
Maoye Department Stores (China) Limited ("Maoye China") (茂業百貨(中國)有限公司)	Hong Kong 7 December 1993	HK$100,000	–	100	Investment holding
Zhongzhao Commercial Market Development (Shenzhen) Co., Ltd. ("Zhongzhao Commercial") (中兆商業市場開發(深圳)有限公司) **	PRC/Mainland China 18 June 2004	HK$1,000,000	–	100	Investment holding
Zhongzhao Investment Management Co., Ltd. ("Zhongzhao Investment Management") (中兆投資管理有限公司) **	PRC/Mainland China 28 October 1997	RMB50,000,000	–	100	Investment holding
Dahua Investment (China) Limited ("Dahua Investment") (大華投資(中國)有限公司)	Hong Kong 28 May 2008	HK$100/HK$10,000	–	100	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ registration and operation	Nominal value of issued and paid-up share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenzhen Maoye Shangsha Co., Ltd. ("Maoye Shangsha") (深圳茂業商廈有限公司) **	PRC/Mainland China 31 January 1996	US$12,000,000	–	100	Investment holding and operation of a department store
Shenzhen Maoye Department Store Shennan Co., Ltd. ("Maoye Shennan") (深圳市茂業百貨深南有限公司) **	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Heping Maoye Department Store Co., Ltd. ("Heping Maoye") (深圳市和平茂業百貨有限公司) **	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. ("Maoye Huaqiangbei") (深圳市茂業百貨華強北有限公司) **	PRC/Mainland China 31 March 2003	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Oriental Times Department Store Co., Ltd. ("Maoye Oriental Times") (深圳市茂業東方時代百貨有限公司) **	PRC/Mainland China 8 August 2005	RMB1,200,000	–	100	Operation of a department store
Zhuhai Maoye Department Store Co., Ltd. ("Zhuhai Maoye") (珠海市茂業百貨有限公司) **	PRC/Mainland China 24 August 2001	RMB4,800,000	–	100	Operation of a department store
Chongqing Maoye **	PRC/Mainland China 27 August 2004	RMB30,000,000	–	100	Operation of a department store
Taiyuan Maoye Department Store Co., Ltd. ("Taiyuan Maoye") (太原茂業百貨有限公司) **	PRC/Mainland China 11 April 2008	RMB1,100,000	–	100	Operation of a department store
Chengshang Group Co., Ltd. ("Chengshang") (成商集團股份有限公司) *	PRC/Mainland China 31 December 1993	RMB203,148,000	–	66.77	Investment holding and operation of department stores

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ registration and operation	Nominal value of issued and paid-up share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chengdu Renmin Automobiles Co., Ltd. (成都人民車業有限責任公司)**	PRC/Mainland China 18 March 1998	RMB48,000,000	–	62.60	Investment holding
Chengdu Chengshang Motor Vehicle Co., Ltd. (成都成商汽車有限責任公司)**	PRC/Mainland China 26 May 2003	RMB6,000,000	–	66.77	Sale of automobiles and provision of the related repair and maintenance services
Chengdu Chengshang United Motor Vehicle Co., Ltd. (成都成商聯合汽車有限責任公司) **	PRC/Mainland China 23 September 2004	RMB6,000,000	–	66.77	Sale of automobiles and provision of the related repair and maintenance services
Chengdu People's Department Store (Group) Nanchong Chuanbei Co., Ltd. (成都人民商場(集團)南充川北有限公司) **	PRC/Mainland China 20 November 2001	RMB20,000,000	–	66.77	Operation of a department store
Chengdu People's Department Store (Group) Chunnan Co., Ltd. (成都人民商場(集團)春南有限公司)**	PRC/Mainland China 9 March 1998	RMB26,000,000	–	66.77	Operation of a department store
Chengdu People's Department Store (Group) Luzhou Chuannan Co., Ltd. (成都人民商場(集團)瀘州川南有限責任公司)**	PRC/Mainland China 26 August 2003	RMB3,000,000	–	60.09	Operation of a department store
E'mei Shan Chengshang Phoenix Co., Ltd. ("E'mei Shan Chengshang") (峨眉山成商鳳凰湖有限公司) **	PRC/Mainland China 11 March 1997	RMB33,730,000	–	53.42	Operation of a hotel and provision of ancillary services
Chengdu People's Department Store (Group) Mianyang Co., Ltd. ("Chengshang Mianyang") (成都人民商場(集團)綿陽有限公司)**	PRC/Mainland China 13 September 2007	RMB5,000,000	–	66.77	Operation of a department store

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ registration and operation	Nominal value of issued and paid-up share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chengshang Group Nanchong Commercial Co., Ltd. ("Nanchong Commercial") (成商集團南充商業有限公司 (原南充崇德實業有限公司)) **	PRC/Mainland China 11 April 2008	RMB5,000,000	–	66.77	Operation of a department store

* A subsidiary with its A shares listed on the Shanghai Stock Exchange in the PRC.

** Companies incorporated as limited liability companies under PRC law.

During the period, the Group acquired Nanchong Commercial from a fellow subsidiary of the Company. Further details of this acquisition are included in notes 33(a) and 37(1)(viii) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

	Group 30 June 2008 RMB'000	31 December 2007 RMB'000
Share of net assets	**27,297**	30,509

The Group's balances with its associates as at 30 June 2008 and 31 December 2007 are disclosed in note 37(2).

20. INTERESTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows:

Company name	Place and date of incorporation/ registration	Particulars of issued shares held	Percentage of ownership interest attributable to the Group Direct %	Indirect %	Principal activities
Yinchuan Broadcasting Network Co., Ltd. ("Yinchuan Broadcasting Network") (銀川廣播電視網絡有限公司 (原銀川新世紀廣播電視網絡有限責任公司))	PRC/Mainland China 8 July 2000	RMB20,000,000	–	18.25	Construction and maintenance of a television network
Chengdu People's Department Store (Group) Yibin Daguan Building Department Store Co., Ltd. ("Yibin Daguan Building") (成都人民商場(集團)宜賓大觀樓商場有限責任公司)	PRC/Mainland China 12 March 2002	RMB10,000,000	–	20.03	Operation of a department store
Guangyuan New Century Broadcasting Network Co., Ltd. ("Guangyuan New Century") (廣元市利州區新世紀廣電網絡有限公司(原廣元新世紀廣播電視網絡有限責任公司))	PRC/Mainland China 12 July 2000	RMB4,500,000	–	20.32	Construction and maintenance of a television network
Leshan Shawan New Century Broadcasting Network Construction Co., Ltd. ("Leshan Shawan New Century") (樂山市沙灣新世紀廣播電視網絡建設有限責任公司)	PRC/Mainland China 7 September 2000	RMB6,000,000	–	20.32	Construction and maintenance of a television network
Ya'an New Century Broadcasting Network Co., Ltd. ("Ya'an New Century") (雅安新世紀廣播電視信息網絡有限責任公司)	PRC/Mainland China 20 April 2000	RMB10,000,000	–	13.27	Construction and maintenance of a television network

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES (Continued)

The aggregate amounts of the assets, liabilities, revenue and profit/(loss) of the Group's associates attributable to the Group are as follows:

Name of associate	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) RMB'000
Six months ended 30 June 2008				
Yibin Daguan Building	**7,906**	**4,598**	**16,664**	**307**
Yinchuan Broadcasting Network	**14,819**	**2,993**	**348**	**(634)**
Guangyuan New Century	**7,539**	**5,380**	**2,106**	**(69)**
Leshan Shawan New Century	**6,155**	**1,976**	**1,082**	**10**
Ya'an New Century	**9,688**	**3,863**	**1,153**	**73**
	46,107	**18,810**	**21,353**	**(313)**
Year ended 31 December 2007				
Yibin Daguan Building	8,065	4,332	32,395	587
Yinchuan Broadcasting Network	15,822	1,813	4,133	2,089
Guangyuan New Century	7,493	5,265	2,106	50
Leshan Shawan New Century	6,322	1,977	2,027	189
Ya'an New Century	10,661	4,467	2,821	658
	48,363	17,854	43,482	3,573
Six months ended 30 June 2007				
Yibin Daguan Building	7,553	4,366	16,665	858
Yinchuan Broadcasting Network	15,450	3,998	403	(516)
Guangyuan New Century	7,143	4,936	1,093	29
Leshan Shawan New Century	6,268	1,947	857	–
Ya'an New Century	10,556	5,015	1,145	6
Chongqing Medicines Co., Ltd. （重慶醫藥股份有限公司）	1,034,950	961,221	253,259	186
	1,081,920	981,483	273,422	563

21. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Unlisted equity investments, at cost	**111,930**	111,930
Provision for impairment	**(5,735)**	(5,735)
	106,195	106,195

The unlisted equity investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for such equity investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

22. DEFERRED TAX

Movements in deferred tax assets are as follows:

Group	Deferred income RMB'000	Provisions and accruals RMB'000	Impairment of trade and other receivables RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2007	9,650	48,296	15,911	45,549	119,406
Effect on opening deferred tax of changes in rates	–	(5,508)	(15)	(3,445)	(8,968)
Disposal of subsidiaries	–	(8,196)	–	–	(8,196)
Deferred tax credited/(charged) to the consolidated income statement during the year	(9,650)	(26,417)	381	(14,965)	(50,651)
At 31 December 2007	–	8,175	16,277	27,139	51,591
Deferred tax credited/(charged) to the consolidated income statement during the period (note 11)	–	106	(2,073)	(14,511)	(16,478)
At 30 June 2008	–	8,281	14,204	12,628	35,113

22. DEFERRED TAX (Continued)

The Group had tax losses of approximately RMB71,281,000 as at 30 June 2008 (31 December 2007: RMB132,947,000), that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of approximately RMB17,394,000 as at 30 June 2008 (31 December 2007: RMB12,875,000) as they have arisen in subsidiaries that have been loss-making for some time and there is insufficient convincing evidence that sufficient taxable profits will be available to allow the utilisation of the carryforward of tax losses before they expire in five years.

Movements in deferred tax liability are as follows:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000
At 1 January 2007	117,919
Deferred tax credited to the consolidated income statement during the year	(7,877)
At 31 December 2007	110,042
Deferred tax credited to the consolidated income statement during the period (note 11)	(2,984)
At 30 June 2008	107,058

23. INVENTORIES

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Merchandise for resale	**112,773**	122,612
Provision against slow-moving inventories	**(10,055)**	(9,481)
	102,718	113,131

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Listed equity investments	**9,512**	11,573

The market value of the Group's listed equity investments as at 30 June 2008 was approximately RMB7,332,000 at the close of business of the nearest trading day in the year to the date of this report.

25. TRADE RECEIVABLES

The Group's revenue from the direct sales of merchandise and sale of automobiles are mainly on a cash basis. The credit terms offered to customers of the Group's other businesses are generally two months.

An aged analysis of the trade receivables, based on the invoice dates, is as follows:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 60 days	**1,271**	3,438
61 to 90 days	**276**	1,161
91 to 180 days	**428**	3,944
181 to 270 days	**1,161**	322
271 to 360 days	**3,944**	95
Over 360 days	**3,211**	2,794
	10,291	11,754
Impairment of trade receivables	**(7,659)**	(7,816)
	2,632	3,938

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
At 1 January	**7,816**	5,752
Impairment losses recognised/(reversed) during the period/year (note 9)	**(157)**	2,351
Amount written off during the period/year	**–**	(287)
At 30 June/31 December	**7,659**	7,816

Included in the above provision for impairment of trade receivables as at 30 June 2008 is a provision for individually impaired trade receivables of approximately RMB7,659,000 (31 December 2007: RMB7,816,000) with a carrying amount of approximately RMB7,659,000 (31 December 2007: RMB7,816,000). The individually impaired trade receivables relate to customers that were in financial difficulties or in default in payments. The Group does not hold any collateral or other credit enhancements over these balances.

25. TRADE RECEIVABLES (Continued)

The aged analysis of the trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired 61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2008	2,632	1,271	276	428	657	–	–
31 December 2007	3,938	3,438	500	–	–	–	–

The trade receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

The trade receivables that were past due but not impaired relate to a number of independent customers. The directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

26. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**47,040**	4,543	**–**	–
Current assets				
Prepayments	**84,139**	125,840	**–**	7,438
Other receivables	**114,426**	134,094	**2,192**	–
	198,565	259,934	**2,192**	7,438
Impairment of other receivables	**(36,528)**	(35,783)	**–**	–
	162,037	224,151	**2,192**	7,438

Included in the Group's prepayments and other receivables under current assets as at 30 June 2008 are prepayments for operating lease rental expenses of RMB54,954,000 covering the period from July to December 2008 and rental deposits of RMB13,877,000, which were paid to certain fellow subsidiaries of the Company.

26. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Movements in the provision for impairment of other receivables are as follows:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
At 1 January	**35,783**	34,645
Acquisition of a subsidiary	**–**	3,406
Impairment losses recognised/(reversed) during the period/year (note 9)	**745**	(760)
Amount written off during the period/year	**–**	(1,508)
At 30 June/31 December	**36,528**	35,783

Included in the above provision for impairment of other receivables as at 30 June 2008 is a provision for individually impaired other receivables of approximately RMB36,528,000 (31 December 2007: RM35,783,000) with a carrying amount of approximately RMB36,528,000 (31 December 2007: RM35,783,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default in payments. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of the remaining other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Note	**30 June 2008 RMB'000**	31 December 2007 RMB'000	**30 June 2008 RMB'000**	31 December 2007 RMB'000
Cash and bank balances		**516,705**	362,577	**6,299**	–
Time deposits		**2,336,038**	29,000	**1,169,035**	–
		2,852,743	391,577	**1,175,334**	–
Less: Pledged time deposits for bank loans	30(d)	**(367,876)**	(29,000)	**–**	–
Cash and cash equivalents		**2,484,867**	362,577	**1,175,334**	–

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

The Group's cash and cash equivalents and pledged deposits were denominated in the following currencies:

	Group		Company
	30 June 2008 RMB'000	31 December 2007 RMB'000	**30 June 2008 RMB'000**
RMB	**534,449**	376,228	**–**
Hong Kong dollar	**77,519**	14,829	**76,613**
United States dollar	**2,240,775**	520	**1,098,721**
	2,852,743	391,577	**1,175,334**

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

28. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 90 days	**498,339**	683,714
91 to 180 days	**101,883**	60,655
181 to 360 days	**39,177**	26,558
Over 360 days	**56,353**	69,327
	695,752	840,254

The trade payables are non-interest-bearing and are normally settled within 90 days.

29. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	**30 June 2008 RMB'000**	31 December 2007 RMB'000
Deferred income	**175,818**	181,764	**–**	–
Deposits received	**88,873**	83,474	**–**	–
Accrued operating lease rental expenses	**60,810**	69,294	**–**	–
Accrued utilities	**5,914**	7,369	**–**	–
Accrued liabilities	**6,714**	10,434	**2,950**	6,745
Accrued staff costs	**19,406**	17,073	**221**	–
Provision for coupon liabilities	**6,397**	4,136	**–**	–
Value-added tax and other tax payables	**8,955**	22,244	**–**	–
Other payables	**102,991**	88,141	**24,271**	–
	475,878	483,929	**27,442**	6,745

The other payables are non-interest-bearing and will generally be mature within one year.

30. INTEREST-BEARING BANK LOANS

	Effective floating interest rate	Maturity	Group 30 June 2008 RMB'000	Group 31 December 2007 RMB'000
Current				
Interest-bearing bank loans – secured	6.57%-8.964%	2008-2009	**493,300**	354,300
Interest-bearing bank loans – unsecured			**–**	10,000
Current portion of long term interest-bearing bank loans – secured	7.38%-7.83%	2008-2009	**81,462**	246,081
			574,762	610,381
Non-current				
Long term interest-bearing bank loans – secured	7.38%-7.83%	2009-2017	**746,086**	786,712
			1,320,848	1,397,093

30. INTEREST-BEARING BANK LOANS (Continued)

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Repayable:		
Within one year	**574,762**	610,381
In the second year	**83,562**	83,041
In the third to fifth years, inclusive	**265,032**	262,192
Beyond five years	**397,492**	441,479
	1,320,848	1,397,093

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB360,629,000 (31 December 2007: RMB396,686,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB75,064,000 (31 December 2007: RMB77,255,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB120,734,000 (31 December 2007: RMB123,283,000); and

(d) the pledge of certain of the Group's time deposits amounting to RMB367,876,000 (31 December 2007: RMB29,000,000).

In addition, Mr. Huang Mao Ru and Mrs. Huang Jingzhang issued guarantees jointly in favour of banks in respect of bank loans granted to the Group of RMB1 billion on 19 August 2008.

The Group had no undrawn banking facilities as at 30 June 2008 and 31 December 2007.

The carrying amounts of the bank loans approximate to their fair values.

31. ISSUED CAPITAL

	30 June 2008 HK$'000	31 December 2007 HK$'000
Authorised:		
9,000,000,000 (31 December 2007: 3,800,000) ordinary shares of HK$0.10 each	**900,000**	380
Issued and fully paid		
5,139,856,000 (31 December 2007: 1) ordinary shares of HK$0.10 each	**513,986**	–
Equivalent to RMB'000	**461,587**	–

The following changes in the Company's authorised and issued share capital took place during the period:

	Notes	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Authorised:				
On incorporation	(a)	3,800,000	380	367
As at 31 December 2007		3,800,000	380	367
Increase in authorised share capital	(c)	8,996,200,000	899,620	839,255
As at 30 June 2008		9,000,000,000	900,000	839,622
Issued:				
Allotted and issued for cash on incorporation	(b)	1	–	–
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	(d)	4,249,999,999	–	–
Pro forma share capital as at 31 December 2007		4,250,000,000	–	–
Capitalisation of the share premium account as set out above	(d)	–	425,000	381,693
Issuance of new shares for the global offering	(e)	863,000,000	86,300	77,506
Issuance of new shares upon exercise of the Over-Allotment Option	(f)	26,856,000	2,686	2,388
As at 30 June 2008		5,139,856,000	513,986	461,587

31. ISSUED CAPITAL (Continued)

Notes:

(a) On incorporation of the Company, the authorised share capital of the Company was HK$380,000 divided into 3,800,000 shares of HK$0.10 each.

(b) On 8 August 2007, one share of HK$0.10 each was allotted and issued for cash.

(c) Pursuant to the resolution passed on 10 January 2008, the authorised share capital of the Company was increased from HK$380,000 to HK$900,000,000 by the creation of additional 8,996,200,000 shares of HK$0.10 each.

(d) Pursuant to the resolutions passed on 17 April 2008, an aggregate of 4,249,999,999 shares of HK$0.10 each of the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of the sum of HK$425,000,000 from the share premium account, to the then existing shareholders of the Company, whose names appeared in the register of the Company at the close of business on 11 April 2008, in proportion to their respective shareholdings. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (e) below.

(e) In connection with the Company's initial public offering, 863,000,000 shares of HK$0.10 each were issued at a price of HK$3.10 per share for a total cash consideration, before listing expenses, of HK$2,675,300,000. Dealings in these shares on the Stock Exchange commenced on 5 May 2008.

(f) Pursuant to the international underwriting agreement dated 25 April 2008, the Company granted an option (the "Over-allotment Option") to the international underwriters, exercisable by Goldman Sachs (Asia) L.L.C. ("Goldman Sachs") in consultation with the joint bookrunners on behalf of the international underwriters at the sole and absolute discretion of Goldman Sachs, whereby the Company was required to allot and issue up to an aggregate of 129,450,000 additional shares to cover over allocation in the international offering. The exercise price per share for the Over-allotment Option is HK$3.10. On 23 May 2008, the Over-allotment Option was exercised and, as a result, the Company issued 26,856,000 additional shares. Dealings in these shares on the Stock Exchange commenced on 28 May 2008.

The proceeds of HK$2,685,600, representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$80,568,000 have been credited to the share premium account.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current period and prior year are presented in the consolidated statement of changes in equity of the financial statements.

The contributed surplus of the Group represents the difference of RMB77,000 being the excess of the nominal value of the shares and contributed surplus of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Proposed interim dividend RMB'000	Total RMB'000
On incorporation		–	–	–	–	–	–
Loss for the period		–	–	–	(11,330)	–	(11,330)
At 31 December 2007		–	–	–	(11,330)	–	(11,330)
Arising from the Reorganisation		–	152,671	–	–	–	152,671
Capitalisation issue of shares	31(d)	(381,693)	–	–	–	–	(381,693)
Issuance of new shares for the global offering	31(e)	2,325,241	–	–	–	–	2,325,241
Issuance of new shares upon exercise of the Over-allotment Option	31(f)	71,641	–	–	–	–	71,641
Listing expenses for issue of new shares		(139,820)	–	–	–	–	(139,820)
Profit for the period		–	–	–	60,073	–	60,073
Exchange realignment		–	–	(57,741)	–	–	(57,741)
Dividend paid during the period	13	–	–	–	(72,608)	–	(72,608)
Proposed interim dividend	13	–	–	–	(148,583)	148,583	–
As at 30 June 2008		1,875,369	152,671	(57,741)	(172,448)	148,583	1,946,434

The contributed surplus of the Company represents the difference between the cost of investments in subsidiaries pursuant to the Reorganisation and the nominal value of the Company's shares issued.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Acquisition of a subsidiary

On 14 June 2008, the Group acquired the entire equity interest in Nanchong Commercial from a fellow subsidiary of the Company. Further details of the acquisition are included in note 37(1)(viii) to the financial statements. The purchase consideration for the acquisition was in the form of cash, with RMB4,994,000 paid on 25 June 2008.

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Assets and liabilities of a subsidiary acquired:		
Property, plant and equipment	**–**	33,552
Land lease prepayments	**–**	5,517
Cash and cash equivalents	**3**	185
Trade receivables	**–**	458
Prepayments, deposits and other receivables	**42,558**	1,495
Due to a fellow subsidiary	**(37,567)**	–
Inventories	**–**	374
Interest-bearing bank loans	**–**	(5,500)
Trade payables	**–**	(58)
Deposits received, accruals and other payables	**–**	(3,206)
Minority interests	**–**	(6,601)
	4,994	26,216
Goodwill on acquisition	**–**	174
	4,994	26,390
Satisfied by:		
Cash	**4,994**	12,517
Other receivables	**–**	5,264
Interests in associates	**–**	8,609
	4,994	26,390

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(a) Acquisition of a subsidiary (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Cash consideration paid	**4,994**	12,517
Cash and cash equivalents acquired	**(3)**	(185)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**4,991**	12,332

Nanchong Commercial was established on 11 April 2008 and did not commence operation during the period. Accordingly, there has been no effect on the results of operations of the Group since its acquisition.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(b) Disposal of subsidiaries

	Notes	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Net assets disposed of:			
Investment properties	16	**654**	–
Properties under development		**–**	145,983
Cash and cash equivalents		**–**	6,105
Prepayments and other receivables		**397**	38,104
Inventories		**–**	4,957
Deposits received, accruals and other payables		**–**	(19,838)
Due to related parties		**–**	(155,529)
Minority interests		**–**	(6,000)
		1,051	13,782
Gain on disposal of subsidiaries	6	**2,210**	218
		3,261	14,000
Satisfied by:			
Cash		**3,261**	–
Due from related parties		**–**	14,000
		3,261	14,000

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Cash consideration	**3,261**	–
Cash and cash equivalents disposed of	**–**	(6,105)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**3,261**	(6,105)

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) and subleases its leased assets under operating lease arrangements, with leases negotiated for terms ranging from 1 to 15 years.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year	**88,161**	78,669
In the second to fifth years, inclusive	**94,313**	95,337
After five years	**15,708**	9,613
	198,182	183,619

(b) As lessee

The Group leases certain of its department stores and office premises under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from 3 to 40 years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year	**124,927**	124,849
In the second to fifth years, inclusive	**490,056**	491,191
After five years	**620,758**	682,089
	1,235,741	1,298,129

35. COMMITMENTS

In addition to the operating lease commitments as set out in note 34(b) above, the Group had the following capital commitments:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Contracted, but not provided for, in respect of land and buildings	**518,237**	25,680

On 24 June 2008, Taiyuan Maoye agreed to purchase from an independent third party, Shanxi Province Sanjin Construction and Development Limited Company（山西省三晉建設開發有限責任公司）a six-storey department store building and related fixtures and fittings located in Taiyuan Municipal, Shanxi Province, the PRC for an aggregate cash consideration of RMB480,000,000. The amount has been included in the capital commitment of the Group as at 30 June 2008.

36. CONTINGENT LIABILITIES

Chengshang is a public company with its A shares listed on the Shanghai Stock Exchange. As at 31 December 2006, all non-tradable shares of Chengshang were converted to tradable shares through the implementation of a capital restructuring plan which was approved by the shareholders of Chengshang on 31 May 2006. According to the capital restructuring plan, Maoye Shangsha has undertaken to transfer 2,554,201 additional shares to the holders of the tradable shares of Chengshang in the event that one of the following incidents occurs:

(i) the statutory net profit of Chengshang for the year ending 31 December 2008 is less than RMB80 million;

(ii) a qualified audit opinion is issued for the statutory financial statements of Chengshang for the year ending 31 December 2008; or

(iii) the abovementioned statutory financial statements cannot be issued before the statutory timeline.

37. RELATED PARTY TRANSACTIONS AND BALANCES

(1) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
(a) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye (Group) Co., Ltd. (深圳茂業(集團)股份有限公司) (i) & (iii)	**9,868**	9,868
Zhong Zhao Investment (Group) Limited ("Zhongzhao Investment Group") (中兆投資(集團)有限公司) (i) & (iii)	**3,625**	3,625
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (iii)	**27,345**	27,345
Shenzhen Chongde Real Estate Co., Ltd. (深圳市崇德地產有限公司) (i) & (iii)	**212**	212
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (iii)	**3,152**	3,152
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (iii)	**8,044**	8,044
	52,246	52,246
Management fee income from the operation of department stores:		
Chongqing Jiefangbei Maoye Department Store Co., Ltd. (重慶解放碑茂業百貨有限公司) (i) & (iv)	**160**	–
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (iv)	**937**	–
Wuxi Maoye Baifu Supermarket Co., Ltd. (無錫茂業百福超級市場有限公司) (i) & (iv)	**502**	–
	1,599	–
Sales of goods to an associate:		
Chengdu People's Department Store Huanghe Commercial City Co., Ltd. ("Chengshang Huanghe") (成都人民商場黃河商業城有限責任公司) (v)	**5,801**	11,247

37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period: (Continued)

	Six months ended 30 June 2008 RMB'000	2007 RMB'000
(b) Non-recurring transactions		
Bank loans secured by the properties of:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (vi)	–	80,000
Maoye (Shenzhen) Real Estate Development Co., Ltd. (茂業(深圳)房地產開發有限公司) (i) & (vi)	–	17,500
Shenzhen Chongde Real Estate Co., Ltd. (i) & (vi)	–	64,500
Shenzhen Maoye Property Business Co., Ltd. (i) & (vi)	–	180,000
Zhongzhao Industry (Shenzhen) Co., Ltd. (中兆實業(深圳)有限公司) (i) & (vi)	–	105,000
	–	447,000
Bank loans guaranteed by:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (vi), Mr. Huang Mao Ru and Mrs. Huang Jingzhang (ii) & (vi) jointly and severally	–	196,325
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (vi)	–	496,481
	–	692,806
Guarantees issued in favour of banks in respect of bank loans granted to:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (vii)	–	220,000

(i) They are fellow subsidiaries of the Company.

(ii) They are directors of the Company.

(iii) The operating lease rental expenses charged by the fellow subsidiaries of the Company were determined based on prices available to third party tenants.

(iv) The management fee income from the operation of the department stores was determined based on the underlying contracts as agreed between the Group and the fellow subsidiaries of the Company.

37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period: (Continued)

(v) These transactions were conducted in accordance with terms agreed between the Group and its associate.

(vi) Certain of the Group's bank loans were secured by the properties of certain fellow subsidiaries of the Company or guaranteed jointly and severally by a fellow subsidiary of the Company, Mr. Huang Mao Ru and Mrs. Huang Jingzhang. The directors confirm that the security over the properties and the guarantees were fully released subsequent to 31 December 2007.

(vii) The Group issued guarantees in favour of banks in respect of bank loans granted to a fellow subsidiary of the Company. The directors confirm that the guarantees were released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

In addition to the above transactions, the Group had the following transactions with related parties:

(viii) During the period, the Group acquired a subsidiary, Nanchong Commercial, from a subsidiary of the Company's ultimate holding company for RMB4,994,000, based on the valuation performed by Zhongxinhua Certified Public Accountants Co., Ltd., a firm of independent professionally qualified valuers, on an open market, existing use basis. Further details of the transaction are included in note 33(a) to the financial statements.

37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) The Group had the following balances with related parties:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Due from related parties		
Due from associates	**118,776**	125,093
Due from fellow subsidiaries	**1,599**	979,792
	120,375	1,104,885
Impairment of amounts due from associates	**–**	(3,870)
	120,375	1,101,015
Due to related parties		
Due to associates	**2,877**	1,905
Due to fellow subsidiaries	**1,443**	56,731
	4,320	58,636

Included in the balance due from associates as at 30 June 2008 is an amount due from Chengshang Huanghe, which represents an aggregate payment of RMB116 million (the "Payment") made by Chengshang under the guarantees for certain bank loans borrowed by Chengshang Huanghe. Chengshang had not received any payment and Chengdu Zhongfa Huanghe Industrial Co., Ltd. ("Zhongfa") (中發黃河實業有限公司), an independent third party which provided counter-guarantee for this amount in the form of real property collateral, was sued by Chengshang under the counter-guarantee to recover the Payment. The court ruled for Chengshang in a number of judgements during the period from June 2005 to May 2007, and has further seized the real property collateral provided by Zhongfa for auction in payment of the judgement award. Mr. Huang Mao Ru, MOY International Holding Limited and Maoye Department Store Investment Limited, which are ultimately controlled by Mr. Huang Mao Ru, have undertaken to indemnify the Group on 17 April 2008 against any losses arising from this litigation.

37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) The Group had the following balances with related parties: (Continued)

Movements in the provision for impairment of amounts due from associates are as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
At 1 January	**3,870**	–
Impairment losses/(reversal of impairment losses) (note 9)	**(3,870)**	3,870
At 30 June/31 December	**–**	3,870

Included in the balances due from fellow subsidiaries as at 30 June 2008 is an aggregate amount of approximately RMB1,599,000 (31 December 2007: RMB1,035,000) which is trade in nature, unsecured, interest-free and repayable on demand. The remaining balances with the fellow subsidiaries and other related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of the remaining balances with related parties that were neither past due nor impaired relate to related parties for whom there was no recent history of default.

An aggregate amount of approximately RMB979,792,000 due from the fellow subsidiaries of the Company and an aggregate amount of approximately RMB56,731,000 due to the fellow subsidiaries of the Company as at 31 December 2007 were fully settled subsequent to 31 December 2007.

The carrying amounts of the balances with related parties approximate to their fair values.

(3) Compensation of key management

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Salaries and allowances	**2,972**	1,426
Retirement benefits	**88**	48
	3,060	1,474

Further details of directors' remunerations are included in note 7.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, amounts due from/to related parties, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates and time deposits with fixed interest rates which are short term.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 30 above.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) and the Group's equity during the period/year.

Group

	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
30 June 2008			
RMB	**+100**	**(3,749)**	**(2,924)**
US$	**+100**	**(1,780)**	**(1,460)**
HK$	**+100**	**(58)**	**(48)**
		(5,587)	**(4,432)**
RMB	**-100**	**3,749**	**2,924**
US$	**-100**	**1,780**	**1,460**
HK$	**-100**	**58**	**48**
		5,587	**4,432**
31 December 2007			
RMB	+100	(13,758)	(10,822)
RMB	-100	13,758	10,822

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain bank balances denominated in Hong Kong Dollars ("HK$") and United States Dollars ("US$"). The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US$, HK$ and RMB exchange rate, with all other variables held constant, of the Group's equity. Bank balances denominated in HK$ and US$ were held by the Company and its subsidiaries located in Hong Kong, whose functional currency was HK$. A reasonably possible change in the US$, HK$ and RMB exchange rate would have no material impact on the Group's profit or loss during the period/year.

Group

	Increase/ decrease rate %	Effect on equity RMB'000
30 June 2008		
If US$ weakens against RMB	**-5%**	**(112,039)**
If HK$ weakens against RMB	**-5%**	**(3,876)**
If US$ strengthens against RMB	**+5%**	**112,039**
If HK$ strengthens against RMB	**+5%**	**3,876**
31 December 2007		
If US$ weakens against RMB	-5%	(26)
If HK$ weakens against RMB	-5%	(741)
If US$ strengthens against RMB	+5%	26
If HK$ strengthens against RMB	+5%	741

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale equity investments, amounts due from associates, other receivables, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 25 and 26 above.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its working capital requirements.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of financial liabilities as at 30 June 2008 and 31 December 2007, based on the contracted undiscounted payments, was as follows:

Group

	30 June 2008			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	–	695,752	–	695,752
Other payables (note 29)	–	102,991	–	102,991
Interest-bearing bank loans	–	662,361	992,988	1,655,349
Due to related parties	4,320	–	–	4,320
	4,320	1,461,104	992,988	2,458,412

Group

	31 December 2007			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	–	840,254	–	840,254
Other payables (note 29)	–	88,141	–	88,141
Interest-bearing bank loans	–	682,241	1,063,958	1,746,199
Due to related parties	58,636	–	–	58,636
	58,636	1,610,636	1,063,958	2,733,230

Company

	30 June 2008			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Other payables (note 29)	–	24,271	–	24,271
Due to subsidiaries	13,942	–	–	13,942
	13,942	24,271	–	38,213

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	31 December 2007			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Due to subsidiaries	12,023	–	–	12,023

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives or policies during the period.

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. Net debt is calculated as interest-bearing bank loans less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at 30 June 2008 and 31 December 2007 are as follows:

	Group	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Interest-bearing bank loans	**1,320,848**	1,397,093
Less: Cash and cash equivalents and pledged deposits	**(2,852,743)**	(391,577)
	(1,531,895)	1,005,516
Net debt	**–**	1,005,516
Capital	**2,713,438**	200,758
Capital and net debt	**2,713,438**	1,206,274
Gearing ratio	**–**	83%

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as equity investments at fair value through profit or loss (note 24). The Group's listed equity investments are listed on the Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the balance sheet dates.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the period/year to the balance sheet date, and their respective highest and lowest points during the period/year were as follows:

Group

	30 June 2008	**Six months ended 30 June 2008 High/low**	31 December 2007	Year ended 31 December 2007 High/low
Shenzhen – A Share Index	**830**	**1,667/789**	1,520	1,629/572
Shanghai – A Share Index	**2,870**	**5,796/2,825**	5,521	6,395/2,744

The following table demonstrates the sensitivity to every 5% change in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at 30 June 2008 and 31 December 2007.

Group

	Carrying amount of listed equity investments RMB'000	**Increase/ decrease in profit before income tax** RMB'000
30 June 2008		
Equity investments listed in:		
Shenzhen	**1,429**	**68**
Shanghai	**8,559**	**408**
31 December 2007		
Equity investments listed in:		
Shenzhen	2,508	120
Shanghai	9,644	459

39. POST BALANCE SHEET EVENTS

The following significant post balance sheet events took place subsequent to 30 June 2008:

(1) On 1 July 2008, Chengshang and Chengdu Chengshang Industry (Holding) Co., Ltd.（成都成商實業（控股）有限公司）disposed of the entire equity interest in Chengdu Boluo Trading Co., Ltd.（成都博洛貿易有限公司）to two independent third parties, for an aggregate cash consideration of RMB1,630,400 as agreed between the parties.

(2) On 15 July 2008, Chengshang set up a new wholly-owned subsidiary, Chengdu Chengshang Estate Co., Ltd.（成都成商地產有限公司）, with a registered share capital of RMB8,000,000 in Chengdu, Sichuan Province, the PRC.

(3) On 8 August 2008, Zhongzhao Investment Management agreed to purchase from an independent third party, Qin Huang Dao City Jinhe Property Development Company Limited（秦皇島市金和房地產開發有限公司）a seven-storey department store building (including two levels of basement) and related fixtures and fittings at Qin Huang Dao City at an aggregate cash consideration of RMB290,000,000.

(4) On 15 August 2008, Zhongzhao Investment Management set up a new wholly-owned subsidiary, Dongguan Houjie Maoye Department Store Co., Ltd.（東莞市厚街茂業百貨有限公司）, with a registered share capital of RMB1,000,000 in Dongguan, Guangdong Province, the PRC.

(5) Subsequent to 30 June 2008, there were significant falls in many major international stock markets, including the exchanges on which the Group's listed equity investments are traded. Further details of the market values of the Group's listed equity investments are included in note 24 above. The decline in the carrying amounts of the listed equity investments subsequent to 30 June 2008 and up to the date of this report has not been reflected in the financial statements.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2008.