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

ANNUAL REPORT 2008

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") are principally engaged 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").

The Group is a leading department store chain in the affluent regions of southern and southwestern China, operating 19 stores (including ten Maoye-branded stores and nine Chengshang-branded stores) across ten cities. The store chain covers four areas, including southern, eastern, northern and southwestern parts of China.

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

This Annual Report, in both English and Chinese versions, is available on the Company's website at www.maoye.cn.

Shareholders who have chosen to receive the corporate communications of the Company (the "Corporate Communications") in either the English version or the Chinese version may request for a copy in the other language. The Annual Report in the requested language will be sent free of charge by the Company upon request.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Contents

Mission Statement

To become a leading department store chain operator in China

Maoye Culture

Core Value: Create wealth for society, Add value for our clients, Offer opportunities for our employees

Code of Conduct: Unity, Standardisation, Honesty and Efficiency

Service Philosophy: Provide sincere service every day

Talent Concept: Nurture talents by giving them opportunities

Business Positioning: A promoter of stylish lifestyle

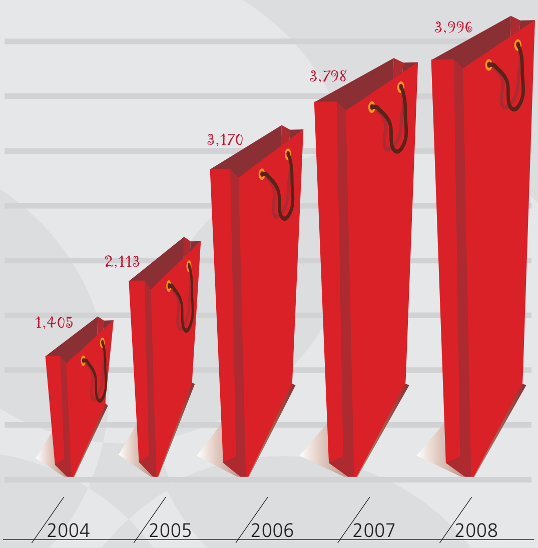
Financial Highlights

Summary of the Group's results, assets, liabilities and equity for the last five financial years is set out below:

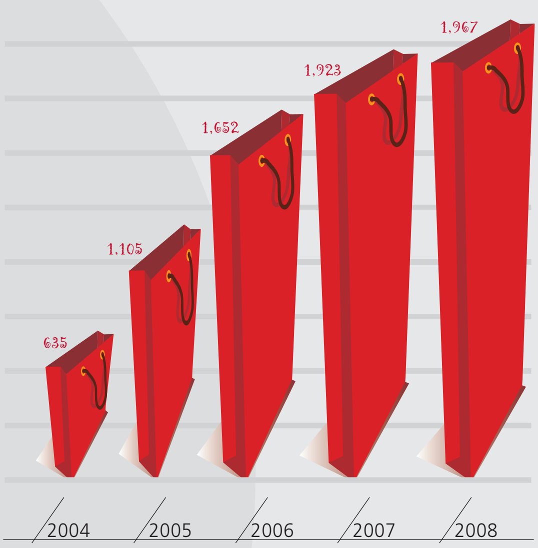
OPERATING RESULTS

	For the year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total sales proceeds[1]	**3,995,748**	3,797,578	3,169,972	2,113,266	1,405,367
Total operating income[2]	**1,967,435**	1,922,939	1,651,702	1,105,007	634,568
Operating profit	**740,478**	643,222	233,097	155,241	253,485
Operating profit excluding non-recurring items	**662,157**	559,276	251,579	151,119	224,506
Profit for the year	**543,318**	444,088	177,932	117,102	218,860
Profit attributable to:					
– Equity holders of the parent	**520,969**	416,999	217,059	136,759	218,860
– Minority interests	**22,349**	27,089	(39,127)	(19,657)	–
Total dividend per share for the year (HK cents)	**5.5**	N/A	N/A	N/A	N/A
Basic earnings per share (RMB)[3]	**0.11**	0.10	0.05	0.03	0.06

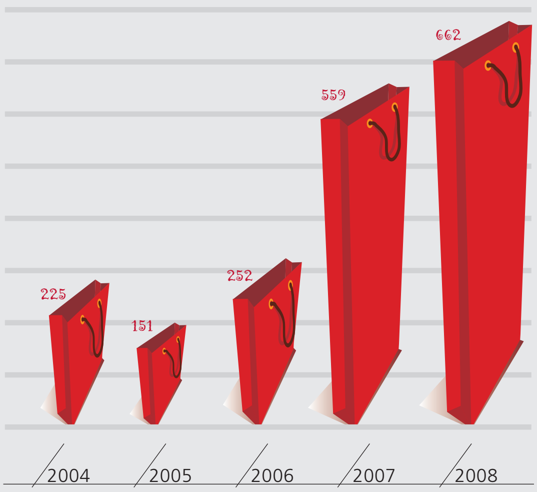
Total sales proceeds



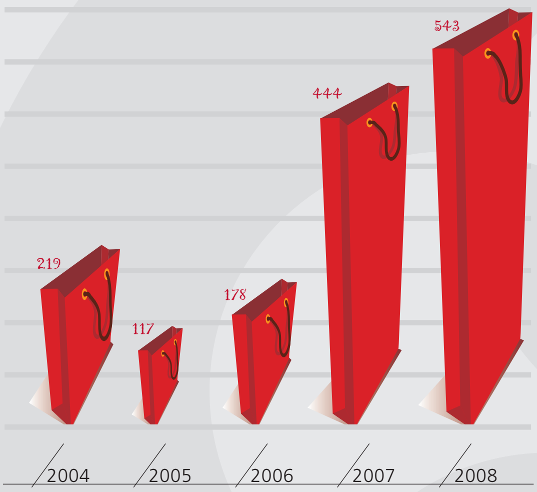
Total operating income



Operating profit excluding non-recurring items



Profit for the year



HIGHLIGHTS OF BALANCE SHEET

	As at 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**5,500,861**	3,597,158	4,204,311	3,572,199	1,500,704
Total liabilities	**2,359,756**	3,135,672	3,068,228	2,628,620	947,565
Total equity	**3,141,105**	461,486	1,136,083	943,579	553,139
– attributable to equity holders of the parent	**2,843,246**	200,758	900,306	683,820	547,139
– Minority interests	**297,859**	260,728	235,777	259,759	6,000

Notes:

1. Total sales proceeds represent the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the department stores of the Group.

2. Total operating income represents the sum of the Group's revenue and other income.

3. The calculation of basic earnings per share for the year ended 31 December 2008 is based on the net profit attributable to equity holders of the parent of approximately RMB520,969,000 and the weighted average of 4,834,255,760 shares in issue during the year.

   The calculation of basic earnings per share for the year 2004, 2005, 2006 and 2007 is based on the profit for the year attributable to the equity holders of the parent for each year and the assumption that 4,250,000,000 shares has been issued by the Company immediately after the completion of the capitalisation issue and during these years.

Retail Network

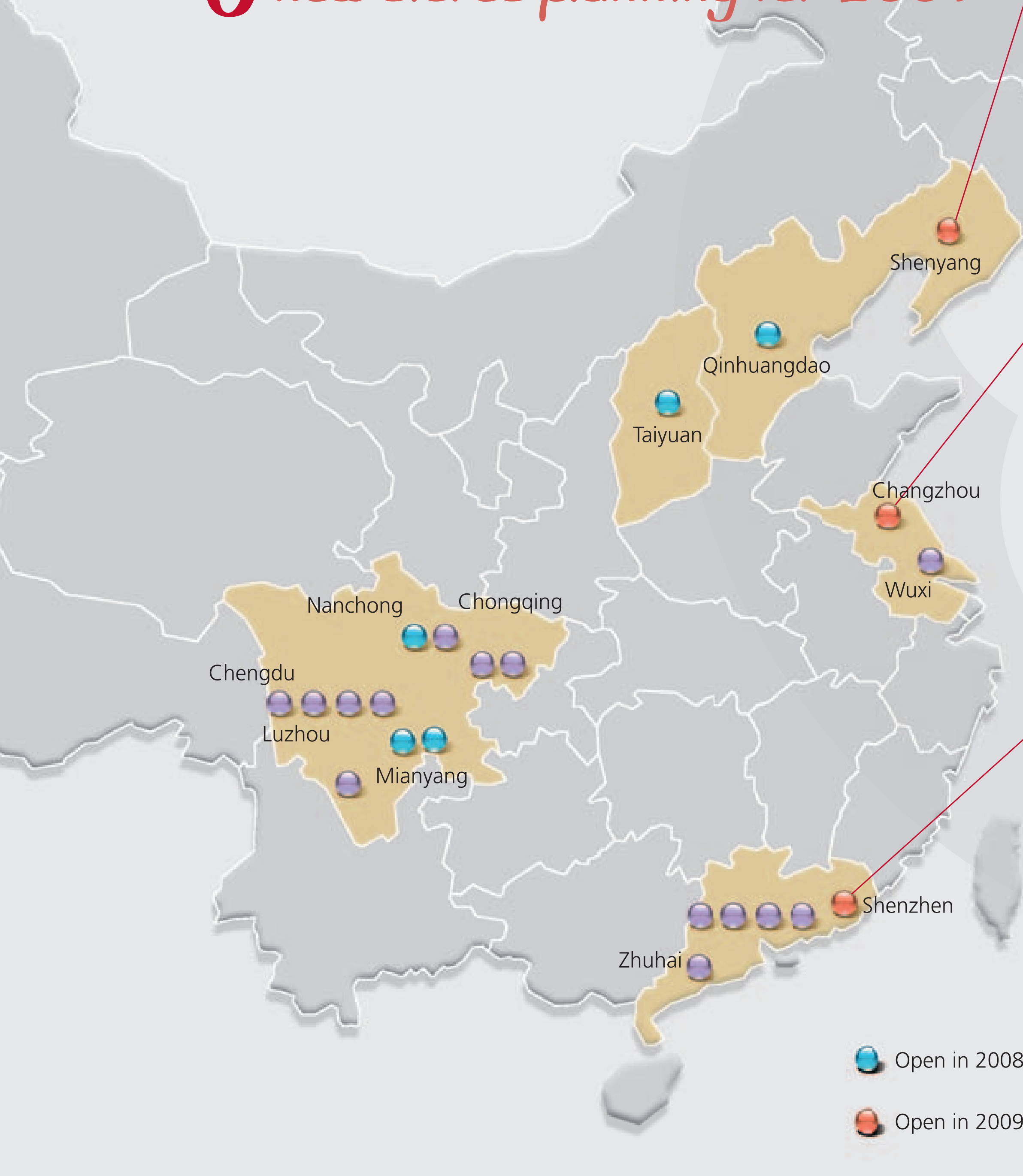
Serial number	Region	Name of stores	Years into operation	Operating floor area* (sq.m)	2008 Sales proceeds by region (except management stores) %
1		Shenzhen Dongmen Store	about 12 years	33,680	
2		Shenzhen Heping Store	about 10 years	17,309	
3	South	Shenzhen Shennan Store	over 5 years	8,542	63.1
4		Shenzhen Huaqiangbei Store	over 5 years	45,677	
5		Zhuhai Xiangzhou Store	over 7 years	17,549	
6		Chongqing Jiangbei Store	about 5 years	36,276	
7		Chongqing Jiefangbei Store (management store)	about 4 years	12,600	
8		Chengdu Yanshikou Store	about 4 years	40,674	
9		Chengdu Beizhan Store	about 4 years	4,100	
10	Southwest	Chengdu Wuhou Store	about 4 years	12,500	35.4
11		Chengdu Wenjiang Store	about 4 years	6,500	
12		Nanchong Wuxing Store	about 4 years	19,530	
13		Nanchong Mofanjie Store	less than 1 year	21,124	
14		Luzhou Baita Store	about 4 years	13,845	
15		Mianyang Linyuan Store	about 1 year	13,780	
16		Mianyang Xingda Store	less than 1 year	19,884	
17	North	Qinhuangdao Jindu Store	less than 1 year	33,606	1.5
18		Taiyuan Liuxiang Store	less than 1 year	22,105	
19	East	Wuxi Qingyang Store (management store)	about 2 years	52,000	N/A
Total				431,281	100

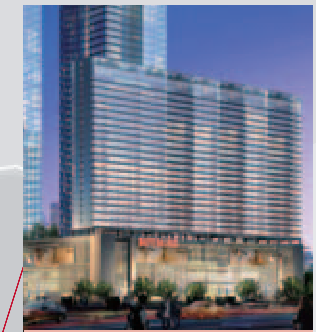
* There are changes in the operating floor area of the stores due to factors such as renovation and adjustment in furnishing.

Retail Network

Operating 19 stores in 2008

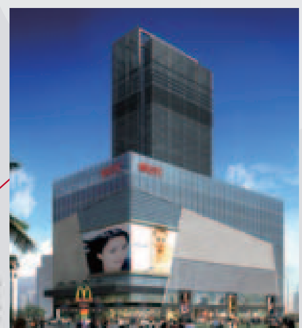
3 new stores planning for 2009





Jinlang Store, Shenyang

Wujin Store, Changzhou



Nanshan Store, Shenzhen

Chairman's Statement

For the Group the year 2008 was a milestone. We achieved steady growth through collective efforts from our management and all staff as well as strong support from our suppliers and business partners. Total operating revenue increased by 2.3% to RMB1,967.4 million and profit attributable to equity holders of the parent grew by 24.9% to RMB521.0 million. The board of directors of the Company (the "Board") recommended the payment of a final dividend of 2.2 HK cents per share. Total dividend for the year, including the interim dividend of 3.3 HK cents per share declared and paid, will amount to 5.5 HK cents per share, representing 47.6% of the profit attributable to equity holders of the parent for the year.

BUSINESS REVIEW

2008 was a very turbulent year. The sub-prime mortgage crisis in the United States has escalated into a full-blown global financial crisis, which drags down global economic growth and adversely affects China's economy. Besides, the post-Olympic effect and the occurrence of severe and unprecedented natural disasters, including heavy snow-storms in February and the Sichuan earthquake in May, dampened China's economic growth. Nevertheless, having gained the experience from the economic reforms of the last thirty years, China is well-equipped to deal with all natural disasters and financial crisis. According to a report from the National Bureau of Statistics of China, the total retail sales of consumer goods in 2008 increased by 21.6% to RMB10,848.8 billion over last year. Taking out the price factor, a real growth of 14.8% was recorded, which was the record-high in history. This demonstrated China's ability in mitigating financial impact brought about by the external economic environment. The introduction of a spate of policies to stimulate domestic consumption by the central government has brought development opportunities to China's department store sector amidst a challenging environment.

OPERATION REVIEW

During the year under review, despite a challenging business environment, the Group remained optimistic about the prospects of the retail industry in China and has geared up to seize opportunities in the midst of crisis. On the one hand, the Group endeavoured to strengthen its leading position in southern and southwestern China. With respect to Shenzhen, the construction of the mass transit railway led to diversion of traffic, which affected the pedestrian traffic of some of our stores. In the second half of the year, due to its open nature, Shenzhen's economy was inevitably affected by the global financial crisis. Nevertheless, leveraging on the Group's strong brand effect and flexible and innovative marketing strategies, its Shenzhen operations were able to maintain a steady performance over the year, especially in December when both pedestrian traffic and sales recorded satisfactory growth. With respect to the Sichuan Province, despite the detrimental effect on the economy caused by the earthquake in May, Sichuan's consumption has shown strong resilience and recovered rapidly in a matter of two months. In the second half of the year, in particular, sales proceeds from concessionaire sales of this region recorded a same-store growth of 4.8% and an annual growth of 10.3%, which reflects strong consumption in the region. Southwestern China will continue to be one of the Group's key markets.

On the other hand, the Group has always eyed network expansion in affluent cities and continued to expand business operations, extend geographical presence and increase market share via acquisitions and self-developed properties. During the year under review, the Group set up 5 department stores, among which are first stores in Taiyuan, Shanxi Province and Qinhuangdao, Hebei Province. This brings the Group's total number of stores to 19, spanning from southern, eastern, northern and southwestern parts of China. Benefiting from the experience in the merger and acquisition of Chengshang Group Co., Ltd. (成商集團股份有限公司) ("Chengshang") in Sichuan, the transactions in Mianyang, Sichuan Province and Qinhuangdao, Hebei Province were completed in one day, effecting a speedy injection of resources into these two stores. This demonstrates the Group's leading position as an industry consolidator. Meanwhile, the Group acquired two plots of land located in Nanshan District in Shenzhen and Qin Xian Street in Taiyuan, Shanxi Province through auctions during the year. The Nanshan store in Shenzhen City is under construction and is expected to commence operations in the second half of 2009. The store of Qin Xian Street in Taiyuan City is expected to commence construction in 2009.

At the same time, the Group adjusted and upgraded the branding of its shops, as well as enhanced the brand mix and merchandise collections. The Group also actively introduced popular brands to its portfolio to enlarge market share to reduce brand repetition against its competitors in an effort to strengthen customer loyalty.

The Group took an active role in fulfilling civic responsibilities and participating in community activities. After the Wenchuan earthquake on 12 May 2008, the Group's stores in southwestern China actively joined in the relief work and all other stores in the country also donated money and materials. A Hope Primary School was built in Beichuan County using the donations from all staff.

OUTLOOK

Looking forward to 2009, as the global financial crisis continues to have an effect on the business environment, 2009 will be a challenging year. Nevertheless, with the right degree of realism and optimism, we believe there are opportunities everywhere in the retail market. Despite a global economic slowdown, China is still one of the fastest growing countries in the world. In the past several quarters, domestic consumption has become a major force in driving China's economy.

The Group has already devised a number of strategies. As far as internal management is concerned, the Group will collaborate with a leading company in the development of a leading and new generation of enterprise management system (ERP). Aiming at adapting to the needs of the fast-changing retail environment, the platform is set to enhance internal management, perfect the service platform for its suppliers as well as to manage the supply chain in a flexible way.

With respect to customer service, the Group will continue to step up its efforts in the acquisition and retention of members as well as in the management of the membership system. The Group will implement targeted strategies through extensive research on consumer psychology and behaviour. To boost the prestige of the membership card and loyalty among members, the Group will continue to collaborate with external parties, to enhance the value and enrich the content of the membership card, as well as to ensure the full roll-out of the membership card programme.

In 2009, the Group will continue to reinforce its competitive strengths as well as to solidify its leading position in existing markets. Currently, the Group has planned to open department stores in Nanshan District of Shenzhen City, Wujin District of Changzhou City and Jinlang District of Shenyang City respectively in 2009. At the same time, the Group will cautiously seek acquisition opportunities in commercial properties, department stores and department store operators, in a bid to accelerate our expansion pace nationwide and to establish Maoye as China's leading department store chain operator.

I would like to take this opportunity to express my sincere gratitude to our Board members, management team and all the employees, as well as our business partners, customers and shareholders for their continuous support and contribution to the Group.

Huang Mao Ru
Chairman

26 February 2009

Management Discussion and Analysis

Total sales proceeds RMB
3,995.7
million

FINANCIAL REVIEW

Total Sales Proceeds

Total sales proceeds of the Group in 2008 (representing the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the department stores) increased to RMB3,995.7 million, representing an increase of 5.2% over the previous year. The increase was mainly attributed to the growth of same-store sales proceeds from concessionaire sales of 4.2% and contribution from new stores.

Management Discussion and Analysis

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**3,576,270**	3,318,096
Revenue from direct sales	**419,478**	479,482
Total sales proceeds	**3,995,748**	3,797,578

For the total sales proceeds of major stores, the Shenzhen Dongmen Store, Shenzhen Huaqiangbei Store, Chongqing Jiangbei Store, Chengdu Yanshikou Store, Qinhuangdao Jindu Store (opened in September 2008) and Taiyuan Liuxiang Store (opened in December 2008) contributed RMB692 million, RMB1,460 million, RMB358 million, RMB498 million, RMB48 million and RMB14 million respectively.

Shenzhen Dongmen Store

Shenzhen Huaqiangbei Store

Management Discussion and Analysis

Chongqing Jiangbei Store

Qinhuangdao Jindu Store

Chengdu Yanshikou Store

Taiyuan Liuxiang Store

Revenue

Revenue of the Group in 2008 amounted to RMB1,492.6 million, representing a decrease of 4.8% as compared with RMB1,567.3 million in 2007. The decrease was primarily due to the following factors:

- Commissions from concessionaire sales increased by 4.8% to RMB712.8 million due to the increase in concessionaire sales.
- Revenue from direct sales decreased by 12.5% to RMB419.5 million, primarily due to downscaling of direct sales business.
- Automobile sales decreased by 17.9% to RMB255.7 million, primarily due to the serious natural disaster in southwestern China in 2008 and the more apparent impact on the automobile industry brought about by the global financial crisis.

Other Income

Other income of the Group in 2008 amounted to RMB474.8 million, representing an increase of 33.5% as compared with RMB355.6 million in 2007. This increase was primarily due to (1) the positive impact of growth in sales proceeds from concessionaire sales; (2) interest income of RMB28.6 million arising from the initial public offering; and (3) interest income of RMB12.3 million received from an independent third party.

Purchases of and Changes in Inventories

Purchases of and changes in inventories of the Group in 2008 amounted to RMB622.3 million, representing a decrease of 14.5% as compared with RMB728.1 million in 2007. This was primarily due to the decrease in revenue from both automobile sales and direct sales.

Employee Expenses

Employee expenses of the Group in 2008 amounted to RMB126.7 million, representing an increase of 35.7% over 2007. The increase was primarily due to the impact of newly opened department stores and salary adjustments of the Group at the beginning of the year.

Depreciation and Amortisation

Depreciation and amortisation of the Group in 2008 amounted to RMB124.2 million, representing a decrease of 3.7% as compared with RMB128.9 million in 2007. The decrease was primarily due to the combined effect of the following factors: (1) the disposal of a subsidiary, Chongqing Jiefangbei Maoye Department Store Co., Ltd. ("Chongqing Jiefangbei Store") (重慶解放碑茂業百貨有限公司) by the Group in the second half of 2007, resulting in a decrease in depreciation by RMB5.4 million; (2) the addition of properties and land use rights in 2008 generating depreciation and amortisation expenses of approximately RMB7.1 million; and (3) the ending of amortisation of certain refurnishment expenses in 2007.

Operating Lease Rental Expenses

Operating lease rental expenses of the Group in 2008 amounted to RMB122.6 million, representing a decrease of 4.6% as compared with RMB128.5 million in 2007. This decrease was primarily due to the disposal of Chongqing Jiefangbei Store in 2007, resulting in a decrease in rental expenses.

Other Operating Expenses

Other operating expenses of the Group in 2008 amounted to RMB309.5 million, representing an increase of 8.7% as compared with RMB284.8 million in 2007. This was primarily due to the operating expenditure arising from the newly opened stores in 2008.

Other Gains

Other gains of the Group in 2008 amounted to RMB78.3 million, representing a decrease of 6.7% as compared with RMB83.9 million in 2007. Other gains of the Group derived in 2008 was primarily due to the disposal of 5,000,000 shares in Chengshang by a subsidiary of the Company, Shenzhen Maoye Shangsha Company Limited ("Maoye Shangsha") (深圳茂業商廈有限公司) which resulted in investment gains before tax of RMB80.0 million. In 2007, other gains of the Group were primarily attributable to (1) the proceeds from the Group's disposal of its interests in Chongqing Jiefangbei Store and Chengdu People's Department Store Chain Company Limited ("People's Department Store Chain") (成都人民百貨連鎖有限公司), and receivables due therefrom, to the Controlling Shareholder Group, as well as the proceeds from the disposal by Chengshang of some of its subsidiaries conducting non-core businesses, with total proceeds of approximately RMB65.0 million; and (2) investment gains of RMB14.5 million from the disposal of interests at fair value through profit and loss which was contributed by the Group's securities investments.

Management Discussion and Analysis

Operating profit

15.1%

Operating Profit

Operating profit of the Group in 2008 amounted to RMB740.5 million, representing an increase of 15.1% as compared with RMB643.2 million in 2007. The increase was primarily due to the increase in concessionaire sales and other operating revenue, as well as the combined effect of other factors described above.

Finance Costs

Finance costs of the Group in 2008 amounted to RMB55.4 million, representing a decrease of 44.2% as compared with RMB99.1 million in 2007. This was the result of (1) capitalisation of interest amounting to RMB34.3 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 the year.

Tax

Income tax expenses of the Group in 2008 was RMB144.5 million, representing an increase of 39.5% as compared with RMB103.6 million in 2007. During the year ended 31 December 2008, the effective tax rate applicable to the Group was 21.0%, 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. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable tax rate for the Group is 5%.

Profit Attributable to Equity Holders of the Parent

As a result of the foregoing, profit attributable to equity holders of the parent in 2008 amounted to RMB521.0 million, representing an increase of 24.9% as compared with RMB417.0 million in 2007.

Profit Attributable to Equity Holders of the Parent

24.9%

Liquidity and Financial Resources

As at 31 December 2008, the Group's cash and cash equivalents amounted to RMB867.9 million (as at 31 December 2007: RMB352.7 million). This increase was mainly due to the cash inflow of net proceeds from the issuance of new shares of RMB2,337.0 million, the net cash inflow from operating activities of RMB841.7 million and cash received from related parties of RMB1,045.8 million. The increase was partly offset by the following cash outflows:

(1) the payment of special and interim dividends of approximately RMB430.7 million in total;

(2) the payment of RMB669.5 million for the purchase of the land use right of a plot of land situated in Nanshan District in Shenzhen;

(3) the total payment of RMB899.0 million for the purchase of properties located in Mianyang, Qinhuangdao and Taiyuan respectively;

(4) the payment of RMB380.0 million for the purchase of the land use right of a plot of land in Taiyuan, Shanxi province;

(5) the payment of approximately RMB302.6 million for the purchase of shares of three domestic listed companies in the securities market; and

(6) the net repayment of interest-bearing bank loans of RMB876.1 million.

As at 31 December 2008, total interest-bearing bank loans of the Group were RMB521.0 million (as at 31 December 2007: RMB1,397.1 million), among which RMB361.0 million will mature within the coming year. All of the Group's bank borrowings were made in RMB and based on floating interest rate, except short-term interest-bearing bank loans of RMB141.0 million were based on fixed interest rate.

The debt to total assets ratio of the Group, expressed as a percentage of interest-bearing bank loans over total assets, decreased from 38.8% as at 31 December 2007 to 9.5% as at 31 December 2008.

Net Current Liabilities and Net Assets

The net current liabilities of the Group as at 31 December 2008 were RMB789.5 million, representing an increase of RMB396 million from RMB393.5 million as at 31 December 2007. The net assets of the Group as at 31 December 2008 increased to RMB3,141.1 million, representing an increase of RMB2,679.6 million from the balance of RMB461.5 million as at 31 December 2007. The increase was mainly due to the proceeds from the issue of new shares when the Company was listed on the Main Board of the Stock Exchange on 5 May 2008.

Contingent Liabilities

As at 31 December 2008, the 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 ended 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 ended 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 31 December 2008, buildings, investment properties and land use rights with net carrying amounts of RMB580.0 million, had been pledged to commercial banks to obtain bank loans of RMB321.0 million.

The Group's bills payables amounting to RMB43.5 million as at 31 December 2008 were secured by its buildings and land use rights with net carrying amount of approximately RMB12.3 million and RMB14.6 million respectively, and the Group's time deposits amounting to RMB12.4 million.

Segment Information

An analysis of the Group's revenue and segment results by business segments for the current year is set out in note 4 to the financial statements. No geographical segment information is presented as the Group's customers and operations are located in Mainland China.

Property Valuation

CB Richard Ellis Limited, an independent property valuer, has valued our property interests including land use rights as of 29 February 2008 at RMB4,879.1 million. The texts of its letter, summary of valuation and the detail of valuation certificates are set out in Appendix IV to the Prospectus dated 21 April 2008 of the Company (the "Prospectus"). These properties were not stated at such valuation in the financial statements of the Group. Additional depreciation/amortisation of approximately RMB176 million would be charged against the income statement of the Group for the year ended 31 December 2008 had it been stated at such valuation.

Employees

As at 31 December 2008, the Group had a total of approximately 3,700 employees. Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualifications and experience of individual employees.

Investments in listed shares

The Group currently owns minority interests in the companies listed in China with department stores operation. The Directors believe these investments will bring long-term benefits for the Group.

The following table sets out the Group's interests in three A shares and B shares listed companies as at 31 December 2008, and relevant summary information relating to these companies.

Investment	The Group's Shareholding	Principal business	Geographical location
Shenzhen International Enterprises Co., Ltd. (深圳市國際企業股份有限公司)	10.32%	The first listed retail enterprise in Shenzhen	Shenzhen City, Guangdong Province
Qinhuangdao Bohai Physical Distribution Holding Co., Ltd. (秦皇島渤海物流控股股份有限公司)	9.98%	Owns a number of department stores in Qinhuangdao	Qinhuangdao City, Hebei Province
Shen Yang Commercial City Co., Ltd. (沈陽商業城股份有限公司)	10.67%	Owns a number of department stores in Shenyang	Shenyang City, Liaoning Province

The total investment cost of the Group in above companies was RMB302.6 million. As of 31 December 2008, the investments appreciated by approximately 25.9%, amounting to RMB381.1 million. These investments were financed by the Group's cash inflow from operations.

Foreign Currency Risk

The Group's major operating activities are conducted in 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 also denominated in Renminbi. Net proceeds from the listing of the Company are denominated in Hong Kong dollars. As at 31 December 2008, part of the proceeds from the Company's listing had been used in the expansion of the Group's retail network and enhancement of its existing department stores. Part of the remaining proceeds had been converted into time deposits denominated in the United States dollars with 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 Eastern Linyuan Road, Fucheng District, 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 a plot of land in Shenzhen**

  In March 2008, the Group acquired a right to use a plot of land located in Haide 2 Road, Nanshan District, 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 commence operation in the second half of 2009. The commercial area will be approximately 64,000 square meters.

- **Acquisition of Nanchong Department Store Property**

  In June 2008, the Group acquired 100% of the shares in Cheng Shang Group Nanchong Commercial Co., Ltd. ("Nanchong Commercial") (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 Chengdu Chongde Investment Limited ("Chengdu Chongde") (成都崇德投資有限公司), a related party of the Group, through a subsidiary of Chengshang so as to further acquire a commercial property at 140 Mofan Street, Nanchong City for the purpose of opening the second department store in Nanchong. The property has a gross floor area of 24,035 square meters and the department store has commenced operation in September 2008.

- **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 99 Liuxiang South Road in Taiyuan, Shanxi Province for the purpose of opening a department store. The property has a gross floor area of 30,616 square meters and the department store has commenced operation in December 2008.

- **Acquisition of Qinhuangdao Department Store Property**

  In August 2008, the Group entered into a sale and purchase agreement with Qinhuangdao 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 139 Wenhua Road in Qinhuangdao, Hebei Province for the purpose of opening a department store. The property has a gross floor area of 46,610 square meters and the department store has commenced operation in September 2008.

- **Acquisition of the Mianyang Department Store Property (second)**

  In September 2008, the Group acquired a department store property located at 1 Huayuan Road, Fucheng District, Mianyang City, Sichuan Province with a gross floor area of 27,617 square meters through its subsidiary, Chengshang. The department store was launched in September 2008.

- **Acquisition of Land Use Right for a plot of land in Taiyuan**

  In October 2008, the Group acquired a right to use a plot of land located in Qin Xian Street, Chang Feng business district, one of the two core business districts in Taiyuan through bidding, for commercial and residential purpose. The land has a total area of approximately 92,792 square meters, among which approximately 68,005 square meters of land is assigned for commercial purpose and approximately 24,787 square meters of land is assigned for residential purpose.

Taking into account the above ongoing material acquisitions and plan of opening three new department stores, the Group anticipates the capital expenditures in 2009 will be approximately RMB1 billion. The Group will use various ways, including but not limited to cash on hand (including the proceeds from the initial public offering (the "IPO") in 2008), cash flow from operation and bank borrowings to satisfy the capital requirement of the Group to implement its development and expansion strategies.

USE OF PROCEEDS FROM THE IPO

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 5 May 2008, after deduction of related issuance expenses, amounted to approximately RMB2,337.0 million. These proceeds were utilised as follows:

– approximately RMB1,300 million was used to acquire department stores and premises, and expand our retail network in existing and new cities; and

– approximately RMB190 million was used to finance working capital and for general corporate purpose.

Directors and Senior Management

Executive Directors

Mr. Huang Mao Ru (黃茂如), aged 43, is the founder of the Group and the Chairman, Executive Director and Chief Executive Officer of the Company since August 2007. He is also the director of various companies in the Group. Besides, he is a director and owner of Maoye Department Store Investment Limited and MOY International Holdings Limited, the controlling shareholders of the Company. Mr. Huang is responsible for the overall development and strategic planning of the Group. He has extensive experience in department store and commercial real estate industries and has been engaged in department store business for over 10 years. Before commencing his department store business, Mr. Huang established Maoye (Shenzhen) Real Estate Development Co., Ltd. (茂業(深圳)房地產開發有限公司) in 1992 and Shenzhen Maoye (Group) Co., Ltd. ("Maoye Group") (深圳茂業(集團)股份有限公司) in 1995. Mr. Huang had been the Chairman of Chengshang since July 2005 and resigned on 9 February 2009. Mr. Huang is the husband of Mrs. Huang Jingzhang, a Non-executive Director of the Company.

Mr. Zou Minggui (鄒明貴), aged 45, is an Executive Director of the Company and the general manager of the Group. He is also a director of various companies of the Group. Mr. Zou joined the Group in 1997. He is responsible for the overall operational management and business development in China. He obtained a master's degree in business administration from China Europe International Business School in 2007. Mr. Zou has over 10 years of experience in the retail industry, and worked as the manager of the Finance Department of the Group, deputy general manager and general manager of the Group. From April 2006 to March 2007, Mr. Zou was the general manager of Chengshang and was appointed as a director in February 2006. He resigned as a director of Chengshang on 9 February 2009.

Mr. Wang Guisheng (王貴升), aged 38, is an Executive Director, the Chief Financial Officer, and qualified accountant of the Company. He is also a director of various companies of the Group. Mr. Wang joined the Group in August 2004. He received a bachelor's degree from China Finance Institute in 1993. Mr. Wang is qualified as Certified Public Accountant with The Chinese Institute of Certified Public Accountants and has been a member of The Association of Chartered Certified Accountants of England since April 2003. He has over 9 years of experience in retail industry and financial management. Prior to joining the Group, Mr. Wang was the assistant financial controller of Wal-Mart (China) Investment Co., Ltd. (沃爾瑪(中國)投資有限公司). For the period from June 2005 to May 2007, Mr. Wang was the Chief Financial Officer of Chengshang and has also been appointed as a director since July 2005.

Ms. Wang Fuqin (王福琴), aged 38, is an Executive Director of the Company and a director / general manager of companies in the Group. Ms. Wang joined the Group in 1996. She graduated from the Canal College of Wuhan in 1992. Prior to joining the Group, Ms. Wang was engaged in office management at Nanjing Jianghai Shipping (Group) Company (南京江海航運集團公司). She has over 10 years of experience in the retail industry and had served as assistant general manager and deputy general manager of Maoye Shangsha, a wholly owned subsidiary of the Company. Ms. Wang was appointed as the deputy general manager of Chengshang in June 2006 and has been promoted to its general manager since March 2007. Ms. Wang has also been appointed as a director of Chengshang since June 2006 and as the chairman of Chengshang on 9 February 2009. She is responsible for the operational management of Chengshang and its subsidiaries.

Non-Executive Directors

Mr. Zhong Pengyi (鍾鵬翼), aged 53, was appointed as a non-executive director of the Company in August 2007. Mr. Zhong has over 20 years of experience in the operational management of the department store industry, real estate industry and trading industry. Mr. Zhong has been the chairman of Friendship Department Store Company Limited (友誼城百貨有限公司) since February 2006 and the independent director of Shenzhen Changcheng Investment Holding Co., Ltd. (深圳市長城投資控股股份有限公司) since 2008. Mr. Zhong is also a councillor of China Commerce Association for General Merchandise (中國百貨商業協會) and a vice chairman of China Friendship External Supplier Association of Commerce (中國友誼外供商業協會). Mr. Zhong received a master's degree in business administration from Hong Kong Baptist University in 2003.

Mrs. Huang Jingzhang (張靜), aged 40, is a non-executive director and a member of the Remuneration Committee of the Company. Mrs. Huang is also the chairman and director of various companies of the Group. She received a master's degree in business administration from Shanghai Jiao Tong University in 2006 and has over 10 years of experience in the retail industry. Mrs. Huang has been a director of Maoye Shangsha since its establishment, responsible for internal control, audit and financial matters. She has also been a director and the Chairman of Shenzhen Xing Hua Enterprise Holdings Company Limited (深圳興華實業股份有限公司) since 2006, a director and the Chairman of Maoye Group since December 2007 and the Chairman of Shenzhen Oriental Times Industrial Square Co., Ltd. (深圳市東方時代廣場實業有限公司) since 2001, all of which are members of the controlling shareholder's group. Mrs. Huang is the wife of Mr. Huang Mao Ru, the Chairman, Executive Director, Chief Executive Officer and controlling shareholder of the Company.

Independent Non-executive Directors

Mr. Chow Chan Lum (鄒燦林), aged 58, is an independent non-executive director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in October 2007. He is a member of the Hong Kong Institute of Certified Public Accountants and is a partner of Wong Brothers & Co., Certified Public Accountants. Mr. Chow obtained a Bachelor of Business Administration degree from the Chinese University of Hong Kong in 1974 and received a Postgraduate Diploma in Accountancy from the University of Strathclyde in Glasgow, United Kingdom in 1975. He has been qualified as a Scottish Chartered Accountant since 1979, and was awarded a Postgraduate Diploma in China Law by the research institute of University of East Asia (now known as the University of Macau) in 1987. Mr. Chow is a member of the Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance and had served on a number of committees of the Hong Kong Institute of Certified Public Accountants, including as a member of the Auditing & Assurance Standards Committee, the Investigation Panel, and the Professional Standards Monitoring Committee. He was the President of The Taxation Institute of Hong Kong. Mr. Chow serves as an honorary advisor and committee member of various social bodies, and is currently a member of the Chinese People's Political Consultative Conference of Guangdong Province, the PRC. Currently, he is also an independent non-executive director of two other companies listed on the Stock Exchange.

Directors and Senior Management

Mr. Pao Ping Wing (浦炳榮), aged 61, is an independent non-executive director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He joined the Group in August 2007. Mr. Pao obtained a Master of Science degree in Human Settlements Planning and Development from the Asian Institute of Technology in Bangkok, Thailand in 1980. For over 20 years, Mr. Pao has been actively serving on government policy committees and statutory bodies, especially those involving town planning, urban renewal, public housing, culture and arts and environmental matters. Mr. Pao is a Hon. Fellow of The Hong Kong Institute of Housing. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Outstanding Young Persons of the World in 1983. He was also an ex-Urban Councilor of Hong Kong. Mr. Pao was appointed as a Justice of the Peace in 1987 and was a member of the 9th and 10th session of the Guangzhou Committee of the Chinese People's Political Consultative Conference. Currently, he is also an independent non-executive director of a number of companies listed on the Stock Exchange.

Mr. Leung Hon Chuen (梁漢全), aged 57, is an independent non-executive director and a member of the Audit Committee of the Company. He joined the Group in October 2007. He is currently operating a financial and investment consultation company with a focus on corporate fundraising and asset restructuring. Mr. Leung obtained a Bachelor of Arts degree with a major in economics from the University of Western Ontario in Canada in 1976. He has over 25 years of experience in financial services industry in Canada and Asia. Since 1976, Mr. Leung worked for the Canadian Imperial Bank of Commerce in Canada and Asia for 15 years, where he held senior management positions in investment banking, retail and corporate banking and private banking. Currently, he is also a non-executive director of another company listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Cao Hong (曹宏), aged 37, is the deputy general manager of the Company and is responsible for investor relations and office matters of the Group. Ms. Cao joined the Group in 1996 and served as office manager, assistant to general manager and deputy general manager, with more than 10 years' experience in the retail industry. Ms. Cao is also a director of various companies of the Group, including Chengshang, where she has been a director since February 2006. Before joining the Group, Ms. Cao worked in Shenzhen Shekou Taifeng Electronics Company Limited (深圳蛇口泰豐電子有限公司) and Shenzhen Huawei Technology Company Limited (深圳市華為技術有限公司). Ms. Cao obtained a master's degree in business administration from Xi'an Jiaotong University in 2002.

Mr. Yin Dasheng (殷大聲), aged 32, is the general manager of the operation and management centre of the Group. Prior to joining the Group, Mr. Yin was the marketing director of TCL Corporation. He has over 10 years of experience in retail industry and is familiar with the product supply chain and its operation as well as marketing. Mr. Yin has been the general manager of the operation and management centre of the Company since November 2008. He obtained a bachelor's degree in business economics from Anhui University in 1998.

Ms. Xiong Yimin (熊毅敏), aged 43, is the director of human resources department of the Group. Ms. Xiong joined the Group in December 2007. She has more than 10 years of experience in human resources management. Prior to joining the Group, Ms. Xiong was the deputy general manager of Shenzhen Xindongli Computer Technology Company Limited (深圳市芯動力電腦技術有限公司). From 1997 to 2006, Ms. Xiong was the director of human resources and administration department of Shenzhen Centaline Property Consultants Ltd. (深圳中原物業顧問有限公司) Ms. Xiong obtained a bachelor's degree in law from East China Normal University in 1998 and a master's degree in business administration from Zhongnan University of Economics and Law in 2009.

COMPANY SECRETARY

Ms. Soon Yuk Tai (孫玉蒂), aged 42, was appointed as the Secretary of the Company in July 2008. She is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Soon is a Chartered Secretary and an Associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Apart from the Company, Ms. Soon has been providing professional secretarial services to a number of listed companies.

QUALIFIED ACCOUNTANT

Details of the qualifications and experience of Mr. Wang Guisheng are set out in the paragraphs headed "Executive Directors" in this section.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2008.

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the period from the Listing Date to 31 December 2008 with the exception of (i) the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual; and (ii) the code provision A.5.4 which requires the Board to establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 of the Listing Rules. With effect from 28 August 2008, however, the Company has complied with the code provision A.5.4. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviations are summarized below.

The Board will continue to enhance the corporate governance standards and practices of the Company as befitting the conduct and growth of its business and to regularly review such standards and practices to ensure that they comply with statutory and professional standards and align with the latest developments.

A. THE BOARD

A.1 Responsibilities and Delegation

The overall management and control of Company business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Company's financial performance on behalf of shareholders. Directors of the Board carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

Directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are in charge by the executive directors and senior management of the Company under the leadership of the Chief Executive Officer. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain Board approval.

A.2 Board Composition

The following chart illustrates the structure and membership of the Board and the Board Committees:

Board of Directors

Executive Directors

Mr. Huang Mao Ru, *Chairman of the Board and Chief Executive Officer*
Mr. Zou Minggui
Mr. Wang Guisheng
Ms. Wang Fuqin

Non-executive Directors

Mr. Zhong Pengyi
Mrs. Huang Jingzhang

Independent Non-executive Directors

Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

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

The list of directors (by category) is disclosed in all corporate communications issued by the Company from time to time. The biographical details of the directors are disclosed under the section headed "Directors and Senior Management" in this annual report. Mr. Huang Mao Ru, the Chairman, Executive Director and Chief Executive Officer is the husband of Mrs. Huang Jingzhang, the Non-Executive Director of the Company.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

During the year ended 31 December 2008, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

The Company has received a written annual confirmation of independence from each independent non-executive director pursuant to the requirements of the Listing Rules. The Company considers all of its independent non-executive directors independent in accordance with the independence guidelines set out in the Listing Rules.

A.3 Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Huang Mao Ru is the Chairman of the Board and Chief Executive Officer of the Company. As Mr. Huang is the founder of the Group and has extensive experience in the department store and commercial real estate industries, 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.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

A.4 Appointment, Re-election and Removal of Directors

All the executive directors, non-executive directors and independent non-executive directors of the Company, except for Ms. Wang Fuqin, are engaged on a service contract/letter of appointment with the Company for a term of three years commencing from the Listing Date. Ms. Wang Fuqin, an executive director who was appointed during the year, is engaged on a service contract with the Company commencing from 5 July 2008 to 5 May 2011.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association (the "Articles of Association"). According to the Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years. Besides, any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

In accordance with the Articles of Association, Mr. Zou Minggui, Mr. Wang Guisheng, Ms. Wang Fuqin and Mr. Pao Ping Wing shall retire and, being eligible, offer themselves for re-election by the shareholders at the 2009 annual general meeting of the Company. The Board recommends their re-appointment. The Company's circular for the annual general meeting, sent together with this annual report, contains detailed information of the four retiring directors pursuant to the Listing Rules.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. In addition, the Company has adopted Directors Nomination Procedures as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process as necessary.

Up to the date of this annual report, the Board met twice, with the presence of Mr. Huang Mao Ru, Mr. Zou Minggui, Mr. Wang Guisheng, Mr. Zhong Pengyi, Mrs. Huang Jingzhang, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen for the first meeting and with the presence of Mr. Huang Mao Ru, Mr. Zou Minggui, Mr. Wang Guisheng, Ms. Wang Fuqin, Mr. Zhong Pengyi, Mrs. Huang Jingzhang, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen for the second meeting, for (i) approving the appointment of Ms. Wang Fuqin as an executive director of the Company; (ii) reviewing the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company; (iii) recommending the re-appointment of those directors standing for re-election at the 2009 annual general meeting of the Company; and (iv) assessing the independence of the independent non-executive directors of the Company.

A.5 Induction and Continuing Development of Directors

All the directors of the Company, including Ms. Wang Fuqin who was appointed during the year, received an induction on appointment to ensure appropriate understanding of the business and operation of the Group and full awareness of director responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key business sites and/or meetings with the senior management of the Company.

Directors of the Company are continually updated on legal and regulatory developments and changes in the business and the market to facilitate the discharge of their responsibilities. Additional briefings and professional development for directors will be arranged as necessary.

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance to facilitate attendance. In addition, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

A.6.2 Directors' Attendance Records at Board Meetings

The Board has met regularly during the period from the Listing Date to 31 December 2008 for reviewing and discussing the financial and operating performance and development of the Group, acquisitions and investments and other related matters. Directors' attendance records at Board meetings during the said period are set out below:

Name of Director	**Attendance/ Number of Board Meetings**
Executive Directors	
Mr. Huang Mao Ru	6/7
Mr. Zou Minggui	6/7
Mr. Wang Guisheng	7/7
Mr. Lu Fa Chee (Note 1)	2/2
Ms. Wang Fuqin (Note 2)	4/4
Non-executive Directors	
Mr. Zhong Pengyi	7/7
Mrs. Huang Jingzhang	6/7
Independent Non-executive Directors	
Mr. Chow Chan Lum	7/7
Mr. Pao Ping Wing	7/7
Mr. Leung Hon Chuen	6/7

Notes:

1. Mr. Lu Fa Chee resigned as an executive director of the Company on 5 July 2008. A total of 2 Board meetings were held from the Listing Date to the date of his resignation.

2. Ms. Wang Fuqin was appointed as an executive director of the Company on 5 July 2008. A total of 4 Board meetings were held from the date of her appointment to 31 December 2008.

A.7 Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct governing directors' dealings in the Company's securities. Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the required standards set out in the Model Code throughout the period from the Listing Date (or the date of appointment for Ms. Wang Fuqin) to the date of this report.

Code provision A.5.4 requires the Board to 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 Company has adopted such written guidelines for the Company's relevant employees on 28 August 2008.

B. BOARD COMMITTEES

The Board has established two Board committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are available to shareholders upon request. All Board committees report to the Board on their decisions or recommendations.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

B.1 Remuneration Committee

The Remuneration Committee comprises a total of three members, namely, Mr. Pao Ping Wing (Chairman), Mr. Chow Chan Lum and Mrs. Huang Jingzhang, the former two being independent non-executive directors of the Company.

The duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure; (ii) make recommendations on the remuneration packages of executive directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives.

Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Board/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

Details of the remuneration of each director of the Company for the year ended 31 December 2008 are set out in note 7 to the financial statements contained in this annual report.

During the period from the Listing Date to 31 December 2008, the Remuneration Committee has met twice and performed the following major tasks:

– Recommendation on the remuneration package of Ms. Wang Fuqin, appointed as a director of the Company during the year; and

– Review on remuneration packages of directors and senior management of the Company.

The attendance records of members at the said two Remuneration Committee meetings during the review period are set out below:

Name of Remuneration Committee Member	Attendance/ Number of Meetings
Mr. Pao Ping Wing *(Chairman)*	2/2
Mr. Chow Chan Lum	2/2
Mrs. Huang Jingzhang	2/2

B.2 Audit Committee

The Audit Committee comprises a total of three members, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen, all of which are independent non-executive directors. Mr. Chow Chan Lum is the Chairman of the Audit Committee and possesses relevant accounting and financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The duties of the Audit Committee are mainly to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the Company's financial controls, internal control and risk management systems.

During the period from the Listing Date to 31 December 2008, the Audit Committee has met twice together with the Company's external auditors and/or the senior management and performed the following major tasks:

– Review and discussion of the financial statements, results announcement and interim report for the six months ended 30 June 2008, the related accounting principles and practices adopted by the Group and the relevant audit findings; and

– Review of the scope of audit work, auditors' fees and terms of engagement for the year ended 31 December 2008.

The attendance records of members at the said two Audit Committee meetings during the review period are set out below:

Name of Audit Committee Member	Attendance/ Number of Meetings
Mr. Chow Chan Lum *(Chairman)*	2/2
Mr. Pao Ping Wing	2/2
Mr. Leung Hon Chuen	2/2

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2008.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities in respect of the Company's financial statements for the year ended 31 December 2008 is set out in the section headed "Independent Auditors' Report" in this annual report.

A summary of audit and non-audit services provided by the external auditors for the year ended 31 December 2008 and their corresponding remuneration is as follows:

Nature of services	**Amount** (RMB)
Audit services (audit of financial statements for the six months ended 30 June 2008 and for the year ended 31 December 2008)	5,900,000
Non-audit services (services relating to the Company's circular regarding acquisition of land in Taiyuan)	90,000

The Company has not changed the external auditors in the last three financial years.

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decisions and to have better understanding of the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's existing and potential investors.

The Company maintains a website at "www.maoye.cn" as a communication platform for shareholders and investors, where information and updates on the Group's business developments and operations, financial information and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong at Room 1810, 18/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong. Enquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company are key opportunities for shareholders to exchange views with the Board. The Chairman of the Board as well as the Chairman and/or other members of the Audit Committee and Remuneration Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, the Articles of Association contain rights of shareholder(s) to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in the requisition.

Upon the implementation of the amendments of the Listing Rules with effect from 1 January 2009, all resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoye.cn) immediately after the relevant general meetings.

The Board is pleased to present the audited consolidated results of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in the Cayman Islands with limited liability on 8 August 2007. The Group principally engages in the operation and management of department stores in the PRC. There were no significant changes in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 20 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 is set out in the consolidated income statement on page 47.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2008 of 2.2 HK cents in cash per share. The Company declared and paid an interim dividend of 3.3 HK cents in cash per share. On the assumption that shareholders' approval is obtained at the forthcoming annual general meeting for the payment of the above proposed final dividend, the Company shall be paying total dividends of 5.5 HK cents in cash per share for the year 2008, representing approximately 47.6% of the year's net profit attributable to equity holders of the parent.

Upon the approval being obtained in the forthcoming annual general meeting, the above final dividend will be paid on or about Wednesday, 15 April 2009 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 9 April 2009.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Friday, 3 April 2009 to Thursday, 9 April 2009 (both dates inclusive), during such period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting and the entitlement of the aforementioned proposed final dividend, unregistered holders of shares of the Company should ensure that 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 Thursday, 2 April 2009.

PRE-EMPTIVE RIGHTS

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

FIXED ASSETS

Details of the fixed assets of the Group are set out in note 16 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity from pages 50 to 51 and note 33 to the financial statements.

SHARE CAPITAL

Movements of the share capital of the Company are set out in note 32 to the financial statements.

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2008 amounted to RMB521.0 million. Details of which are set out in note 31 to the financial statements.

DONATIONS

Donations of the Group during the year amounted to RMB335,144.

DIRECTORS

The directors during the year were as follows:

Executive Directors

Mr. Huang Mao Ru *(Chairman and CEO)*	
Mr. Zou Minggui *(General Manager)*	
Mr. Wang Guisheng *(CFO and Qualified Accountant)*	
Mr. Lu Fa Chee	(resigned on 5 July 2008)
Ms. Wang Fuqin	(appointed on 5 July 2008)

Non-executive Directors

Mr. Zhong Pengyi
Mrs. Huang Jingzhang

Independent Non-executive Directors

Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

In accordance with Article 86(3) of the Articles of Association, Ms. Wang Fuqin, who was appointed as an executive director by the Board on 5 July 2008 to fill the casual vacancy arising from the resignation of Mr. Lu Fa Chee, will retire at the forthcoming annual general meeting. In addition, pursuant to Article 87(1) of the Articles of Association, Mr. Zou Minggui, Mr. Wang Guisheng and Mr. Pao Ping Wing will retire from office by rotation at the said annual general meeting. All the above retiring directors, being eligible, will offer themselves for re-election at the meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

PENSION SCHEMES

Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in Mainland China contribute funds to the retirement schemes to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as stipulated by the local municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

The Group's contributions to retirement benefit schemes charged to the consolidated income statement for the year ended 31 December 2008 were RMB9,719,000.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 38 to the financial statements, no director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' EMOLUMENTS

The directors' emoluments are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 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 set out in 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	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	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 31 December 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 31 December 2008.

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

As at 31 December 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 31 December 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 annual report, the Company has not adopted any share option scheme.

SUFFICIENCY OF PUBLIC FLOAT

As disclosed in the Prospectus, the Stock Exchange has agreed to permit a lower public float percentage of not less than 15% of the issued share capital of the Company. The current public float of the Company is 889,856,000 shares, representing 17.32% of the total issued share capital.

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 31 December 2008.

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 ("Xin Long Da") (重慶鑫隆達房地產開發有限公司), (y) obtain all necessary consents and approvals for the transfer of the interest of the Controlling Shareholder Group in Chongqing Jiefangbei Store, Wuxi Maoye Department Store Company Limited (無錫茂業百貨有限公司) and Wuxi Maoye Baifu Supermarket Company Limited (無錫茂業百福超級市場有限公司) (the latter two collectively known as "Maoye Wuxi Store") to the 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 ("Guiyang Friendship Group") (貴陽友誼(集團)股份有限公司), to serve a notice on the Group 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 the Group 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 annual 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.

CONNECTED TRANSACTION

Acquisition of 100% interests in Nanchong Commercial

On 14 June 2008, the subsidiary of the Company, 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) entered into the Shareholding and Creditor's Rights Transfer Agreement with Chengdu Chongde to acquire the 100% interests in Nanchong Commercial, so as to further acquire a commercial property at 140 Mofan Street, Nanchong City for the purpose of opening the second department store in Nanchong. The consideration, RMB42.6 million, was calculated based on the asset valuation and analysis on the value of the creditor's rights. The effective controlling shareholder of the Company, Chairman Mr. Huang Mao Ru, was the effective controlling shareholder of Chengdu Chongde.

CONTINUING CONNECTED TRANSACTIONS

Master Leasing Agreement

Pursuant to the master leasing agreement entered into between Maoye Holdings Limited and the Company dated 13 January 2008 (the "Master Leasing Agreement"), the Company agreed to continue to lease from the Controlling Shareholder Group certain premises for the operation of department stores in accordance with the respective terms of the relevant leasing agreement (the "Lease Agreement") entered into between members of the Group and members of the Controlling Shareholder Group. As at 31 December 2008, the Group has entered into ten Lease Agreements with members of the Controlling Shareholder Group, including eight leases for department stores and two leases for office space and warehouse. The Group entered into these Lease Agreements after having considered, inter alia, the location of the relevant properties and the terms offered by the Controlling Shareholder Group.

For the year ended 31 December 2008, pursuant to the Master Leasing Agreement, the rental expenses of the Group were RMB106.0 million (2007: RMB104.6 million).

Master Management Agreement

Pursuant to the master management agreement entered into between Mao Ye Group Limited and the Company on 13 January 2008 (the "Master Management Agreement"), the Company agrees to provide management services to the Controlling Shareholder Group with respect to the Chongqing Jiefangbei Store and Maoye Wuxi Store, in order to preserve the value of these stores, which the Company has an option to acquire. The management services provided by the Group include services in respect of operation, accounting, administration, advertising and promotion, finance, marketing, human resources, licence to use the "Maoye Department Store" trademark, computer software, information technology and any other services in relation to the management of department stores as agreed by the parties from time to time. The term of the Master Management Agreement is three years and extendable for another three years at the Company's option. The term of the Master Management Agreement was concluded on an arm's length basis.

As at 31 December 2008, pursuant to the Master Management Agreement, management fee income of the Group was approximately RMB3.1 million (2007: RMB1.0 million).

The Independent Non-executive Directors have reviewed and confirmed that the above continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than those available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed that the above transactions have been approved by the Board, were entered into in accordance with the relevant agreement governing the transactions and did not exceed the respective caps stated in the Prospectus.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2008, save as disclosed below, none of the Directors or their respective associates had any business or interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

(i) Mr. Huang Mao Ru held interests in Chongqing Jiefangbei Store, Maoye Wuxi Store and Guiyang Friendship Group. Details of those companies are set out in the Prospectus. As mentioned in the Prospectus, the Controlling Shareholder Group has granted the Group an option to purchase the whole or part of the interest of those companies.

(ii) Mr. Zhong Pengyi held interests in Shenzhen Friendship Trading Centre Company Limited, Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd. Details of those companies and Mr. Zhong's interests in those companies are set out in the Prospectus. As mentioned in the Prospectus, to manage the conflict of interest arising from Mr. Zhong's interests in those companies, Mr. Zhong is required to abstain from participation, deliberation or voting at Board meetings where matters involving these companies are discussed or resolved, and he will not be counted for purpose of determining quorum for such Board meetings.

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group mainly engages in retail business, for the year ended 31 December 2008, none of its customers or suppliers accounted for more than 5% of the Group's turnover. In addition, for the year ended 31 December 2008, none of the directors, shareholders or their respective associates who owned 5% or more of the Company's issued share capital as at 31 December 2008 had any interest in any of the five largest customers and the five largest suppliers of the Group.

CORPORATE GOVERNANCE REPORT

Details of the corporate governance practices of the Company are set out in the "Corporate Governance Report" of this annual report.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 40 to the financial statements.

COMPLIANCE ADVISER

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 the Listing Date 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 31 December 2008.

AUDITORS

Ernst & Young, the Company's auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

By order of the Board
Huang Mao Ru
Chairman

26 February 2009

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 47 to 131, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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.

Independent Auditors' Report

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 31 December 2008 and of the Group's profit and cash flows for the year 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
26 February 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
REVENUE	5	**1,492,595**	1,567,301
Other income	6	**474,840**	355,638
Total operating revenue		**1,967,435**	1,922,939
Purchases of and changes in inventories		**(622,326)**	(728,055)
Employee expenses	7	**(126,712)**	(93,395)
Depreciation and amortisation		**(124,183)**	(128,898)
Operating lease rental expenses	8	**(122,580)**	(128,513)
Other operating expenses	9	**(309,477)**	(284,802)
Other gains	10	**78,321**	83,946
Operating profit		**740,478**	643,222
Finance costs	11	**(55,368)**	(99,140)
Share of profits and losses of associates	21	**2,724**	3,573
PROFIT BEFORE TAX		**687,834**	547,655
Tax	12	**(144,516)**	(103,567)
PROFIT FOR THE YEAR		**543,318**	444,088
Attributable to:			
Equity holders of the parent	13	**520,969**	416,999
Minority interests		**22,349**	27,089
		543,318	444,088
DIVIDENDS	14		
Special dividends		**72,608**	1,063,950
Interim dividend		**148,583**	–
Proposed final dividend		**99,658**	–
		320,849	1,063,950
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	15	**RMB10.8 cents**	RMB9.8 cents

Consolidated Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,133,610**	825,382
Investment properties	17	**110,495**	105,123
Land lease prepayments	18	**2,005,236**	583,144
Goodwill	19	**45,286**	45,286
Investments in associates	21	**30,598**	30,509
Available-for-sale equity investments	22	**487,330**	106,195
Prepayments	27	**383,566**	4,543
Deferred tax assets	23	**28,353**	51,591
Total non-current assets		**4,224,474**	1,751,773
CURRENT ASSETS			
Inventories	24	**96,330**	113,131
Equity investments at fair value through profit or loss	25	**4,579**	11,573
Trade receivables	26	**1,912**	3,938
Prepayments and other receivables	27	**288,189**	224,151
Due from related parties	38(b)	**5,086**	1,101,015
Pledged deposits	28	**12,391**	38,850
Cash and cash equivalents	28	**867,900**	352,727
Total current assets		**1,276,387**	1,845,385
CURRENT LIABILITIES			
Trade and bills payables	29	**939,017**	840,254
Deposits received, accruals and other payables	30	**733,096**	483,929
Interest-bearing bank loans	31	**361,000**	610,381
Due to related parties	38(b)	**2,885**	58,636
Income tax payable		**29,916**	36,171
Dividends payable		**–**	209,547
Total current liabilities		**2,065,914**	2,238,918
NET CURRENT LIABILITIES		**(789,527)**	(393,533)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,434,947**	1,358,240

Consolidated Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,434,947**	1,358,240
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	31	**160,000**	786,712
Deferred tax liabilities	23	**133,842**	110,042
Total non-current liabilities		**293,842**	896,754
Net assets		**3,141,105**	461,486
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	32	**461,587**	–
Reserves	33(a)	**2,282,001**	200,758
Proposed final dividend	14	**99,658**	–
		2,843,246	200,758
Minority interests		**297,859**	260,728
Total equity		**3,141,105**	461,486

Huang Mao Ru
Director

Wang Guisheng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Attributable to equity holders of the parent										
	Issued capital RMB'000 (note 32)	Share premium account RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000	Available-for-sale equity investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final 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 year	–	–	–	–	–	–	520,969	–	520,969	22,349	543,318
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)
Changes in fair value of available-for-sale equity investments	–	–	–	–	59,119	–	–	–	59,119	–	59,119
Partial disposal of shares in a subsidiary	–	–	–	–	–	–	–	–	–	14,782	14,782
Profit appropriation to reserves	–	–	–	26,647	–	–	(26,647)	–	–	–	–
Dividends paid by the Company and its subsidiaries to their then shareholders (note 14)	–	–	–	–	–	–	(72,608)	–	(72,608)	–	(72,608)
Interim 2008 dividend (note 14)	–	–	–	–	–	–	(148,583)	–	(148,583)	–	(148,583)
Proposed final dividend (note 14)	–	–	–	–	–	–	(99,658)	99,658	–	–	–
Exchange realignment	–	–	–	–	–	(53,365)	–	–	(53,365)	–	(53,365)
At 31 December 2008	461,587	1,875,369*	77*	143,056*	59,119*	(55,197)*	259,577*	99,658	2,843,246	297,859	3,141,105

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Attributable to equity holders of the parent									
	Issued capital RMB'000 (note 32)	Share premium account RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000	Available-for-sale equity investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	–	–	51,137	130,647	–	(295)	718,817	900,306	235,777	1,136,083
Profit for the year	–	–	–	–	–	–	416,999	416,999	27,089	444,088
Reversal of contributed surplus due to the Reorganisation	–	–	(51,060)	–	–	–	–	(51,060)	–	(51,060)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	6,601	6,601
Acquisition of an additional interest in a subsidiary	–	–	–	–	–	–	–	–	(2,739)	(2,739)
Profit appropriation to reserves	–	–	–	17,125	–	–	(17,125)	–	–	–
Dividends declared	–	–	–	–	–	–	(1,063,950)	(1,063,950)	–	(1,063,950)
Disposal of subsidiaries (note 34(b))	–	–	–	(31,363)	–	–	31,363	–	(6,000)	(6,000)
Exchange realignment	–	–	–	–	–	(1,537)	–	(1,537)	–	(1,537)
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 RMB2,282,001,000 (2007: RMB200,758,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**687,834**	547,655
Adjustments for:			
Interest income	6	**(48,902)**	(9,943)
Depreciation and amortisation		**124,183**	128,898
Impairment of goodwill	9	**–**	200
Impairment of trade receivables	9	**83**	2,351
Impairment of inventories	9	**667**	2,068
Impairment/(reversal of impairment) of other receivables	9	**1,407**	(760)
Impairment/(reversal of impairment) of an amount due from a related party	9	**(3,870)**	3,870
Loss/(gain) on disposal of items of property, plant and equipment	10	**(20)**	4,574
Gain on disposal of land lease prepayment	10	**(853)**	–
Gain on disposal of subsidiaries and associates	10	**(3,315)**	(65,033)
Fair value loss/(gain) on equity investments at fair value through profit or loss	10	**9,888**	(7,310)
Gain on disposal of equity investments at fair value through profit or loss	10	**(1,352)**	(14,517)
Gain on partial disposal of shares in a subsidiary	10	**(80,022)**	–
Dividend income from equity investments at fair value through profit or loss	10	**(90)**	–
Dividend income from available-for-sale equity investments	10	**(1,195)**	–
Finance costs	11	**55,368**	99,140
Share of profits and losses of associates	21	**(2,724)**	(3,573)
		737,087	687,620
Decrease/(increase) in inventories		**16,134**	(21,224)
Decrease/(increase) in trade receivables		**1,943**	(2,901)
Decrease/(increase) in prepayments and other receivables		**877**	(113,607)
Increase in amounts due from related parties		**(2,048)**	(7,840)
Increase in trade and bills payables		**98,763**	116,213
Increase in deposits received, accruals and other payables		**62,807**	164,571
Increase/(decrease) in amounts due to related parties		**321**	(180,696)
Cash generated from operations		**915,884**	642,136
Interest received		**48,902**	9,943
PRC tax paid		**(123,119)**	(68,813)
Net cash inflow from operating activities		**841,667**	583,266

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	**2008 RMB'000**	2007 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**2,900**	2,315
Purchase of items of property, plant and equipment		**(281,003)**	(96,292)
Proceeds from disposal of items of property, plant and equipment		**2,432**	14,716
Proceeds from partial disposal of shares in a subsidiary		**94,805**	–
Purchase of investment properties		**–**	(2,470)
Purchase of available-for-sale equity investments		**(302,630)**	(6,864)
Purchase of land lease prepayments		**(1,385,310)**	(40,366)
Prepayment for land lease prepayment		**(380,000)**	–
Disposal of land lease prepayments		**1,228**	5,900
Purchase of equity investments at fair value through profit or loss		**(11,888)**	(9,253)
Proceeds from disposal of equity investments at fair value through profit or loss		**10,346**	24,402
Acquisition of a subsidiary	34(a)	**(4,991)**	(12,332)
Acquisition of creditor's right		**(37,567)**	–
Acquisition of an additional interest in a subsidiary		**–**	(2,937)
Increase in the capital of an associate		**(265)**	–
Disposal of subsidiaries	34(b)	**4,891**	22,574
Dividend income from equity investments at fair value through profit or loss		**90**	–
Dividend income from available-for-sale equity investments		**1,195**	–
Decrease in bank deposits with original maturity of over three months when acquired		**–**	81,420
Net cash outflow from investing activities		**(2,285,767)**	(19,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**2,476,776**	–
Listing expense		**(139,820)**	–
New bank loans		**671,000**	1,672,800
Repayments of bank loans		**(1,547,093)**	(1,511,733)
Decrease in amounts due from related parties		**1,101,847**	302,957
Increase/(decrease) in amounts due to related parties		**(56,072)**	27,309
Interest paid		**(89,633)**	(99,140)
Dividends paid by the Company and its subsidiaries to their then shareholders		**(282,155)**	(854,403)
Interim dividend paid		**(148,583)**	–
Decrease in pledged bank deposits	28	**26,459**	–
Net cash inflow/(outflow) from financing activities		**2,012,726**	(462,210)

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**568,626**	101,869
Effect of foreign exchange rate changes, net		**(53,453)**	(1,537)
Cash and cash equivalents at beginning of year		**352,727**	252,395
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**867,900**	352,727
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**604,317**	352,727
Non-pledged time deposits with original maturity of less than three months when acquired	28	**263,583**	–
		867,900	352,727

Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**143,788**	–
CURRENT ASSETS			
Prepayments and other receivables	27	**8**	7,438
Due from subsidiaries	20	**2,124,019**	–
Cash and cash equivalents	28	**8,329**	–
Total current assets		**2,132,356**	7,438
CURRENT LIABILITIES			
Other payables and accruals	30	**5,253**	6,745
Due to subsidiaries	20	**16,277**	12,023
Total current liabilities		**21,530**	18,768
NET CURRENT ASSETS/(LIABILITIES)		**2,110,826**	(11,330)
Net assets/(liabilities)		**2,254,614**	(11,330)
EQUITY			
Issued capital	32	**461,587**	–
Reserves	33(b)	**1,693,369**	(11,330)
Proposed final dividend	14/33(b)	**99,658**	–
Total equity		**2,254,614**	(11,330)

Huang Mao Ru
Director

Wang Guisheng
Director

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 are 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.

As at 31 December 2008, the Group had net current liabilities of approximately RMB789,527,000. Having taken into account the cash flows from the operations and the current available banking facilities, the directors consider that it is appropriate to prepare the financial statements on a going concern basis notwithstanding the net current liabilities position.

2.1 BASIS OF PREPARATION (Continued)

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 dates of acquisition. Accordingly, the consolidated results for the years ended 31 December 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.

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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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 interpretations and amendments to IFRSs for the first time for the current year's financial statements.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IAS 39 and IFRS 7 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
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*

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

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

(a) Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – 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.

(b) Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

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

(b) Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets* (Continued)

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial assets on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(c) 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 buys 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 impact on the financial position or results of operations of the Group.

(d) 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. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations the Group.

(e) 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, including situations when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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.

IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
IFRS 3 (Revised)	*Business Combinations*[3]
IFRS 8	*Operating Segments*[1]
IAS 1 (Revised)	*Presentation of Financial Statements*[1]
IAS 23 (Revised)	*Borrowing Costs*[1]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[3]
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*[4]
IFRIC 17	*Distribution of Non-cash Assets to Owners*[3]
IFRIC 18	*Transfers of Assets from Customers*[3]

Apart from the above, the International Accounting Standards Board has issued Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording, Except for the amendments to IFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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 October 2008
* Improvements to IFRSs contains amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

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 (Revised) may result in new or amended disclosures and the adoption of IFRS 3 (Revised) and IAS 27 (Revised) may result in changes in accounting policies, 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 (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 and losses in the period in which the investments are acquired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 an 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 an 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 any of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 – 10 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 least 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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.

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 listed and 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 statement. 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 of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; 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 Hong Kong dollars ("HK$") as their functional currency. 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 dates 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 year are translated into RMB at the weighted average exchange rates for the 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, based on an evaluation of the terms and conditions of the arrangements, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

- *Impairment of available-for-sale financial assets*

  The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement.

- *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.

- *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 trade receivables, 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 on 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 sales 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, operations of 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 years ended 31 December 2008 and 2007.

Group

	Operation of department stores RMB'000	Sale of automobiles RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2008				
Segment revenue:				
Sales to external customers	1,230,076	255,731	6,788	1,492,595
Other income	399,459	1,651	24,828	425,938
Total	1,629,535	257,382	31,616	1,918,533
Segment results	709,872	(2,954)	4,513	711,431
Other income and unallocated gains				127,223
Corporate and other unallocated expenses				(98,176)
Finance costs				(55,368)
Share of profits and losses of associates	(543)	–	3,267	2,724
Profit before tax				687,834
Tax				(144,516)
Profit for the year				543,318
Assets and liabilities				
Segment assets	4,725,368	86,698	142,514	4,954,580
Investments in associates	2,457	–	28,141	30,598
Corporate and other unallocated assets				515,683
Total assets				5,500,861
Segment liabilities	1,496,067	63,970	95,547	1,655,584
Corporate and other unallocated liabilities				704,172
Total liabilities				2,359,756
Other segment information:				
Depreciation and amortisation	96,922	1,765	7,754	106,441
Corporate and other unallocated amounts				17,742
				124,183
Capital expenditure	1,948,527	1,733	256	1,950,516
Impairment of inventories	667	–	–	667
Impairment of trade receivables	83	–	–	83
Impairment of other receivables	1,407	–	–	1,407
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
Year ended 31 December 2007				
Segment revenue:				
Sales to external customers	1,246,121	311,548	9,632	1,567,301
Other income	321,938	1,330	24,870	348,138
Total	1,568,059	312,878	34,502	1,915,439
Segment results	603,863	8,623	3,929	616,415
Other income and unallocated gains				91,446
Corporate and other unallocated expenses				(64,639)
Finance costs				(99,140)
Share of profits and losses of associates	587	–	2,986	3,573
Profit before tax				547,655
Tax				(103,567)
Profit for the year				444,088
Assets and liabilities				
Segment assets	3,060,261	167,701	172,189	3,400,151
Investments in associates	3,733	–	26,776	30,509
Corporate and other unallocated assets				166,498
Total assets				3,597,158
Segment liabilities	1,102,209	139,656	350,501	1,592,366
Corporate and other unallocated liabilities				1,543,306
Total liabilities				3,135,672
Other segment information:				
Depreciation and amortisation	99,204	3,262	8,303	110,769
Corporate and other unallocated amounts				18,129
				128,898
Capital expenditure	133,602	2,089	3,437	139,128
Impairment of goodwill	200	–	–	200
Impairment of inventories	2,068	–	–	2,068
Impairment of trade receivables	2,351	–	–	2,351
Reversal of impairment of other receivables	(760)	–	–	(760)
Impairment of an amount due from a related party	3,870	–	–	3,870

5. REVENUE

	Group 2008 RMB'000	2007 RMB'000
Commissions from concessionaire sales	**712,826**	680,491
Direct sales	**419,478**	479,482
Sale of automobiles	**255,731**	311,548
Rental income from the leasing of shop premises	**94,689**	86,148
Management fee income from the operation of department stores	**3,083**	1,035
Others	**6,788**	8,597
	1,492,595	1,567,301

The total sales proceeds and commissions from concessionaire sales are analysed as follows:

	2008 RMB'000	2007 RMB'000
Total sales proceeds from concessionaire sales	**3,576,270**	3,318,096
Commissions from concessionaire sales	**712,826**	680,491

The rental income from the leasing of shop premises is analysed as follows:

	2008 RMB'000	2007 RMB'000
Rental income	**41,014**	42,010
Sublease rental income	**49,747**	40,302
Contingent rental income	**3,928**	3,836
	94,689	86,148

6. OTHER INCOME

	Group 2008 RMB'000	2007 RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**226,522**	180,051
– Promotion income	**105,011**	84,115
– Credit card handling fees	**43,051**	41,143
Rental income from investment properties	**42,077**	32,181
Interest income	**48,902**	9,943
Others	**9,277**	8,205
	474,840	355,638

7. EMPLOYEE EXPENSES

	Group 2008 RMB'000	2007 RMB'000
Wages and salaries	**112,113**	81,279
Retirement benefits	**9,719**	6,232
Other employee benefits	**4,880**	5,884
	126,712	93,395

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

	Group 2008 RMB'000	2007 RMB'000
Fees	**696**	150
Other emoluments:		
Salaries and allowances	**3,309**	1,758
Bonuses	**100**	600
Retirement benefits	**37**	35
	3,446	2,393
	4,142	2,543

7. EMPLOYEE EXPENSES (Continued)

(a) Independent non-executive directors

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

	2008 RMB'000	2007 RMB'000
Mr. Pao Ping Wing	**214**	60
Mr. Leung Hon Chuen	**161**	30
Mr. Chow Chan Lum	**321**	60
	696	150

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2008 (2007: Nil).

(b) Executive and non-executive directors

	Fees RMB'000	Salaries and allowances RMB'000	Bonuses RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Year ended 31 December 2008					
Executive directors:					
Mr. Huang Mao Ru	**–**	**140**	**–**	**–**	**140**
Mr. Zou Minggui	**–**	**1,074**	**–**	**13**	**1,087**
Mr. Wang Guisheng	**–**	**894**	**–**	**13**	**907**
Mr. Lu Fa Chee*	**–**	**711**	**–**	**5**	**716**
Ms. Wang Fuqin*	**–**	**250**	**100**	**6**	**356**
	–	**3,069**	**100**	**37**	**3,206**
Non-executive directors:					
Mrs. Huang Jingzhang	**–**	**120**	**–**	**–**	**120**
Mr. Zhong Pengyi	**–**	**120**	**–**	**–**	**120**
	–	**240**	**–**	**–**	**240**
Year ended 31 December 2007					
Executive directors:					
Mr. Huang Mao Ru	–	–	–	–	–
Mr. Zou Minggui	–	500	400	11	911
Mr. Wang Guisheng	–	326	200	11	537
Mr. Lu Fa Chee	–	291	–	2	293
	–	1,117	600	24	1,741
Non-executive directors:					
Mrs. Huang Jingzhang	–	641	–	11	652
Mr. Zhong Pengyi	–	–	–	–	–
	–	641	–	11	652

* Mr. Lu Fa Chee resigned as an executive director and Ms. Wang Fuqin was appointed as an executive director on 5 July 2008.

7. EMPLOYEE EXPENSES (Continued)

(b) Executive and non-executive directors (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2008 (2007: Nil).

(c) Five highest paid employees

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

	2008	2007
	RMB'000	RMB'000
Salaries and allowances	**901**	780
Bonuses	**80**	–
Retirement benefits	**23**	26
	1,004	806

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

	2008	2007
Nil to RMB1,000,000	**2**	2

During the year, 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 2008 RMB'000	2007 RMB'000
Operating lease rental	**114,825**	121,268
Operating sublease rental	**7,755**	7,245
	122,580	128,513

9. OTHER OPERATING EXPENSES

	Notes	Group 2008 RMB'000	2007 RMB'000
Utility expenses		**84,453**	82,271
Promotion and advertising expenses		**20,870**	28,041
Repair and maintenance expenses		**25,156**	24,359
Entertainment expenses		**7,337**	11,423
Office expenses		**22,806**	25,662
Other tax expenses		**86,316**	45,609
Professional service fees		**11,422**	10,167
Auditors' remuneration		**7,010**	580
Bank charges		**24,995**	20,327
Impairment of goodwill	19	**–**	200
Impairment of inventories		**667**	2,068
Impairment of trade receivables	26	**83**	2,351
Impairment/(reversal of impairment) of other receivables	27	**1,407**	(760)
Impairment/(reversal of impairment) of an amount due from a related party	38(b)	**(3,870)**	3,870
Others		**20,825**	28,634
		309,477	284,802

10. OTHER GAINS

	Group 2008 RMB'000	2007 RMB'000
Gain/(loss) on disposal of items of property, plant and equipment	**20**	(4,574)
Gain on disposal of land lease prepayment	**853**	–
Foreign exchange gains/(losses), net	**(11,422)**	865
Fair value gain/(loss) on equity investments at fair value through profit or loss	**(9,888)**	7,310
Gain on disposal of equity investments at fair value through profit or loss	**1,352**	14,517
Gain on disposal of subsidiaries and associates	**3,315**	65,033
Gain on partial disposal of shares in a subsidiary	**80,022**	–
Dividend income from available-for-sale equity investments	**1,195**	–
Dividend income from equity investments at fair value through profit or loss	**90**	–
Others	**12,784**	795
	78,321	83,946

11. FINANCE COSTS

	Group 2008 RMB'000	2007 RMB'000
Interest on bank loans	**55,368**	99,140

12. 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.

12. TAX (Continued)

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

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), enterprises previously entitled to a reduced tax rate shall have a grace period of five years regarding the tax reduction commencing on 1 January 2008; the enterprises entitled to a 15% corporate income tax rate will be subject to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter. 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% (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% (2007: 15%).

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% 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% (2007: 16.5%).

According to the Tax Policies Notice (Cai Shui [2008] no. 104) for Supporting Post-Wenchuan Earthquake Rehabilitation and Reconstruction jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, enterprises suffering heavy losses in seriously disaster-stricken areas shall be exempted from CIT during the year ended 31 December 2008. Accordingly, 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) was exempted from CIT for the year ended 31 December 2008.

12. TAX (Continued)

	Group 2008 RMB'000	Group 2007 RMB'000
Group:		
Current – PRC		
Charge for the year	**116,864**	51,825
Deferred (note 23)	**27,652**	51,742
Total tax charge for the year	**144,516**	103,567

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, and a reconciliation of the statutory tax rate to the effective rate, are as follows:

	Group 2008 RMB'000	%	2007 RMB'000	%
Profit before tax	**687,834**		547,655	
Tax at the statutory tax rate	**171,959**	**25**	180,726	33
Lower tax rates for specific districts or countries	**(40,718)**	**(6)**	(73,724)	(14)
Tax exemption	**(1,091)**	**–**	–	–
Effect on opening deferred tax of changes in rates	**–**	**–**	8,968	2
Income not subject to tax	**(935)**	**–**	(39,461)	(7)
Expenses not deductible for tax	**3,884**	**1**	8,396	2
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**7,089**	**1**	–	–
Tax losses not recognised	**1,928**	**–**	15,597	3
Others	**2,400**	**–**	3,065	–
Tax charge at the Group's effective tax rate	**144,516**	**21**	103,567	19

13. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2008 includes a profit of RMB51,511,000 (2007: loss of RMB11,330,000) which has been dealt with in the financial statements of the Company (note 33(b)).

14. DIVIDENDS

	2008 **RMB'000**	2007 RMB'000
Special dividends	**72,608**	1,063,950
Interim dividend – HK3.3 cents (2007: Nil) per ordinary share	**148,583**	–
Proposed final dividend (not recognised as a liability as at 31 December) – HK2.2 cents (2007: Nil) per ordinary share	**99,658**	–
	320,849	1,063,950

Special dividends represent the dividends declared and paid by the Company and its subsidiaries to their then shareholders during the years ended 31 December 2008 and 2007 before the listing of the Company's shares.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year ended 31 December 2008 attributable to equity holders of the parent of RMB520,969,000 (2007: RMB416,999,000) and the weighted average of 4,834,255,760 (2007: 4,250,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 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 32(b)); and

(ii) the capitalisation issue of 4,249,999,999 shares (note 32(d)).

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2008 includes the weighted average of 568,259,563 shares issued upon the listing of the Company's shares on the Stock Exchange on 5 May 2008 and the weighted average of 15,996,197 shares issued upon exercise of the Over-allotment Option (as defined in note 32(f)) 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 years ended 31 December 2008 and 2007, accordingly, no diluted earnings per share amount has been presented.

16. 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
31 December 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	255,446	5,323	3,728	8,275	9,577	134,195	416,544
Disposals	(218)	(19)	(797)	(986)	(6,890)	(71)	(8,981)
Depreciation provided during the year	(30,818)	(14,027)	(2,035)	(16,466)	(24,156)	–	(87,502)
Transfer to investment properties (note 17)	(11,833)	–	–	–	–	–	(11,833)
Transfers	17,587	1,475	–	–	5,421	(24,483)	–
At 31 December 2008, net of accumulated depreciation and impairment	803,569	52,381	5,460	42,820	61,622	167,758	1,133,610
At 31 December 2008:							
Cost	1,051,688	214,411	11,199	172,731	170,735	174,367	1,795,131
Accumulated depreciation and impairment	(248,119)	(162,030)	(5,739)	(129,911)	(109,113)	(6,609)	(661,521)
Net carrying amount	803,569	52,381	5,460	42,820	61,622	167,758	1,133,610

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Amortisation of land lease payment of approximately RMB13,363,000 during the construction period was capitalised as part of the construction cost of the store in Nanshan District, Shenzhen and included in the above addition of construction in progress.

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 bills payable and interest-bearing bank loans are set out in note 29 and note 31(a).

Certificates of ownership in respect of certain buildings of the Group located in Mianyang, Nanchong and Taiyuan with a net carrying amount of approximately RMB132,628,000 as at 31 December 2008 (31 December 2007: Nil) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

16. 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	39,204	113	1,190	5,399	8,815	41,571	96,292
Acquisition of a subsidiary	28,139	2,036	253	224	–	2,900	33,552
Transfer to investment properties (note 17)	(6,077)	–	–	–	–	–	(6,077)
Disposals	(11,870)	(648)	(779)	(1,027)	(4,809)	(157)	(19,290)
Disposal of subsidiaries (note 34(b))	(690)	–	–	(1,038)	(15,232)	(132)	(17,092)
Depreciation provided during the year	(28,685)	(13,490)	(1,499)	(18,272)	(33,839)	–	(95,785)
Transfers	1,365	348	–	–	9,793	(11,506)	–
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

17. INVESTMENT PROPERTIES

	Notes	Group 2008 RMB'000	2007 RMB'000
Cost at 1 January, net of accumulated depreciation		**105,123**	109,626
Additions		**–**	2,470
Disposal of subsidiaries	34(b)	**(980)**	(7,566)
Transfer from property, plant and equipment	16	**11,833**	6,077
Depreciation provided during the year		**(5,481)**	(5,484)
At 31 December		**110,495**	105,123
At 31 December:			
Cost		**184,114**	173,261
Accumulated depreciation		**(73,619)**	(68,138)
Net carrying amount		**110,495**	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 35(a).

Details of the Group's investment properties pledged to secure the Group's interest-bearing bank loans are set out in note 31(b).

At 31 December 2008, the fair value of the Group's investment properties was approximately RMB133,000,000, which was based on the valuation by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis.

18. LAND LEASE PREPAYMENTS

	Notes	Group 2008 RMB'000	2007 RMB'000
Carrying amount at 1 January (i)		**583,144**	572,152
Acquisition of a subsidiary	34(a)	**–**	5,517
Additions		**1,533,972**	40,366
Disposals		**(375)**	(5,900)
Disposal of subsidiaries	34(b)	**–**	(1,362)
		2,116,741	610,773
Amortisation provided during the year		**(44,563)**	(27,629)
Carrying amount at 31 December		**2,072,178**	583,144
Current portion included in prepayments, deposits and other receivables		**(66,942)**	–
Non-current portion		**2,005,236**	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 year'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 bills payable and interest-bearing bank loans are set out in note 29 and note 31(c).

The Group is in the process of applying for the land use right certificates for land lease prepayments with an aggregate carrying amount of approximately RMB434,773,000 as at 31 December 2008 (31 December 2007: RMB40,282,000).

Included in the amortisation provided during the year is an amount of approximately RMB13,363,000, which was capitalised as part of the construction cost of the store in Nanshan District, Shenzhen. Further details of capitalisation are included in note 16.

19. GOODWILL

	Notes	Group 2008 RMB'000	2007 RMB'000
At 1 January, net of accumulated impairment		**45,286**	45,114
Acquisition of a subsidiary	34(a)	**–**	174
Acquisition of an additional interest in a subsidiary		**–**	198
Impairment during the year	9	**–**	(200)
At 31 December		**45,286**	45,286
At 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 segment;
- the CGU of the sale of automobiles segment; and
- the CGU of "others" segment.

The carrying amounts of goodwill allocated to each of the CGUs are as follows:

	Operation of department stores RMB'000	**Sale of automobiles** RMB'000	**Others** RMB'000	**Total** RMB'000
At 31 December 2008	35,954	17	9,315	45,286
At 31 December 2007	35,954	17	9,315	45,286

19. GOODWILL (Continued)

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 10% to 12% (2007: 7% to 10%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from nil to 5% (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 31 December 2008 and 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 ranging from nil to 5% (2007: 6% to 8%).

20. INVESTMENTS IN SUBSIDIARIES

Company

	2008	2007
	RMB'000	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 RMB2,124,019,000 (31 December 2007: Nil) and RMB16,277,000 (31 December 2007: RMB12,023,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and operations	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
Shenzhen Maoye Shangsha Co., Ltd. ("Maoye Shangsha") (深圳茂業商廈有限公司) **	PRC/Mainland China 31 January 1996	US$170,000,000/ US$220,000,000	–	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

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
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
Qinhuangdao Maoye Shangsha Business Management Co., Ltd. ("Qinhuangdao Maoye")(秦皇島茂業商廈經營管理有限公司) **	PRC/Mainland China 4 August 2008	RMB5,000,000	–	100	Operation of a department store
Chongqing Buy First Business Co., Ltd. (重慶百福樂商貿有限公司) **	PRC/Mainland China 16 September 2008	US$15,000,000	–	100	Operation of a supermarket

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenzhen Gangdaoyinzuo Supermarket Co., Ltd. (深圳港島銀座超市有限公司) **	PRC/Mainland China 18 August 2008	US$30,000,000	–	100	#
Shenzhen Shijinhangong Supermarket Co., Ltd. (深圳世金漢宮超市有限公司) **	PRC/Mainland China 18 August 2008	US$30,000,000	–	100	#
Shanxi Maoye Land and Real Estate Development Co., Ltd. (山西茂業置地房地產開發有限公司)**	PRC/Mainland China 18 November 2008	RMB10,000,000		100	#
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
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

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
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	–	66.77	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
Chengshang Mianyang **	PRC/Mainland China 13 September 2007	RMB5,000,000	–	66.77	Operation of a department store
Chengshang Group Nanchong Commercial Co., Ltd. (formerly known as Nanchong Chongde Industry 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
Chengdu Chengshang Estate Co., Ltd. (成都成商地產有限公司) **	PRC/Mainland China 15 July 2008	RMB8,000,000	–	66.77	#

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

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

The companies have not yet commenced operation.

20. INVESTMENTS IN SUBSIDIARIES (Continued)

During the year, the Group acquired Nanchong Commercial from a fellow subsidiary of the Company. Further details of this acquisition are included in notes 34(a) and 38(a)(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 year 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.

21. INVESTMENTS IN ASSOCIATES

	Group 2008 RMB'000	Group 2007 RMB'000
Share of net assets	**30,598**	30,509

The Group's balances with its associates as at 31 December 2008 and 2007 are disclosed in note 38(b).

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

Company name	Place and date of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest attributable to the Group Direct %	Percentage of ownership interest attributable to the Group Indirect %	Principal activities
Yinchuan Broadcasting Network Co., Ltd. (formerly known as Yinchuan New Century 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

21. INVESTMENTS IN ASSOCIATES (Continued)

Company name	Place and date of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest attributable to the Group Direct %	Indirect %	Principal activities
Guangyuan Lizhou New Century Broadcasting Network Co., Ltd. (formerly known as 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 year 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.

21. INVESTMENTS 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
Year ended 31 December 2008				
Yinchuan Broadcasting Network	**17,959**	**2,976**	**4,889**	**2,524**
Ya'an New Century	**10,358**	**4,119**	**2,686**	**487**
Guangyuan New Century	**7,670**	**5,391**	**2,065**	**51**
Leshan Shawan New Century	**6,289**	**1,650**	**2,328**	**205**
Yibin Daguan Building	**2,968**	**510**	**25,261**	**(543)**
	45,244	**14,646**	**37,229**	**2,724**
Year ended 31 December 2007				
Yinchuan Broadcasting Network	15,822	1,813	4,133	2,089
Ya'an New Century	10,661	4,467	2,821	658
Guangyuan New Century	7,493	5,265	2,106	50
Leshan Shawan New Century	6,322	1,977	2,027	189
Yibin Daguan Building	8,065	4,332	32,395	587
	48,363	17,854	43,482	3,573

22. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2008 RMB'000	2007 RMB'000
Listed equity investments, at fair value	**381,135**	–
Unlisted equity investments, at cost	**111,930**	111,930
	493,065	111,930
Provision for impairment	**(5,735)**	(5,735)
	487,330	106,195

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to RMB59,119,000 (2007: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

22. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (Continued)

The fair values of listed equity investments are based on quoted market prices.

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.

23. 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 (note 12)	(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 year (note 12)	–	3,598	(1,813)	(25,023)	(23,238)
At 31 December 2008	–	11,773	14,464	2,116	28,353

The Group had tax losses of approximately RMB28,678,000 as at 31 December 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 RMB20,218,000 as at 31 December 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.

23. DEFERRED TAX (Continued)

Movements in deferred tax liabilities are as follows:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Revaluation of available-for-sale equity investments RMB'000	Amortisation of pre-paid land lease prepayment RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2007	117,919	–	–	–	117,919
Deferred tax credited to the consolidated income statement during the year	(7,877)	–	–	–	(7,877)
At 31 December 2007	110,042	–	–	–	110,042
Deferred tax debited to equity during the year	–	19,386	–	–	19,386
Deferred tax charged/(credited) to the consolidated income statement during the year (note 12)	(6,016)	–	3,341	7,089	4,414
At 31 December 2008	104,026	19,386	3,341	7,089	133,842

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, there was no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates.

24. INVENTORIES

	Group 2008 RMB'000	2007 RMB'000
Merchandise for resale	**107,616**	123,750
Provision against slow-moving inventories	**(11,286)**	(10,619)
	96,330	113,131

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2008 RMB'000	2007 RMB'000
Listed equity investments	**4,579**	11,573

26. TRADE RECEIVABLES

The Group's revenue from the direct sales of merchandise and sale of automobiles is 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 as at the balance sheet date, based on the invoice dates, is as follows:

	Group 2008 RMB'000	2007 RMB'000
Within 60 days	**1,680**	3,438
61 to 90 days	**232**	1,161
91 to 180 days	**–**	3,944
181 to 270 days	**–**	322
271 to 360 days	**12**	95
Over 360 days	**7,645**	2,794
	9,569	11,754
Impairment of trade receivables	**(7,657)**	(7,816)
	1,912	3,938

26. TRADE RECEIVABLES (Continued)

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

	Group 2008 RMB'000	2007 RMB'000
At 1 January	**7,816**	5,752
Impairment losses recognised during the year (note 9)	**83**	2,351
Amount written off during the year	**(242)**	(287)
At 31 December	**7,657**	7,816

Included in the above provision for impairment of trade receivables as at 31 December 2008 is a provision for individually impaired trade receivables of approximately RMB7,657,000 (31 December 2007: RMB7,816,000) with a carrying amount of approximately RMB7,657,000 (31 December 2007: RMB7,816,000). The individually impaired trade receivables relate to customers that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

			Past due but not impaired				
	Total	**Neither past due nor 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
31 December 2008	1,912	1,680	232	–	–	–	–
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.

27. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**383,566**	4,543	**–**	–
Current assets				
Prepayments	**206,529**	125,840	**7**	7,438
Other receivables	**118,850**	134,094	**1**	–
	325,379	259,934	**8**	7,438
Impairment of other receivables	**(37,190)**	(35,783)	**–**	–
	288,189	224,151	**8**	7,438

Included in the Group's prepayments and other receivables under current assets as at 31 December 2008 are prepayments for operating lease rental expenses of RMB112,988,000 covering the period from January to December 2009 (31 December 2007: RMB82,497,000 covering the period from January to December 2008) and rental deposits of RMB13,877,000 (31 December 2007: RMB13,877,000), which were paid to certain fellow subsidiaries of the Company.

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

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	**35,783**	34,645
Acquisition of a subsidiary	**–**	3,406
Impairment losses recognised/(reversed) during the year (note 9)	**1,407**	(760)
Amount written off during the year	**–**	(1,508)
At 31 December	**37,190**	35,783

Included in the above provision for impairment of other receivables as at 31 December 2008 is a provision for individually impaired other receivables of approximately RMB37,190,000 (31 December 2007: RMB35,783,000) with a carrying amount of approximately RMB37,190,000 (31 December 2007: RMB35,783,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of 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.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2008	2007	**2008**	2007
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**604,317**	352,727	**8,329**	–
Time deposits		**275,974**	38,850	**–**	–
		880,291	391,577	**8,329**	–
Less: Pledged time deposits for bank loans		**–**	(29,000)	**–**	–
Pledged time deposits for bills payables	29	**(12,391)**	(9,850)	**–**	–
Cash and cash equivalents		**867,900**	352,727	**8,329**	–

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**217,591**	376,228	**–**	–
Hong Kong dollar	**10,583**	14,829	**5,853**	–
United States dollar	**652,117**	520	**2,476**	–
	880,291	391,577	**8,329**	–

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and six months 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.

29. TRADE AND BILLS PAYABLES

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

	Group	
	2008	2007
	RMB'000	RMB'000
Within 90 days	**731,492**	683,714
91 to 180 days	**93,061**	60,655
181 to 360 days	**53,461**	26,558
Over 360 days	**61,003**	69,327
	939,017	840,254

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

The Group's bills payable amounting to RMB43,520,000 as at 31 December 2008 (31 December 2007: RMB16,920,000) were secured by the Group's buildings and land lease prepayments with net carrying amounts of approximately RMB12,298,000 (31 December 2007: RMB481,000) and RMB14,569,000 (31 December 2007: RMB6,353,000) respectively, and the Group's time deposits amounting to RMB12,391,000 (31 December 2007: RMB9,850,000).

30. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	31 December 2008	31 December 2007	**31 December 2008**	31 December 2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income	**241,547**	181,764	**–**	–
Deposits received	**91,831**	83,474	**–**	–
Accrued operating lease rental expenses	**58,320**	69,294	**–**	–
Accrued utilities	**7,518**	7,369	**–**	–
Accrued liabilities	**11,600**	10,434	**5,135**	6,745
Accrued staff costs	**23,414**	17,073	**118**	–
Provision for coupon liabilities	**5,989**	4,136	**–**	–
Value-added tax and other tax payables	**33,470**	22,244	**–**	–
Other payables	**259,407**	88,141	**–**	–
	733,096	483,929	**5,253**	6,745

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

31. INTEREST-BEARING BANK LOANS

Group

	2008			2007		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured	**5.80 – 8.96**	**2009**	**341,000**	6.12 – 8.75	2008	354,300
Interest-bearing bank loans – unsecured	**–**	**–**	**–**	4.85	2008	10,000
Current portion of long term interest-bearing bank loans – secured	**5.94**	**2009**	**20,000**	7.38 – 7.83	2008	246,081
			361,000			610,381
Non-current						
Long term interest-bearing bank loans – secured	**5.94**	**2010 – 2017**	**160,000**	7.38 – 7.83	2009 – 2017	786,712
			521,000			1,397,093

	Group	
	2008 RMB'000	2007 RMB'000
Repayable:		
Within one year	**361,000**	610,381
In the second year	**20,000**	83,041
In the third to fifth years, inclusive	**60,000**	262,192
Beyond five years	**80,000**	441,479
	521,000	1,397,093

31. INTEREST-BEARING BANK LOANS (Continued)

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB78,370,000 (31 December 2007: RMB396,686,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB88,539,000 (31 December 2007: RMB77,255,000); and

(c) certain leasehold land of the Group with a net carrying amount of approximately RMB413,120,000 (31 December 2007: RMB123,283,000).

In addition, certain related parties have guaranteed certain of the Group's bank loans up to RMB200,000,000 (2007: RMB832,793,000) as at the balance sheet date. Further details are included in note 38(a)(2).

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

On 20 January 2009, the Group entered into a loan agreement amounting to RMB1 billion. Additionally, on 25 February 2009, the Group was granted banking facilities amounting to RMB300 million. Details are set out in note 40.

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

32. ISSUED CAPITAL

	2008 **HK$'000**	2007 HK$'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**	–

32. ISSUED CAPITAL (Continued)

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

	Notes	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares HK$'000	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 31 December 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 31 December 2008		5,139,856,000	513,986	461,587

32. 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 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 of 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 any 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 of 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.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years 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 final dividend RMB'000	Total RMB'000
On incorporation		–	–	–	–	–	–
Loss for the year		–	–	–	(11,330)	–	(11,330)
At 31 December 2007		–	–	–	(11,330)	–	(11,330)
Arising from the Reorganisation		–	152,671	–	–	–	152,671
Capitalisation issue of shares	32(d)	(381,693)	–	–	–	–	(381,693)
Issuance of new shares for the global offering	32(e)	2,325,241	–	–	–	–	2,325,241
Issuance of new shares upon exercise of the Over-allotment Option	32(f)	71,641	–	–	–	–	71,641
Listing expenses for issue of new shares		(139,820)	–	–	–	–	(139,820)
Profit for the year		–	–	–	51,511	–	51,511
Exchange realignment		–	–	(54,003)	–	–	(54,003)
Dividends paid by the Company and its subsidiaries to their then shareholders	14	–	–	–	(72,608)	–	(72,608)
Interim 2008 dividend	14	–	–	–	(148,583)	–	(148,583)
Proposed final dividend	14	–	–	–	(99,658)	99,658	–
As at 31 December 2008		1,875,369	152,671	(54,003)	(280,668)	99,658	1,793,027

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.

34. 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 38(a)(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.

	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

34. 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:

	2008 RMB'000	2007 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 before the acquisition. Since its acquisition, Nanchong Commercial contributed RMB11,214,000 to the Group's revenue and RMB1,783,000 to the Group's consolidated profit for the year ended 31 December 2008.

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

(b) Disposal of subsidiaries

	Notes	**2008 RMB'000**	2007 RMB'000
Net assets disposed of:			
Property, plant and equipment	16	–	17,092
Investment properties	17	**980**	7,566
Land lease prepayments	18	–	1,362
Properties under development		–	145,983
Cash and cash equivalents		–	10,532
Dividends receivable		–	8,889
Prepayments and other receivables		**596**	219,579
Due from related parties		–	86,281
Deferred tax assets	23	–	8,196
Inventories		–	5,053
Trade payables		–	(23,205)
Deposits received, accruals and other payables		–	(185,310)
Due to related parties		–	(204,282)
Income tax payable		–	(8,987)
Minority interests		–	(6,000)
		1,576	82,749
Gain on disposal of subsidiaries	10	**3,315**	64,448
		4,891	147,197
Satisfied by:			
Cash		**4,891**	33,106
Prepayments and other receivables		–	15,438
Due from related parties		–	98,653
		4,891	147,197

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

(b) Disposal of subsidiaries (Continued)

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

	2008 RMB'000	2007 RMB'000
Cash consideration	**4,891**	33,106
Cash and cash equivalents disposed of	**–**	(10,532)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**4,891**	22,574

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) 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	2008 RMB'000	2007 RMB'000
Within one year	**89,923**	78,669
In the second to fifth years, inclusive	**75,973**	95,337
After five years	**13,085**	9,613
	178,981	183,619

35. OPERATING LEASE ARRANGEMENTS (Continued)

(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 1 to 20 years.

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

Group	2008 RMB'000	2007 RMB'000
Within one year	**128,762**	124,849
In the second to fifth years, inclusive	**497,113**	491,191
After five years	**586,642**	682,089
	1,212,517	1,298,129

36. COMMITMENTS

In addition to the operating lease commitments as set out in note 35(b) above, the Group had the following capital commitments:

Group	2008 RMB'000	2007 RMB'000
Contracted, but not provided for, in respect of land and buildings	**546,373**	25,680

37. CONTINGENT LIABILITY

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 ended 31 December 2008 is less than RMB80,000,000;

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

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

38. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2008 RMB'000	2007 RMB'000
(1) 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)	**19,736**	19,736
Zhong Zhao Investment (Group) Limited ("Zhongzhao Investment Group") (中兆投資(集團)有限公司) (i) & (iii)	**7,572**	7,251
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (iii)	**54,689**	54,689
Shenzhen Chongde Real Estate Co., Ltd. (深圳市崇德地產有限公司) (i) & (iii)	**424**	424
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (iii)	**6,304**	6,304
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (iii)	**17,253**	16,159
	105,978	104,563
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)	**217**	273
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (iv)	**1,957**	503
Wuxi Maoye Baifu Supermarket Co., Ltd. (無錫茂業百福超級市場有限公司) (i) & (iv)	**909**	259
	3,083	1,035
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**	25,751

38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	2008 RMB'000	2007 RMB'000
(2) Non-recurring transactions		
Bank loans secured by the properties of:		
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)	–	20,500
Shenzhen Maoye Property Business Co., Ltd. (i) & (vi)	–	164,970
Zhongzhao Industry (Shenzhen) Co., Ltd. (中兆實業(深圳)有限公司) (i) & (vi)	–	80,000
	–	282,970
Bank loans guaranteed by:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (vi), Mr. Huang Mao Ru and Mrs. Huang Jingzhang (ii) & (vi) jointly and severally	–	164,970
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (vi)	**200,000**	667,823
	200,000	832,793
Guarantees issued in favour of banks in respect of bank loans granted to:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (vii)	–	545,000

(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.

38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(vii) The Group issued guarantees in favour of banks in respect of bank loans granted to a fellow subsidiary of the Company as at 31 December 2007. The directors confirmed 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 year, the Group acquired a subsidiary, Nanchong Commercial, from a subsidiary of the Company's ultimate holding company, for a consideration of approximately RMB4,994,000 as agreed between both parties. Further details of the transaction are included in note 34(a) to the financial statements.

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

	2008	2007
	RMB'000	RMB'000
Due from related parties		
Due from associates	**2,003**	125,093
Due from fellow subsidiaries	**3,083**	979,792
	5,086	1,104,885
Impairment of amounts due from associates	**–**	(3,870)
	5,086	1,101,015
Due to related parties		
Due to associates	**92**	1,905
Due to fellow subsidiaries	**2,793**	56,731
	2,885	58,636

38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Movement in the provision for impairment of amounts due from associates is as follows:

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

Included in the balances due from fellow subsidiaries as at 31 December 2008 is an aggregate amount of approximately RMB3,083,000 (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.

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

(c) Compensation of key management

	2008	2007
	RMB'000	RMB'000
Salaries and allowances	**4,919**	2,411
Bonuses	**532**	600
Retirement benefits	**107**	70
	5,558	3,081

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

39. 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, liquidity risk and equity price 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 31 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 short term time deposit) and the Group's equity during the year.

Group

	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
31 December 2008			
RMB	**100**	**(6,411)**	**–**
USD	**100**	**(71)**	**–**
		(6,482)	**–**
RMB	**(100)**	**6,411**	**–**
USD	**(100)**	**71**	**–**
		6,482	–
31 December 2007			
RMB	100	(13,758)	–
RMB	(100)	13,758	–

* Excluding retained earnings

39. 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 profit before tax and the Group's equity due to changes in the fair value of monetary assets and liabilities.

Group

	Increase/ (decrease) rate	Increase/ (decrease) in profit before income tax	Increase/ (decrease) in equity*
	%	RMB'000	RMB'000
31 December 2008			
If US$ weakens against RMB	**(5)**	**(23,335)**	**(9,271)**
If HK$ weakens against RMB	**(5)**	**–**	**(528)**
If US$ strengthens against RMB	**5**	**23,335**	**9,271**
If HK$ strengthens against RMB	**5**	**–**	**528**
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

* Excluding retained earnings

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 mainly comprise cash and cash equivalents, available-for-sale equity investments, amounts due from associates and fellow subsidiaries and other receivables, arises from default of the counterparty, 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 26 and 27 above.

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 31 December 2008 and 2007, based on the contractual undiscounted payments, was as follows:

Group

	31 December 2008			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	–	939,017	–	939,017
Other payables (note 30)	–	259,407	–	259,407
Interest-bearing bank loans	–	384,029	200,968	584,997
Due to related parties	2,885	–	–	2,885
	2,885	1,582,453	200,968	1,786,306

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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 30)	–	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

	31 December 2008			
	On demand RMB'000	**Less than 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Due to subsidiaries	**16,277**	**–**	**–**	**16,277**
	16,277	**–**	**–**	**16,277**

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 shareholders' 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, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank loans less cash and cash equivalents and pledged deposits. 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 31 December 2008 and 2007 are as follows:

Group

	2008 **RMB'000**	2007 RMB'000
Interest-bearing bank loans	**521,000**	1,397,093
Less: Cash and cash equivalents and pledged deposits	**(880,291)**	(391,577)
	(359,291)	1,005,516
Net debt	–	1,005,516
Capital	**2,843,246**	200,758
Capital and net debt	**2,843,246**	1,206,274
Gearing ratio	–	83%

39. 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 available-for-sale equity investments (note 22) and equity investments at fair value through profit or loss (note 25). 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 year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

Group

	31 December 2008	**Year ended 31 December 2008 High/low**	31 December 2007	Year ended 31 December 2007 High/low
Shenzhen – A Share Index	**582**	**1,660/480**	1,520	1,629/572
Shanghai – A Share Index	**1,912**	**5,771/1,793**	5,521	6,395/2,744

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk (Continued)

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 31 December 2008 and 2007.

Group

	Increase/ decrease in profit before tax RMB'000	Increase/ decrease in equity* RMB'000
31 December 2008		
Equity investments listed in:		
Shenzhen – available-for-sale	**–**	**12,312**
– at fair value through profit or loss	**43**	**–**
Shanghai – available-for-sale	**–**	**6,745**
– at fair value through profit or loss	**186**	**–**
31 December 2007		
Equity investments listed in:		
Shenzhen – at fair value through profit or loss	120	–
Shanghai – at fair value through profit or loss	459	–

* Excluding retained earnings

40. POST BALANCE SHEET EVENTS

On 20 January 2009, the Group entered into a bank loan agreement amounting to RMB1 billion. The bank loan has a term of 10 years and bears interest at the benchmark above-five-year bank loan rate as pronounced by the People's Bank of China. The bank loan is secured by certain land and buildings of the Group, and guaranteed jointly by Mr. Huang Mao Ru and Mrs. Huang Jingzhang.

On 25 February 2009, the Group was granted banking facilities amounting to RMB300 million for a period of 12 months.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 February 2009.

Corporate Information

DIRECTORS

Executive Directors

Mr. Huang Mao Ru
(Chairman and CEO)
Mr. Zou Minggui
(General Manager)
Mr. Wang Guisheng
(CFO and Qualified Accountant)
Ms. Wang Fuqin

Non-executive Directors

Mr. Zhong Pengyi
Mrs. Huang Jingzhang

Independent Non-executive Directors

Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

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Ms. Soon Yuk Tai *(ACS, ACIS)*

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 *(ACS, ACIS)*

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First Shanghai Capital Limited

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The Bank of East Asia (China) Limited
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