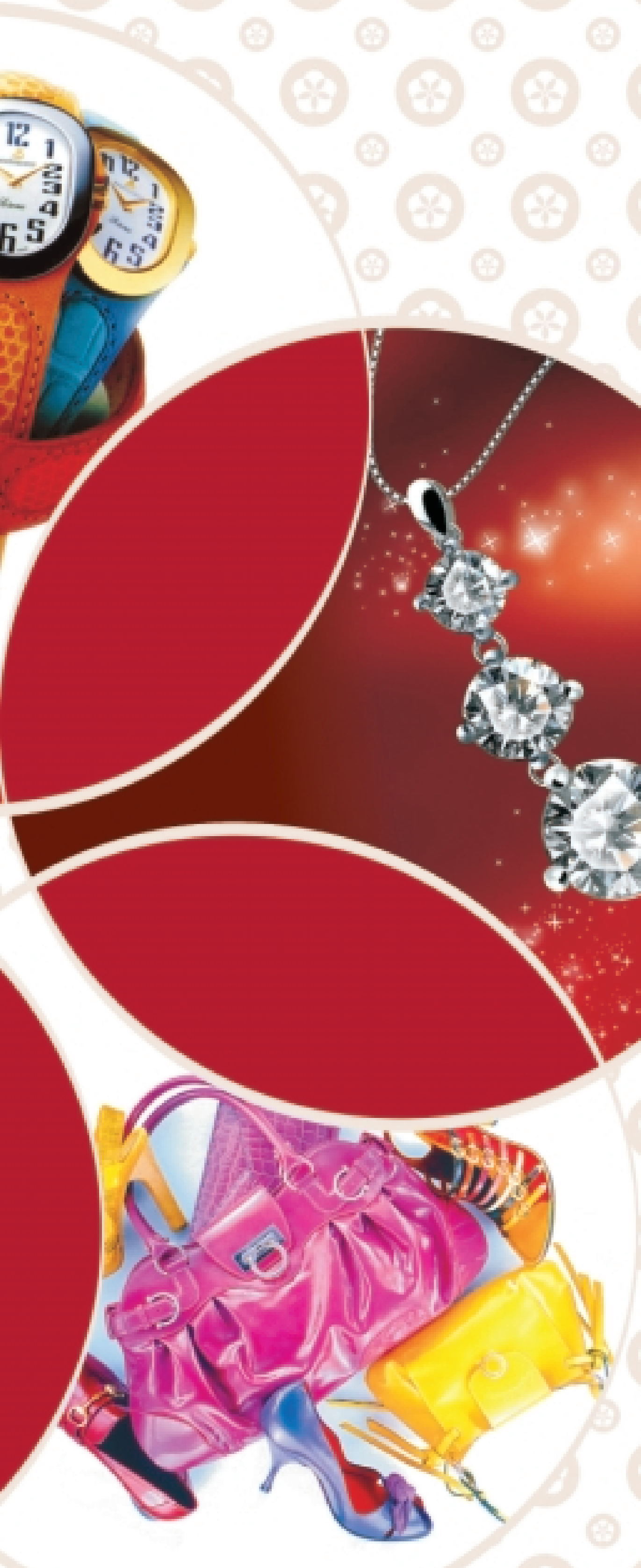


茂業國際控股有限公司

Maoye International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 848

ANNUAL REPORT

Annual Report 2009


MOI
AUPRES
OLAY

Contents

Corporate Profile

Maoye International Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 8 August 2007. The Company and its subsidiaries (the "Group") 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, and also covers Eastern and Northern China. The Group is operating and managing 24 stores including 13 Maoye-branded stores and 11 Chengshang-branded stores across 12 cities.

The Group's department stores predominantly target at China's relatively well-off urban residents. 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.

Mission Statement

To become a leading department store chain operator in China

Shenzhen Nanshan Store

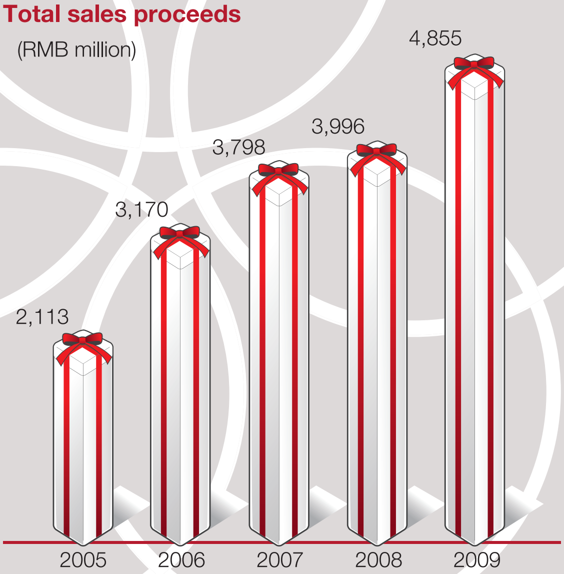
Financial Highlights

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

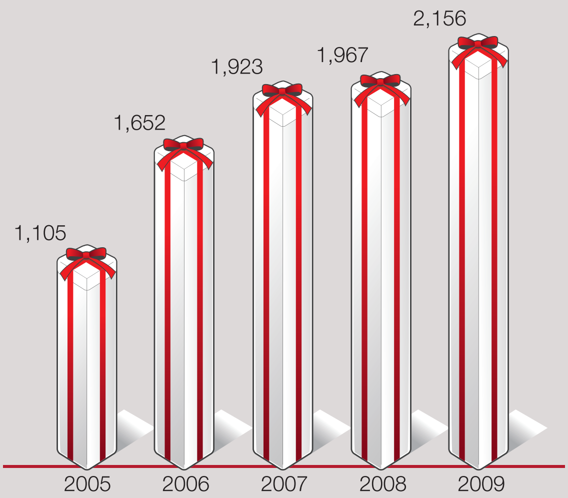
OPERATING RESULTS

	For the years ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total sales proceeds[1]	**4,854,737**	3,995,748	3,797,578	3,169,972	2,113,266
Total operating revenue[2]	**2,156,360**	1,967,435	1,922,939	1,651,702	1,105,007
Operating profit	**708,214**	740,478	643,222	233,097	155,241
Profit for the year	**504,170**	543,318	444,088	177,932	117,102
Profit attributable to:					
– Owners of the parent	**470,107**	520,969	416,999	217,059	136,759
– Minority interests	**34,063**	22,349	27,089	(39,127)	(19,657)
Basic earnings per share (RMB)[3]	**0.09**	0.11	0.10	0.05	0.03
Total dividend per share for the year (HK cents)	**3.1**	5.5	N/A	N/A	N/A
– interim	**1.6**	3.3	N/A	N/A	N/A
– final	**1.5**	2.2	N/A	N/A	N/A

Total sales proceeds
(RMB million)



Total operating revenue
(RMB million)



HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**7,247,614**	5,500,861	3,597,158	4,204,311	3,572,199
Total liabilities	**3,492,027**	2,359,756	3,135,672	3,068,228	2,628,620
Total equity	**3,755,587**	3,141,105	461,486	1,136,083	943,579
– attributable to owners of the parent	**3,417,326**	2,843,246	200,758	900,306	683,820
– Minority interests	**338,261**	297,859	260,728	235,777	259,759

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 revenue 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 2009 is based on the net profit attributable to owners of the parent of approximately RMB470,107,000 and the 5,139,856,000 ordinary shares in issue.

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

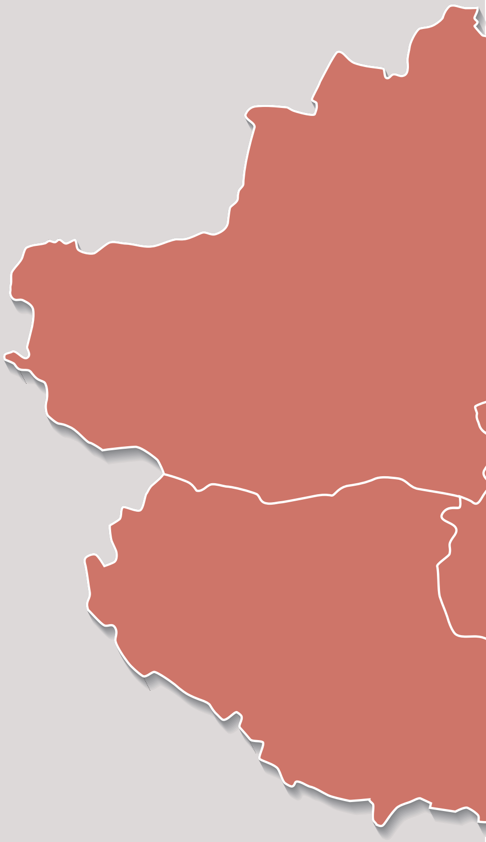
   The calculation of basic earnings per share for the year 2005, 2006 and 2007 is based on the profit for the year attributable to the owners of the parent for each year and the assumption that 4,250,000,000 shares has been issued by the Company immediately after the completion of the capitalisation issue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

Retail Network

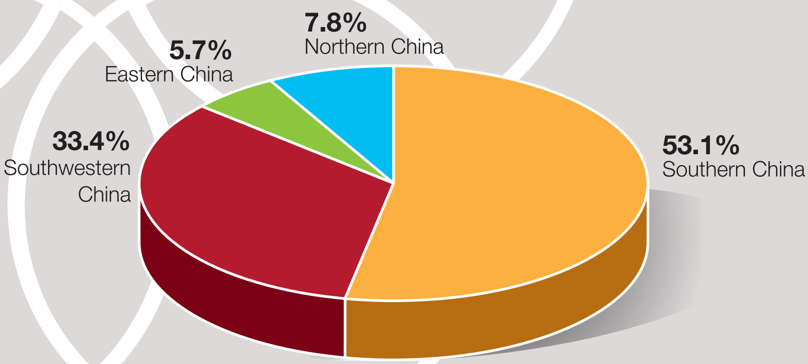
Store (City)	Years into operation[1]	Gross floor area (sq. m.)	Property ownership
Shenzhen Dongmen	12.8	47,436	Owned
Shenzhen Heping	10.3	23,078	Leased[2]
Zhuhai Xiangzhou	8.2	23,715	Leased[2]
Shenzhen Huaqiangbei[4]	6.3	59,787	Leased[2]
Chongqing Jiangbei	5.3	53,542	Leased[2]
Shenzhen Shennan	3.6	10,507	Leased[2]
Chengdu Yanshikou	4.6	53,873	Owned
Chengdu Beizhan	4.6	7,204	Owned
Chengdu Wuhou	4.6	16,000	Leased[3]
Nanchong Wuxing	4.6	25,994	Owned
Chengdu Wenjiang	4.6	8,422	Leased[3]
Luzhou Baita	4.6	15,115	Leased[3]
Mianyang Linyuan	2.3	21,731	Owned
Nanchong Mofanjie	1.6	24,035	Owned
Mianyang Xingda	1.3	27,617	Owned
Qinhuangdao Jindu	1.4	46,610	Owned
Taiyuan Liuxiang	1.1	30,616	Owned
Shenzhen Nanshan	0.3	45,000	Owned
Chengdu Longquanyi	0.3	8,373	Leased[3]
Taizhou First Department Store	0.2	40,358	Owned
Chongqing Jiefangbei	5.2	42,000	Managed Store
Wuxi Qingyang	2.3	72,350	Managed Store

Notes:

1. Years into operation is up to 31 December 2009, and the acquired stores were calculated from the date of acquisition.
2. Leased from the controlling shareholder of the Company.
3. Leased from independent third parties.
4. The Group has announced to acquire the property of Huaqiangbei Store from the Controlling Shareholder and the transfer of shares will be duly completed in July 2010.

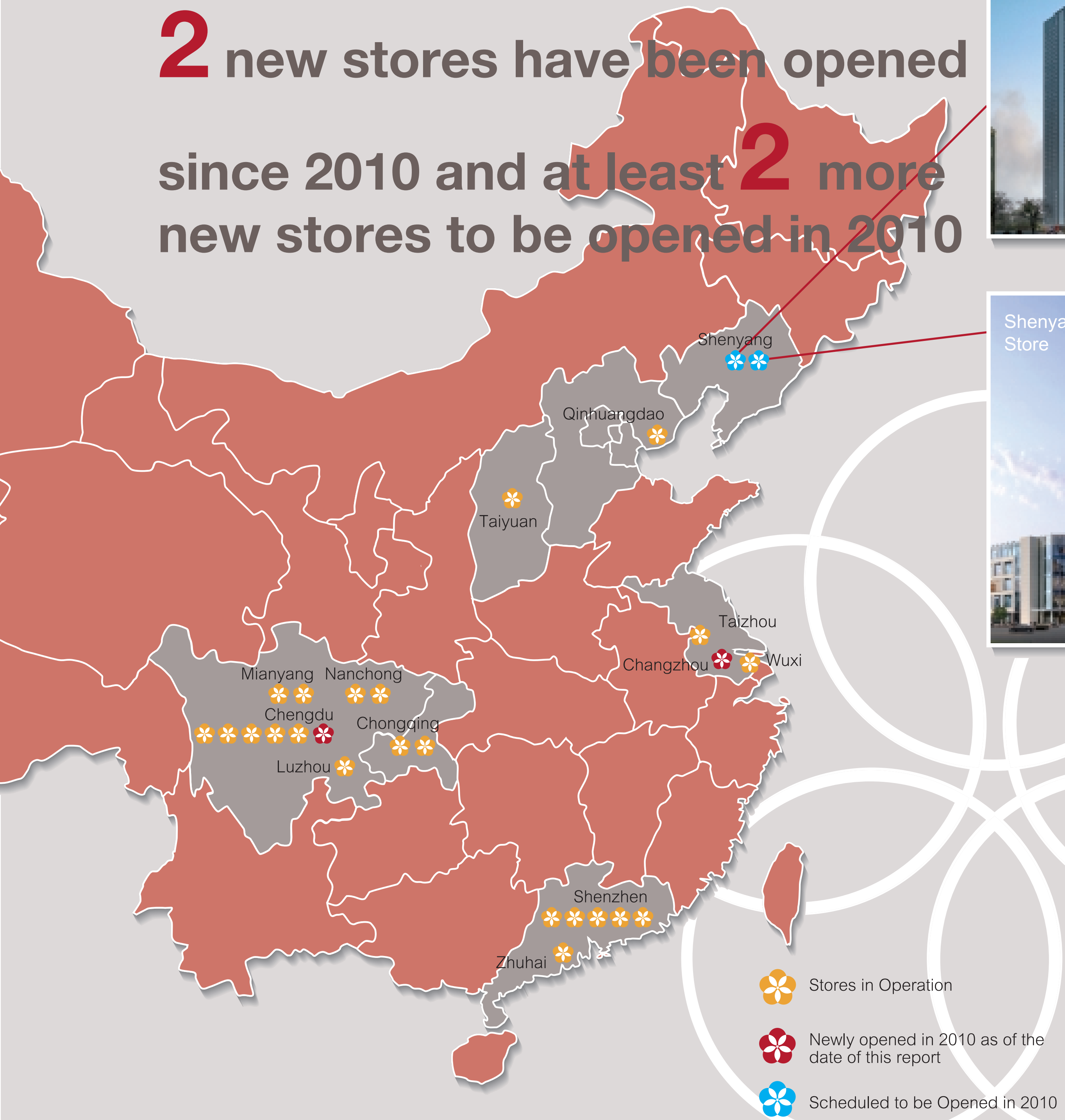


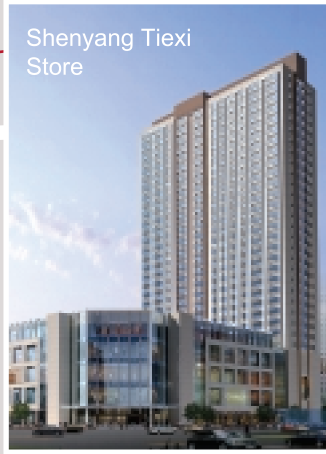
Total Sales Proceeds in 2009 by Regions (including managed stores)



Operating 22 stores in 2009

2 new stores have been opened since 2010 and at least 2 more new stores to be opened in 2010





Chairman's Statement

In 2009, through collective efforts of all of our management and staff as well as strong support from our suppliers and business partners, the Company achieved sustainable rapid development. Total sales proceeds for the full year were RMB4,854.7 million, an increase of 21.5% over the same period last year. The board of directors of the Company (the "Board") recommended the payment of a final dividend of 1.5 HK cents per share. Total dividend for the year, including an interim dividend of 1.6 HK cents per share declared and paid, will amount to 3.1 HK cents per share, representing 29.8% of the profit attributable to owners of the parent for the year.

OPERATION REVIEW

In 2009, while the financial crisis was still adversely impacting the world, the government introduced effective policies which maintained the steady development of the economy. Benefiting from the policy of boosting domestic demand, the PRC retail industry achieved sustainable growth. While responding actively to the government's policy of "stimulating consumption", the Group maintained sustainable rapid development of its business through implementation of various effective operational initiatives.

The same-store sales growth of total sales proceeds from concessionaire sales for the full year was 6.8%. The same-store growth for the second half year was 12.6%, whilst the same-store growth for the fourth quarter increased to 19.2%.

In 2009, the Group continued to expand its store network with the opening of three new department stores (including the acquisition of Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store")) and successful agreement Shenyang Maoye Times Property Co., Ltd. ("Shenyang Tiexi") and a piece of land in Chengdu ("Chengdu South project"). It also signed an equity transfer agreement for the acquisition of 90% equity interest in Wuxi Yibai Property Limited ("Wuxi Yibai"). The gross floor area of stores increased by 18.9% (excluding managed stores) compared to 2008. In early 2010, the Group opened Changzhou Wujin Store and Chengdu Qingjiang Store. Up to the reporting date, the number of the Group's stores increased to 24 with the aggregate store area reaching around 730,000 square meters.

During 2009, the Group increased its shareholding in Qinhuangdao Bohai Logistics Holding Corporation Ltd. ("Bohai Logistics"), an A-share listed company, to 29.9% and became its single largest shareholder and appointed three directors to its board. Bohai Logistics had four department stores in Qinhuangdao City and has been a leading department store operator in the region. Bohai Logistics and the Group's Jindu Store constituted the vast majority of Qinhuangdao department store market.

During the Group's rapid development in 2009, it enhanced the management by further improving its management structure. The Group recruited a number of high-caliber department store professionals. The Group also upgraded the information system to establish professional, standardized, refined and informationized corporate operation and management.

In 2009, the Group implemented the policy of "Triple Services; Triple Incentives" and a total of approximately RMB10 million of bonuses was incurred to motivate the Group's staff, suppliers and supplier's staff to provide more sophisticated and market-oriented services to customers. At the end of 2009, the Group launched new initiatives and introduced the Share Option Scheme to reward excellent staff who has made contributions to the Group. This represented another important step in the Group's management by objective and incentive policy.

OUTLOOK

The year 2010 ushers in a new era. The government's enhanced efforts in adjusting the structure of the country's macro economy, providing more room for the development of private economy and thriving of the overall domestic demand will create excellent opportunities for the development of retail industry. We consider that the retail industry in the PRC will continue to maintain a positive trend in 2010.

In 2010, the Group will continue to implement the strategy of "Mass Development" to expand its network of stores through acquisitions, property developments and leases. The Group plans to further consolidate the leading position in Southern China and Southwestern China, and expand its network in Eastern China and Northern China, thereby enhancing its footprint throughout the country. The Group plans to increase the gross floor area of the stores by, on average, no less than 200,000 sq.m. annually from 2010 and 2011. In 2010, the Group also expects to open Shenyang Jinlang Store and Shenyang Tiexi Store. The Shenyang Tiexi project, the Taiyuan Qinxianjie project and the Chengdu South project have commenced construction. By the end of 2011, the total gross floor area of stores of the Group is expected to exceed 1,100,000 square meters.

In January 2010, the Group and China Construction Bank signed a strategic cooperation agreement. Over the next five years, China Construction Bank will grant an indicative credit line of RMB15 billion to the Group .The Group will join hands with more strategic partners in the course of its future development to achieve a win-win future.

Looking ahead, the Group will continue to adopt the development model of "department store + commercial property" and the expansion strategy of opening three to five stores in one city. The Company will continue to strengthen internal operation management, enhance strategic cooperation with suppliers and implement the policy of "Triple Services; Triple Incentives" in order to develop the Group into a leading department store operator in China and start a new business era, thereby generating even greater returns for shareholders!

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

Huang Mao Ru
Chairman

4 March 2010

OPERATION REVIEW

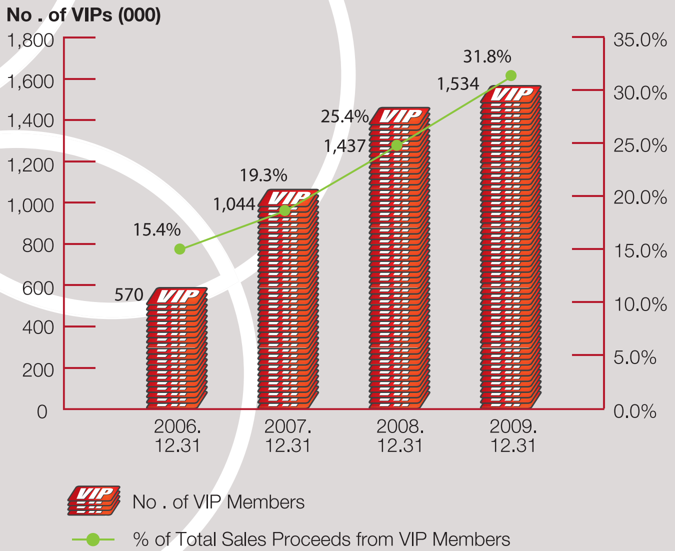
During the first half of 2009, amid the unprecedented global financial crisis, the operating environment of the department store industry in the PRC was challenging. Since the beginning of the second half of 2009, however, benefiting from the continuing recovery of the overall macro-economic environment and improvement in consumer confidence, department store business gradually picked up. In 2009 as a whole, thanks to the leadership of the Board and the concerted efforts of employees at all levels, the Group maintained stable and sustainable development. For the year ended 31 December 2009, the Group achieved the followings:

- The Group's total sales proceeds (the sum of total concessionaire sales and revenue from direct sales of department stores of the Group) rose to RMB4,854.7 million, representing an increase of 21.5% on a year-on-year basis.
- Total operating revenue amounted to RMB2,156.4 million, representing a year-on-year increase of 9.6%.
- Same-store growth of sales proceeds from concessionaire sales increased steadily, which was 6.8% for the full year of 2009, and 12.6% for the second half of 2009.
- Profit attributable to owners of the parent was RMB470.1 million, representing a decrease of 9.8% when compared with 2008 and a year-on-year increase of 7.1% excluding the effect of one-off income.

In the second half of 2009, under the impact of a number of operational reform measures introduced by the Group, same-store growth in sales proceeds from concessionaire sales increased steadily to 4.1% in the third quarter of 2009 and 19.2% in the fourth quarter of 2009.

The Group continued its efforts to boost customer loyalty and enhance value-added services for members. During the year under review, sales to members as a percentage of total sales proceeds increased to 31.8% from 25.4% in 2008 and 32.5% for the second half of 2009. With the upgrading of the membership system and the improvement of members' services, sales to members as a percentage of total sales proceeds is expected to further increase in the future.

NUMBER OF VIP MEMBERS AND % OF TOTAL SALES PROCEEDS FROM VIPs

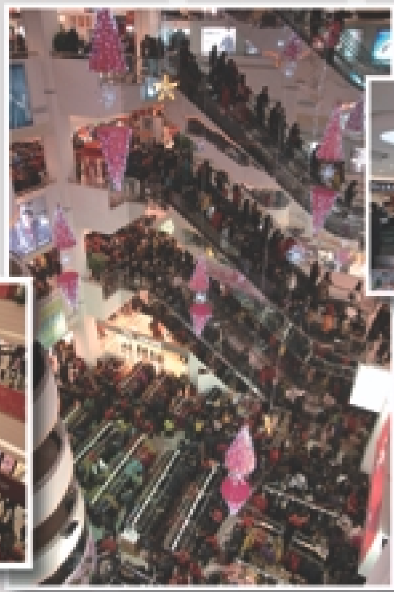


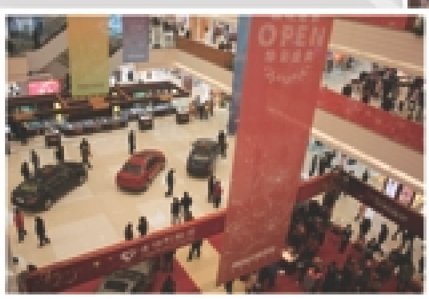
MARKET PERFORMANCE

Southern China Region

In 2009, in the face of the impact of the financial crisis on the export-oriented economies in the coastal region in the south, the stores of the Group in the Southern China region actively adjusted their operation and marketing strategies. The region recorded same-store growth of sales proceeds from concessionaire sales of 5.1% for the full year of 2009, with same-store growth for the second half of 2009 of 11.3% and 17.2% for the fourth quarter of 2009. In terms of marketing and promotion, the mode of "coupon based promotion" was introduced this year for the first time in addition to "direct discount" and "cash rewards". The move received encouraging response from consumers. In 2009, sales per ticket of the stores in the Southern China region increased steadily to RMB502, representing an increase of 19.0% on a year-on-year basis.

With regard to its flagship store, the Shenzhen Huaqiangbei Store, the Group upgraded its overall shopping environment. A number of prestigious food and beverage companies and the BONA cinema were brought in. These facilities cover an area of approximately 10,000 square meters, most of which are expected to open by the end of March 2010. Although the area expansion of the above complimentary facilities may put certain pressure on the sales growth in the short term as a result of the reduced retail space, it will help enhance customers' shopping experience while lengthening customers' stay in the long run. It will also add variety to the Group's marketing campaigns and accordingly increase sales volume and profitability. In 2009, Huaqiangbei Store also innovatively introduced the "Members' Day" promotional activities for the first time. These activities were well-received by consumers, generating record sales results. In 2009, same-store growth of sales proceeds from concessionaire sales from Huaqiangbei Store was 2.2%, which showed a monthly upward trend, with same-store growth of 19.8% for the fourth quarter of 2009.





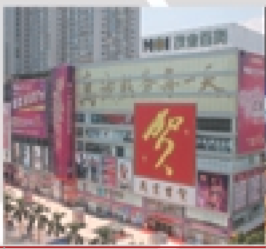
The first store of the Group, Shenzhen Dongmen Store, underwent the greatest adjustment in branding, product mix and floor layouts from February to April 2009 since its establishment in 1997. The initiative was to maximize the strength of the store and the sales of best performing and strong growth potential brands and product categories. After the adjustment, sales of the store increased steadily. During the period from 31 October to 3 November 2009, the Dongmen Store launched the Seventh Thanksgiving Celebration and was open for 68 hours consecutively. It recorded approximately RMB200 million in sales proceeds (including coupons), a remarkable feat that represented a 50% increase compared with that of 2008. The Thanksgiving Celebration included cosmetics and jewelry for the first time, with the addition of numerous key brands at the same time, maximizing coverage for the event in terms of category and brand. In 2009, the Dongmen Store recorded same-store growth of 8.2% in sales proceeds from concessionaire sales, with same-store growth of 13.2% recorded for the fourth quarter of 2009.

Southwestern China Region

In 2009, the Southwestern China region recorded same-store growth of 10.6% in sales proceeds from concessionaire sales, with same-store growth of 15.4% for the second half of 2009 and 23.6% for the fourth quarter of 2009. Sales per ticket of the stores in the southwest region reached RMB343 in 2009, representing an increase of 8.7% on a year-on-year basis.

In January 2010, Chengshang Group Co., Ltd. ("Chengshang Group"), a subsidiary of the Company listed on the Shanghai Stock Exchange (stock code: 600828) announced the successful disposal of its non-core business, namely the automobile business, so that the Group can concentrate on its core business.

Performance of Major Stores



	Huaqiangbei Store Shenzhen	Dongmen Store Shenzhen	Jiangbei Store Chongqing	Yanshikou Store Chengdu
Opening date	1st phase: October 2003; 2nd phase: September 2005	March 1997	October 2004	June 2005[1]
Operating area (sq. m.)	45,677	33,680	36,276	40,674
2009 Sales Proceeds of Concessionaire Sales (RMB million)	1,376.2	603.3	354.8	483.4
2009 Sales per ticket (RMB)	560	502	342	480
Growth in Sales Proceeds from Concessionaire Sales for the year of 2009	2.2%	8.2%	4.8%	10.9%
Growth in Sales Proceeds from Concessionaire Sales for the fourth quarter of 2009	19.8%	13.2%	16.3%	20.5%
Growth in Sales Proceeds from Concessionaire Sales for the third quarter of 2009	2.0%	7.2%	2.1%	0.7%
Growth in Sales Proceeds from Concessionaire Sales for the first half of 2009	-5.9%	2.8%[2]	-0.1%	10.7%

Notes:

1. Acquired in June 2005
2. Sales proceeds of Dongmen store in February and March are excluded due to store renovation

Shenzhen Nanshan Store

Taizhou First Department Store

Chengdu Longquanyi Store

NEW STORES OPENING AND NETWORK EXPANSION

In 2009, the Group accelerated and strengthened its business expansion across the country by entering into a new development phase of high speed and high quality. In 2009, the Group successfully completed the acquisition of Shenyang Tiexi, Taizhou First Department Store and Chengdu South project, signed an equity transfer agreement to acquire the 90% equity interest in Wuxi Yibai and became the single largest shareholder of an A-share listed company — Bohai Logistics (Stock code: 000889). During the second half of 2009, the Group began construction of a number of projects including Shenyang Tiexi, Chengdu South and Yanshikou Phase II, steadily expanding nationwide through multiple channels and means.

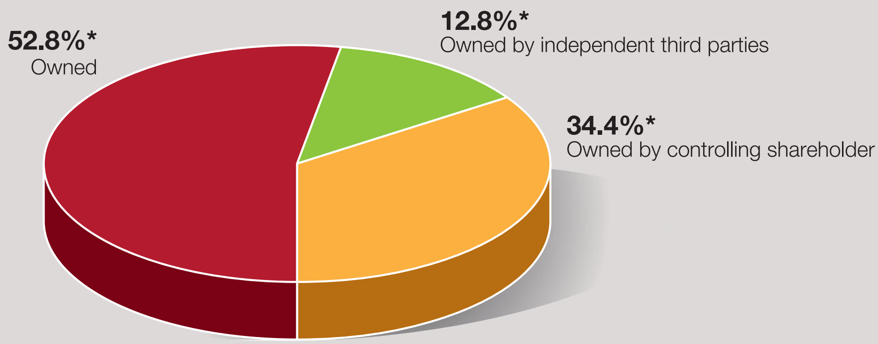
On 26 September 2009, the Shenzhen Nanshan Store was launched after a grand opening. The store was the Group's fifth department store in Shenzhen with a gross floor area of approximately 45,000 square meters. It was also the first third-generation new-style department store under the Group that was positioned to offer high-end fine products. The store has brought in a number of international brands to provide more quality choices for customers. It was able to achieve a current year profit for the year of opening, though affected by a one-off pre-opening expense charged to the profit and loss.

On 29 September 2009, the Longquanyi Store located at the Chengdu People's Department Store commenced operation. Longquanyi Store was the fifth department store operated by Chengshang in Chengdu. The opening of Longquanyi Store further strengthened the Group's leading position in Chengdu department store sector.

On 13 October 2009, the Group completed the acquisition of Taizhou First Department Store. As at 31 December 2009, the Group held a total of 97.31% equity interest in Taizhou First Department Store. Taizhou First Department Store has been a prestigious department store enterprise with 40 years of history. During the process of business integration, the Group adopted a localization policy in staffing and introduced budgeting and management by objectives reforms. Leveraging on the Group's resources, after a brief consolidation period of two months, Taizhou First Department Store recorded sales of RMB61.24 million during the Christmas season from 24 to 27 December 2009, representing an increase of 119% year-on-year and setting an all-time high sales record. In 2009, Taizhou First Department Store realized annual sale proceeds of RMB606.0 million including value-added tax. The net profit realized within two and a half months since the acquisition surpassed its annual profit of 2008, illustrating once again the proven management ability and the successful expansion model of the Group.

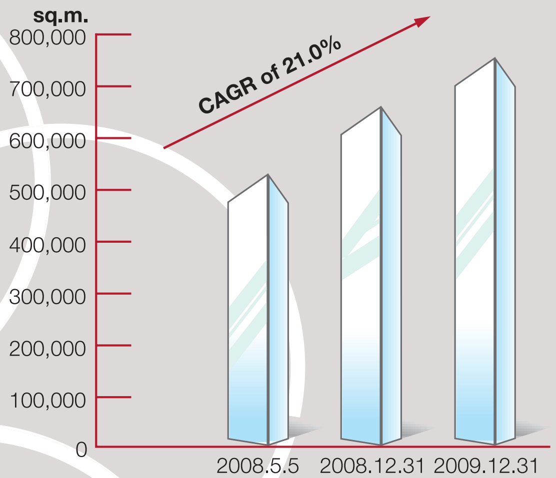
Management Discussion and Analysis

In 2009, the Group increased the gross floor area of its stores by 93,731 square meters through self-construction, acquisition and leasing. This represented a 18.9% increase in the gross floor area of stores (excluding managed stores). As at 31 December 2009, the Group operated and managed 22 stores nationwide, covering the southern, southwestern, northern and eastern regions of China, with a total gross floor area (including managed stores) of 701,363 square meters. As at 31 December 2009, the gross floor area by store property ownership was set out below:



* including the gross floor area of managed stores

From Listing Date to 31 December 2009, the compound annual growth rate (CAGR) of the total gross floor area of the Group's stores reached 21.0%.



In January and February 2010, the Group opened two new stores, namely Changzhou Wujin Store and Chengdu Qingjiang Store. Changzhou Wujin Store is one of the largest department stores in Changzhou with a gross floor area of 22,500 square meters. Chengdu Qingjiang Store was positioned as a community service store using the "People's Department Store" brand. It had a gross floor area of 5,033 square meters. The opening of the two new stores further enhanced the store network of the Group in Eastern China and Southwestern China.

Changzhou Wujin Store

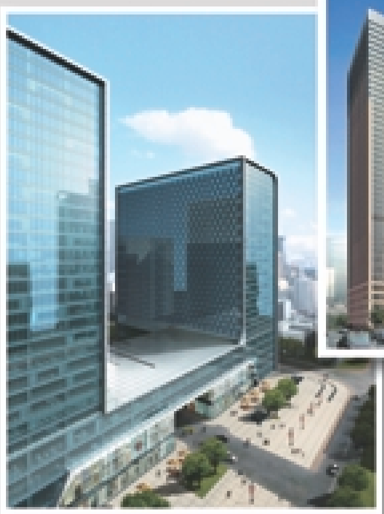
Chengdu Qingjiang Store

OUTLOOK

In 2010, the Group will continue to strengthen its internal operations and management, enhance strategic collaboration with suppliers and adjust its product mix in various aspects. A centralized customer service centre will be established to standardize

Wuxi Yibai Project

Chengdu Yanshikou Phase II Project



Chengdu South Project

Taiyuan Qinxianjie Complex

customer service nationwide, and hence raises service quality systematically. Leveraging on the new membership card platform, membership cards applicable to Maoye Stores nationwide will be issued to increase the frequency of member visits to stores and to cultivate and enhance customer loyalty. In addition, stores will be managed by tier and store budgets will be drawn up according to store development cycle. Substantial promotion will be made by innovative market method such as membership marketing and cultural marketing, and the frequency and number of price reduction marketing initiatives will be reduced to increase the profitability of existing department stores. New business models will be developed to create additional niches for performance growth. The Company will continue to implement in full force the policy of "Triple Services; Triple Incentives" in order to motivate staff, suppliers and customers, thus enabling services for them to become even more market-oriented and sophisticated. In 2010, the Group will implement the Share Option Scheme to reward outstanding staff who have made contributions to the Group. The policies mentioned above have already achieved initial results. The Group recorded growth in concessionaire sales proceeds of nearly 50.0% in January and February 2010, with same-store growth rate of 26.0%. Meanwhile, same-store sales growth for Chinese New Year holidays (13 February 2010 - 19 February 2010) was 30.0% as compared to the corresponding Chinese New Year holidays last year. The Group expects the same-store growth in 2010 to maintain the current positive growth trend. In particular, stores opened in 2008 such as Taiyuan Liuxiang Store, Qinhuangdao Jindu Store and Mianyang Xingda Store are expected to experience strong growth, thus becoming the new growth driver of the Group.

Looking forward to 2010, the Group will continue to implement the strategy of "Mass Development" to expand its network of stores. In addition to the Changzhou Wujin Store which opened on 9 January 2010 and Chengdu Qingjiang Store which opened on 10 February 2010, the Group is scheduled open more new stores, such as Shenyang Jinlang Store, Shenyang Tiexi Store and others later in 2010. The Group plans to increase the gross floor area of its stores by at least 200,000 square meters per year from 2010 to 2011.

FINANCIAL REVIEW

Total Sales Proceeds

For the year ended 31 December 2009, total sales proceeds of the Group (representing the sum of the total sales proceeds from concessionaire sales and the revenue from direct sales at the department stores of the Group) increased to RMB4,854.7 million, representing an increase of 21.5% as compared to the year 2008. The same-store sales proceeds from concessionaire sales increased to RMB3,555.9 million, representing an increase of 6.8% as compared with the year 2008, in which the total same-store sales proceeds from concessionaire sales in Southern China region increased by 5.1% and those in Southwest China region increased by 10.6%.

For the year ended 31 December 2009, the commission rate from concessionaire sales was 18.0%, representing a decrease of 1.9% as compared with the year 2008. The decrease was mainly attributable to the lower commission rate of new stores during the initial opening period and the increase in discounts as a result of the promotions in 2009. The Group will strive to speed up the integration of the new acquisitions and the new stores, in order to increase the commission rate of the new stores to the level of mature stores as soon as possible. Regarding promotion strategies, the Group will gradually lower the proportion of price marketing and introduce innovative marketing modes to ensure the steady growth in sales and commissions simultaneously.

Among the total sales proceeds of the Group in 2009, the total sales proceeds derived from concessionaire sales accounted for 90.3% and those derived from direct sales accounted for 9.7%.

The total sales proceeds in 2009 comprised sales of apparel (45%), cosmetics and jewelry (19%), shoes and leather goods (14%) and others such as sportswear, children's wear and toys, household and electronic appliances, etc. (22%). The percentage attributable by each category to the total sales proceeds was similar to that of the year 2008.

Revenue

For the year ended 31 December 2009, revenue of the Group amounted to RMB1,702.0 million, representing an increase of 14.0% as compared with RMB1,492.6 million in the year 2008. The increase was primarily due to the combined effects of the following factors:

(1) Revenue from concessionaire sales and direct sales increased to RMB127.6 million due to store expansion; and

(2) Growth in the sales of automobile amounted to RMB66.6 million, primarily attributable to the recovery of economy and enhancement in customers‘ confidence.

Other Income

For the year ended 31 December 2009, other income of the Group amounted to RMB454.3 million, representing a decrease of 4.3% as compared with RMB474.8 million in the year 2008. This was primarily due to:

(1) the absence of non-recurring interest income of RMB28.6 million arising from the initial public offering and RMB12.3 million interest received from an associate in 2008; and

(2) the positive impact of growth in revenue from concessionaire sales.

Purchases of and Changes in Inventories

For the year ended 31 December 2009, purchases of and changes in inventories of the Group amounted to RMB736.1 million, representing an increase of 18.3% as compared with RMB622.3 million in the year 2008. This is in line with the increase of revenue from automobile sales and direct sales.

Employee Expenses

For the year ended 31 December 2009, employee expenses of the Group amounted to RMB141.1 million, representing an increase of 11.4% as compared with RMB126.7 million in the year 2008. The increase was primarily attributable to the inclusion of the full year staff costs of the new stores opened in 2008 and the inclusion of the staff costs for new stores opened in 2009.

Depreciation and Amortisation

For the year ended 31 December 2009, depreciation and amortisation of the Group amounted to RMB154.1 million, representing an increase of 24.1% as compared with RMB124.2 million in the year 2008. The increase was primarily due to the inclusion of the depreciation and amortisation expenses for the new stores opened in 2009 and the inclusion of the full year depreciation and amortisation expenses for the new stores opened in 2008.

Operating Lease Rental Expenses

For the year ended 31 December 2009, operating lease rental expenses of the Group amounted to RMB131.7 million, representing an increase of 7.4% as compared with RMB122.6 million in the year 2008. This increase was primarily due to the expansion of floor area of the existing stores.

Other Operating Expenses

For the year ended 31 December 2009, other operating expenses of the Group amounted to RMB343.9 million, representing an increase of 11.1% as compared with RMB309.5 million in the year 2008. This was primarily due to the newly opened stores in the second half of 2009.

Other Gains

For the year ended 31 December 2009, other gains of the Group amounted to RMB58.7 million, representing a decrease of 25.0% as compared with RMB78.3 million in the year 2008. This was primarily due to the combined effect of the following factors:

(1) Disposal of 5 million shares in Chengshang Group in 2008 by a subsidiary of the Company, Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司), which resulted in investment gains before tax of RMB80.0 million;

(2) Gain arising from the disposal of a piece of land owned by Chengshang Group in 2009 as a part of the government's urban construction plan which resulted in gains of RMB29.7 million;

(3) Fair value gain on equity investments at fair value through profit or loss in 2009 was RMB9.0 million (2008: loss of RMB9.9 million); and

(4) Foreign exchange loss reduced by RMB11.0 million as compared with the year 2008.

Operating Profit

For the year ended 31 December 2009, operating profit of the Group amounted to RMB708.2 million, representing a decrease of 4.36% as compared with RMB740.5 million in the year 2008. The decrease was primarily due to the decrease of one-off income as compared with the year 2008. Operating profit increased by 9.5% as compared with the year 2008, excluding the effect of one-off income.

Finance Costs

For the year ended 31 December 2009, finance costs of the Group amounted to RMB58.4 million, representing an increase of 5.5% as compared with RMB55.4 million in the year 2008. This was the result of the increase of average bank loan balance.

Income Tax Expense

For the year ended 31 December 2009, income tax expense of the Group amounted to RMB145.9 million, representing an increase of 0.9% as compared with RMB144.5 million in the year 2008. For the year ended 31 December 2009, the effective tax rate applicable to the Group was 22.4% (2008: 21.0%), which was a result of the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 18% in 2008 to 20% in 2009.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2009, profit attributable to owners of the parent amounted to RMB470.1 million, representing a decrease of 9.8% as compared with RMB521.0 million in the year 2008. The decrease was mainly due to the decrease of one-off income as compared with the year 2008. Profit attributable to owners of the parent increased by 7.1% compared with the year 2008, excluding the effect of one-off income. Detailed analysis is as follows:

	2009 **RMBmillion**	2008 RMB million
Profit attributable to owners of the parent	**470.1**	521.0
Effect of one-off gain arising from the disposal of 5,000,000 shares of Chengshang Group	**–**	(65.6)
Decrease in non-recurring interest income in 2009 as compared with 2008	**–**	(34.8)
Effect of one-off income arising from the disposal of a piece of land by Chengshang Group in 2009*	**(19.8)**	–
Profit attributable to owners of the parent after adjustment	**450.3**	420.6
Growth rate	**7.1%**	

* Chengshang Group obtained a one-off land disposal income of RMB29.7 million, of which profit attributable to owners of the parent amounted to RMB19.8 million as calculated based on the proportional equity interest held by the Group of 66.77%.

Liquidity and Financial Resources

As at 31 December 2009, the Group's cash and cash equivalents amounted to RMB457.0 million and decreased by RMB410.9 million as compared to RMB867.9 million as at 31 December 2008. This was mainly due to:

(1) Net cash inflow from operating activities amounted to RMB682.8 million;

(2) Net cash inflow from financing activities amounted to RMB604.9 million arising from reasons such as the increase in bank loans; and

(3) Net cash outflow from investing activities amounted to RMB1,693.7 million, among which payments for properties and equipment amounted to RMB416.6 million, payments for land lease prepayment amounted to RMB514.8 million, acquisition of subsidiaries amounted to RMB245.5 million as well as purchase of available-for-sale equity investments amounted to RMB474.3 million.

As at 31 December 2009, total bank loans of the Group were RMB1,432.0 million (2008: RMB521.0 million), among which RMB163.7 million will mature within the coming year.

The debt to total assets ratio of the Group, expressed as a percentage of interest-bearing bank loans over total assets, increased from 9.5% as at 31 December 2008 to 19.8% as at 31 December 2009.

As at 3 March 2010, the Company's investment in three listed companies in the category of commerce during the period of economic downturn achieved a large amount of asset appreciation, details of which are as follows:-

Company	Percentage of interest held	Cost RMB million	Market value RMB million	Percentage of appreciation in value
Qinhuangdao Bohai Logistics Holding Corporation Ltd.	29.90%	570	834	46%
Shenzhen International Enterprises Co., Ltd.	13.18%	103	243	136%
Shen Yang Commercial City Co., Ltd.	10.67%	104	279	168%
Total		777	1,356	75%

As at 3 March 2010, the 136 million shares of Chengshang Group held by the Group had a market value of RMB4.29 billion, representing an appreciation of RMB3.9 billion, which was 9 times of the acquisition cost.

Major properties of the Group

As at 31 December 2009, the values of the Company's major properties appraised by DTZ Debenham Tie Leung Limited was summarised as follows, further details are set out in the Appendix - Property Valuation Report:

Category I: Properties held by the Group for self-occupation

Department Store Property	Book Value[1] RMB'000	Appraised value RMB'000	Attributable interest to the Group	Appraised value in existing state attributable to the Group RMB'000	Latest pledge status
Shenzhen Dongmen Store	244,401	2,306,000	100.00%	2,306,000	Pledged
Shenzhen Nanshan Store	973,874	2,367,000	100.00%	2,367,000	Partially pledged
Qinhuangdao Jindu Store	295,596	697,000	100.00%	697,000	Unpledged
Taiyuan Liuxiang Store[2]	479,370	519,000	100.00%	519,000	Unpledged
Taizhou First Department Store	362,300	611,000	97.31%	594,564	Partially pledged
Chengdu Yanshikou Store	172,995	2,183,000	66.77%	1,457,589	Pledged
Nanchong Wuxing Store	77,365	326,000	66.77%	217,670	Unpledged
Nanchong Mofanjie Store[2]	48,363	191,000	66.77%	127,531	Unpledged
Mianyang Linyuan Store	78,866	216,000	66.77%	144,223	Unpledged
Mianyang Xingda Store	272,430	629,000	66.77%	419,983	Unpledged
	3,005,560	10,045,000		8,850,560	

Category II: Investment properties held by the Group

Property	Book Value[1] RMB'000	Appraised value RMB'000	Attributable interest to the Group	Appraised value in existing state attributable to the Group RMB'000	Latest pledge status
Commercial building at No. 12 Zongfu Road, Jinjiang District, Chengdu	219,553	1,000,000	66.77%	667,700	Pledged
No. 49 Hongji Middle Road, Jinjiang District, Chengdu	22,950	55,000	66.77%	36,724	Unpledged
No.68 Zouma Street, Jinjiang District, Chengdu	177	360	66.77%	240	Unpledged
No. 6 Upper Dongda Street, Jinjiang District, Chengdu	39,644	222,000	66.77%	148,229	Unpledged
No. 2 Gongjiao Road, Jinniu District, Chengdu	35,321	197,000	66.77%	131,537	Pledged
	317,645	1,474,360		984,430	

Category III: Properties held by the Group under construction

Property	Book Value[1] RMB'000	Appraised value RMB'000	Attributable interest to the Group	Appraised value in existing state attributable to the Group RMB'000	Latest pledge status	Appraised value after Completion RMB'000
Yanshikou Phase II	122,686	1,440,000	66.77%	961,488	Partially pledged	3,459,000
Shenyang Tiexi[2]	90,491	270,000	100.00%	270,000	Unpledged	949,000
Taiyuan Qinxianjie[2]	645,021	2,223,000	100.00%	2,223,000	Unpledged	8,117,000
Chengdu South	107,935	365,000	66.77%	243,711	Unpledged	946,000
	966,133	4,298,000		3,698,199		13,471,000

Category IV: Property for future construction

Property	Book Value[1] RMB'000	Appraised value RMB'000	Attributable interest to the Group	Appraised value in existing state attributable to the Group RMB'000	Latest pledge status	Appraised value after Completion RMB'000
Wuxi Yibai[3]	50,000	922,000	90.00%	829,800	Unpledged	2,000,000
Total	4,339,338	16,739,360		14,362,989		15,471,000

Notes:

1. Book value refers to all net carrying value booked to property, plant and equipment, land lease prepayment, investment property and non-current prepayment as at 31 December 2009.

2. Taiyuan Liuxiang store, Nanchong Mofanjie store, Shenyang Tiexi project and Taiyuan Qinxianjie project are in the process of applying for land use right certificates.

3. On 19 November 2009, the Group signed an equity transfer agreement to acquire the 90% shares of the land for a total consideration of RMB337.5 million. As at 31 December 2009, the Group has paid RMB50.0 million.

Contingent Liabilities

On 16 July 2009, Chengdu Watsons Economic Development Co., Ltd (成都屈臣經濟發展有限公司) ("Chengdu Watsons") issued proceedings against Sichuan Xinglida Group Industry Co., Ltd (四川興力達集團實業有限公司) ("Xinglida Group"), an independent third party and 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) in respect of the early termination of the lease of a building previously owned by Xinglida Group to Chengdu Watsons. Xinglida Group transferred ownership of the building to Chengshang Mianyang in September 2008 and the lease of the building to Chengdu Watsons was terminated subsequently. Chengdu Watsons has claimed an amount of approximately RMB13,252,000 from Xinglida Group and Chengshang Mianyang together for compensation of its loss due to the early termination of the lease.

Pledge of Assets

As at 31 December 2009, Group's interest-bearing bank loans amounting to RMB1,394.0 million were secured by the Group' buildings, investment properties and land lease prepayments with net carrying amounts of approximately RMB350.9 million, RMB68.6 million and RMB1,005.1 million respectively.

As at 31 December 2009, the Group's bills payables amounting to RMB29.0 million were secured by the Group's investment properties and land lease prepayments with net carrying amounts of approximately RMB11.0 million and RMB24.3 million respectively, and the Group's time deposits amounting to RMB12.9 million.

Foreign Currency Risk

The Group's certain cash and bank balances and investments are denominated in Hong Kong dollars, so the Group is exposed to foreign exchange risk. During the year under review, the Group recorded a net exchange loss of approximately RMB0.4 million.

For the year ended 31 December 2009, the Group did not entered into any arrangements to hedge against foreign currency risk. The Group's operating cash flow is not exposed to any foreign exchange risk.

EMPLOYEES

As at 31 December 2009, the Group had a total of approximately 4,065 employees. Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualifications and experience of individual employees.

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. As at 31 December 2009, these proceeds were used as follows:

– Approximately RMB2,147.0 million was used to acquire department stores and premises, expand our retail network in existing and new cities, renovate and upgrade our existing stores as well as upgrade our current information technology system; and

– Approximately RMB190.0 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 44, is the founder of the Group and has been the Chairman, Executive Director and Chief Executive Officer of the Company since August 2007. He is also a 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. (深圳茂業(集團)股份有限公司) in 1995. Mr. Huang had been a director and the Chairman of Chengshang Group 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.

Ms. Wang Fuqin (王福琴), aged 39, joined the Group in 1996. She has been appointed as an Executive Director of the Company since 5 July 2008 and as the Vice President of Administration of the Company since 23 September 2009. She is also a director/general manager of various companies in the Group. Ms. Wang is responsible for the overall management of the Group's back office, including departments of finance, human resources, administration, office management, and information technology. 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 Shenzhen Maoye Shangsha Co., Ltd. (深圳茂業商廈有限公司), a wholly owned subsidiary of the Company, and as the general manager of Chengshang Group. Ms. Wang has been appointed as a director of Chengshang Group since June 2006 and as the Chairman of Chengshang Group since 9 February 2009. She has also been appointed as a director of Bohai Logistics since December 2009.

Mr. Wang Guisheng (王貴升), aged 39, is an Executive Director, the Chief Financial Officer and General Manager of investor relations department 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 Institute of Finance (now known as University of International Business and Economics) in 1993. Mr. Wang is qualified as a Certified Public Accountant with The Chinese Institute of Certified Public Accountants and has been a fellow member of The Association of Chartered Certified Accountants of England since April 2003. He has over 10 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. For the period from June 2005 to May 2007, Mr. Wang was the Chief Financial Officer of Chengshang Group and has also been appointed as a director since July 2005.

NON-EXECUTIVE DIRECTORS

Mr. Zhong Pengyi (鍾鵬翼), aged 54, 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 councilor 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 41, is a Non-executive Director and a member of the Remuneration Committee of the Company. Mrs. Huang joined the Group in 1996. She 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 Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司) 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 Shenzhen Maoye (Group) Co., Ltd. (深圳茂業(集團)股份有限公司) since December 2007 and the Chairman of Shenzhen Orient 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 59, 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, the 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 the deputy chairman of the Auditing & Assurance Standards Committee, and a member of the Investigation Panel, and the Professional Standards Monitoring Committee. He was a past 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 62, 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. Mr. Pao has been appointed as an independent non-executive director of Soundwill Holdings Limited (a company listed on the Main Board of the Stock Exchange, sock code: 878) since November 2009. 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 58, 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

Mr. Hou Yin-Yao (侯英堯), aged 62, is the Vice President of Operation of the Company and is mainly responsible for the management of front office matters of the Group, including the departments of purchasing, operation and expansion. Mr. Hou has over 30 years of experience in planning and operational management in the general merchandise retailing industry. He joined the Group in September 2009. Prior to joining the Group, Mr. Hou held senior management positions, such as general manager, for various department stores both in mainland China and Taiwan, including Changchun Saide Shopping Centre in China (長春賽德購物中心) as general manager, Jushuixuan Shopping Centre in Taiwan (台灣掬水軒購物中心) as general manager, Changchun Charter Department Store (長春卓展時代廣場百貨) as general manager and Pacific Construction Co. Ltd. in Taipei, Taiwan (台灣台北太平洋建設集團) as special assistant to the president. Mr. Hou graduated from National Chengchi University in Taiwan and obtained a master's degree in business management.

Mr. Lee Chang Jung (李昌融), aged 45, is the General Manager of the operational management centre of the Company. He has over 20 years of experience in operational management in the general merchandise retailing industry. He joined the Group in September 2009. Prior to joining the Group, Mr. Lee held senior management positions for various department stores in Taiwan, mainland China and the Philippines, including Taiwan Yidie Fashion Store (台灣衣蝶流行館) as chief of operational section, RT-MART International Ltd. (大潤發流通事業股份有限公司) in Taiwan as procurement manager/store general manager, New World Department Store in Hong Kong as marketing manager and SM PRIME Group as regional general manager, etc.. Mr. Lee graduated from China Junior College of Industrial & Commercial in Taiwan (台灣中國工商專科學校) with a major in business administration.

Mr. Zhang Yi (張毅), aged 41, is the General Manager of the human resources department of the Company. He has over 12 years of experience in human resources management. He joined the Group in October 2009. Prior to joining the Group, Mr. Zhang Yi held various senior management positions, including senior supervisor for large state-owned enterprises in mainland China, director of human resources for multinational companies and private-owned companies listed in mainland China, such as senior supervisor of human resources for Foxconn Technology Group (富士康科技集團), director of human resources for Tianyin Holdings Co. (天音控股有限公司) and director of human resources for Shenzhen Eternal Asia Supply Chain Co., Ltd. (深圳市怡亞通供應鏈股份有限公司). Mr. Zhang graduated from Wuhan University with a major in administration and obtained a master's degree in engineering from China University of Geosciences and an MBA degree from the University of Southern California in the United States of America.

Mr. Wong Heung Ming Henry (黃向明), aged 40, is the General Manager of the audit department of the Company. He has 17 years of experience in enterprise auditing. He joined the Group in October 2009. Prior to joining the Group, Mr. Wong held senior management posts in auditing for various firms, enterprises in mainland China and Hong Kong, including corporate finance manager for corporate finance department and audit department of Deloitte Touche Tohmatsu in Hong Kong (香港德勤), senior manager for finance audit of Amway China (安利中國), senior manager of PricewaterhouseCoopers (普華永道), internal audit director of Xinhua Finance Media (新華財經媒體). Mr. Wong graduated from the accounting department of City University of Hong Kong and obtained a master's degree in e-business from the Open University of Hong Kong. In addition, Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of England, a member of China Institute of Internal Auditors and a member of Institute of the Internal Auditors.

COMPANY SECRETARY

Ms. Soon Yuk Tai (孫玉蒂), aged 43, 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 the United Kingdom. Apart from the Company, Ms. Soon has been providing professional secretarial services to a number of listed companies.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2009.

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the vital importance of good corporate governance to the Group's success and sustainability. We are committed to achieving a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

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 year ended 31 December 2009 save for the deviation from 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. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time 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 Board is responsible for overall management and control of the Company. The Board's main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All directors 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.

All directors have full and 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 that Board procedures and all applicable laws and regulations are followed. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board.

The Board reserves for its decision all major matters of the Company, including 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 Board has delegated a schedule of responsibilities to the executive directors and senior management of the Company. These responsibilities include implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

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)*
Ms. Wang Fuqin
Mr. Wang Guisheng

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 set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive directors are expressly identified in all corporate communications of the Company.

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 the Chief Executive Officer is the husband of Mrs. Huang Jingzhang, a Non-executive Director of the Company.

During the year ended 31 December 2009, 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.

All directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, 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 written annual confirmation from each independent non-executive director of his independence 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 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 industry and commercial real estate industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for continuous effective management and business development of the Group.

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 and Re-Election of Directors

All directors are appointed for a specific term. 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 5 May 2008; whereas Ms. Wang Fuqin, an executive director, is engaged on a service contract with the Company commencing from 5 July 2008 to 5 May 2011.

The Company has not set up a nomination committee and 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.

Besides, 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 and are eligible for re-election at annual general meetings of the Company. 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. Zhong Pengyi, Mrs. Huang Jingzhang and Mr. Leung Hon Chuen shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming 2010 annual general meeting of the Company. The Board recommends their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above three directors as required by the Listing Rules.

During the year ended 31 December 2009, the Board, through its meeting held on 26 February 2009 with the presence of all the then directors and written resolutions passed on 23 September 2009, performed the following works:

- Review of 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;
- Recommendation of the re-appointment of those directors standing for re-election at the 2009 annual general meeting of the Company;
- Assessment of the independence of all the independent non-executive directors of the Company; and
- Acceptance of the resignation of Mr. Zou Minggui as an executive director of the Company.

A.5 Induction and Continuing Development of Directors

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her 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 are continually updated on developments in the 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 them to attend. Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee 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 year ended 31 December 2009 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 year are set out below:

Name of Director	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Huang Mao Ru	13/15
Ms. Wang Fuqin	15/15
Mr. Wang Guisheng	15/15
Mr. Zou Minggui (Note)	5/8
Non-executive Directors	
Mr. Zhong Pengyi	15/15
Mrs. Huang Jingzhang	13/15
Independent Non-executive Directors	
Mr. Chow Chan Lum	15/15
Mr. Pao Ping Wing	15/15
Mr. Leung Hon Chuen	14/15

Note: Mr. Zou Minggui resigned as an executive director of the Company on 21 September 2009. Before his resignation, there were a total of 8 Board meetings held during the year ended 31 December 2009.

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 1 January 2009 to the date of this report (or the date of resignation for Mr. Zou Minggui).

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

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 posted on the Company's website "www.maoye.cn" and 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, being two independent non-executive directors, namely Mr. Pao Ping Wing (Chairman) and Mr. Chow Chan Lum; and one non-executive director, namely Mrs. Huang Jingzhang. Accordingly, the majority of the members are independent non-executive directors.

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 2009 are set out in note 7 to the financial statements contained in this annual report.

During the year ended 31 December 2009, the Remuneration Committee has met twice and performed the following major tasks:

- Review and discussion of the remuneration policy of the Group and the remuneration packages of directors and senior management of the Company; and
- Review and discussion of the draft terms of Share Option Scheme of the Company.

The attendance records of members at the said two Remuneration Committee meetings 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 three members, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen, all of whom are independent non-executive directors. The chairman of the Audit Committee is Mr. Chow Chan Lum who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are 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 adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures.

During the year ended 31 December 2009, the Audit Committee has met twice and performed the following major tasks:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2008, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2009 and the related accounting principles and practices adopted by the Group;
- Review of the scope of audit work, auditors' fees and terms of engagement for the year ended 31 December 2009;
- Discussion and recommendation of the re-appointment of the external auditors; and
- Review of the internal control system and the information system of the Group.

The external auditors were invited to attend both of the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting.

The attendance records of members at the said two Audit Committee meetings 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 2009.

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 is responsible for maintaining an adequate internal control system of the Group to safeguard interests of the Company's shareholders and 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 for the Company's financial statements for the year ended 31 December 2009 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 December 2009 are analyzed below:

Type of services provided by the external auditors	Fees paid/payable (RMB)
Audit services:	
– Audit fee for the year ended 31 December 2009	2,300,000
Non-audit services:	
– Review fee for the six moths ended 30 June 2009	700,000
TOTAL:	3,000,000

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at "www.maoye.cn", where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices 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 welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the Chairmen 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.

Code provision E.1.2 of the CG Code stipulates that the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. At the Company's extraordinary general meetings held on (i) 26 June 2009 for approving the continuing connected transaction (details of such transaction were set out in the Company's circular dated 9 June 2009); and (ii) 9 December 2009 for approving the discloseable and connected transaction (details of such transaction were set out in the Company's circular dated 23 November 2009) respectively, the chairman of the independent board committee was present to answer questions from the independent shareholders at those meetings. No question was raised by any shareholders during such general meetings.

The 2009 annual general meeting of the Company was held on 9 April 2009, the notice of which was sent to shareholders no less than 20 clear business days before the meeting. Meanwhile, in relation to the abovementioned extraordinary general meetings held during the year, no less than 10 clear business days' notice was given to shareholders.

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

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.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and 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.

Directors' Report

The Board is pleased to present the audited consolidated results of the Company and the Group for the year ended 31 December 2009.

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 22 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 is set out in the consolidated income statement on page 53.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2009 of 1.5 HK cents in cash per share. During the year 2009, the Company declared and paid an interim dividend of 1.6 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 3.1 HK cents in cash per share for the year 2009, representing approximately 29.8% of the year's net profit attributable to owners of the parent.

Upon the approval being obtained in the forthcoming annual general meeting, the above final dividend will be paid on or about Thursday, 6 May 2010 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 30 April 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 28 April 2010 to Friday, 30 April 2010 (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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 April 2010.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands.

FIXED ASSETS

Details of the fixed assets of the Group are set out in note 17 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 on page 57 and note 36 to the financial statements.

SHARE CAPITAL

Movements of the share capital of the Company are set out in note 35 to the financial statements.

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2009 amounted to RMB1,432.0 million, details of which are set out in note 34 to the financial statements.

DONATIONS

Donations made by the Group during the year amounted to RMB1.7 million.

DIRECTORS

As at the date of this annual report, the directors of the Company were as follows:

Executive Directors

Mr. Huang Mao Ru *(Chairman and CEO)*
Ms. Wang Fuqin *(Vice President of Administration)*
Mr. Wang Guisheng *(CFO)*

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

On 21 September 2009, Mr. Zou Minggui resigned as an executive director of the Company.

Pursuant to Article 87 of the Articles of Association, Mrs. Huang Jingzhang, Mr. Zhong Pengyi and Mr. Leung Hon Chuen, the existing directors of the Company, will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said 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 2009 were RMB11.4 million.

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 42 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 2009, the interests of the directors of the Company in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of 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))	82.69%
Mrs. Huang Jingzhang	Interest of spouse	4,250,000,000 (Note (b))	82.69%

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 2009, 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 year ended 31 December 2009.

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

As at 31 December 2009, 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)	82.69%
MOY International Holdings Limited	Interest of controlled corporation	4,250,000,000 (Note)	82.69%

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". Maoye Department Store Investment Limited was a wholly-owned subsidiary of MOY International Holdings Limited, which in turn was wholly owned by Mr. Huang Mao Ru.

Save as disclosed above, as at 31 December 2009, 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

On 20 January 2010, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The Scheme is managed by the Share Option Incentive Scheme Committee, a committee duly authorized by the Board to administer the Scheme.

A summary of the Scheme is as follows:

Purpose	To provide incentive and/or reward to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group.
Participants	Any director or employee of the Group and any other person (including a consultant or adviser) who in the sole discretion of the Share Option Incentive Scheme Committee has contributed or will contribute to the Group.
Maximum number of ordinary shares available for issue under the Scheme and the maximum percentage of the issued share capital that it represents as at the date of the annual report	513,985,600 ordinary shares, representing 10% of the issued share capital of the Company as at the date of this annual report.
Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the shares in issue, such grant or further grant must be separately approved by the Company's shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates (as defined in the Listing Rules)), would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant or further grant: (1) representing in aggregate over 0.1% of the relevant class of shares in issue; and (2) having an aggregate value (based on the closing price of the shares of the Company on the Stock Exchange at the date of each grant) in excess of HK$5 million, such grant or further grant of options must be approved by the Company's shareholders in a general meeting.

Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the Share Option Incentive Scheme Committee to each grantee, but in any event such period shall be not more than 10 years commencing on the date on which the offer in relation to such option is deemed to have been accepted in accordance with the Scheme and expiring on the last day of such 10-year period subject to the provisions for early termination contained in the Scheme.
Minimum period for which an option must be held before it can be exercised	At the time of offer of the options, the Company may specify a minimum period for which an option must be held before it can be exercised.
Amount payable on acceptance of the option and the period within which such payment must be made	At the time of offer of the options, the Company may specify a date, being a date not later than 7 days after (i) the date on which the offer was issued, or (ii) the date on which the conditions (if any) for the offer are satisfied, by which the grantee must accept the offer or be deemed to have declined it. The option should be accepted within the abovementioned period with a consideration of RMB1.00 being payable by the grantee.
Subscription price	Determined by the Share Option Incentive Scheme Committee but shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company.
The remaining life of the Scheme	The Scheme remains in force until 19 January 2020.

Since the date of adoption of the Scheme and up to the date of this report, no options have been granted under the Scheme.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Directors confirmed that based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained sufficient amount of public float as required under the Listing Rules and agreed by the Stock Exchange.

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 year ended 31 December 2009.

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 (collectively known as the "Controlling Shareholder Group") in favour of the Company, details of which were stated in the Prospectus of the Company dated 21 April 2008 (the "Prospectus"), the Controlling Shareholder Group has undertaken to use its best endeavour within three years to (i) resolve the existing litigation between Maoye 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）, (ii) obtain all necessary consents and approvals for the transfer of the interest of the Controlling Shareholder Group in Maoye 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 (iii) 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 the Group, to serve a notice on the Group within ten business days of any of the issues in clauses (i) through (iii) above having been resolved, and to use its best endeavour to transfer the interests in Maoye 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 the Group's 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 (i) through (iii) above.

Up to the date of this annual report, the litigation between Maoye 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 been approved by the PRC government.

CONNECTED TRANSACTIONS

Acquisition of Tiexi Project in Shenyang

On 5 May 2009, Zhongzhao Investment Management Co., Ltd., a subsidiary of the Company, entered into a share transfer agreement and a loan assignment agreement with Shenzhen Maoye (Group) Company Limited ("Shenzhen Maoye") to purchase all of the issued share capital of Shenyang Maoye Times Property Company Limited ("Maoye Times") and the shareholder's loan payable to Shenzhen Maoye and thereby acquire a parcel of land with a total area of 18,840 square meters at 79 Shenliao East Road, Tiexi District, Shenyang, with a purpose to develop the land into a department store with a total floor area of approximately 75,000 square meters (including 15,000 square meters of car park) and an attached high-end apartment with a total floor area of approximately 20,000 square meters (the "Target Project"). The consideration for the acquisition of RMB72,000,000 was based on the amount of the registered share capital of Maoye Times and the value of the shareholder's loan. The estimated development costs of the Target Project is RMB250,000,000. Mr. Huang Mao Ru, the effective controller and chairman of the Company, is the 100% ultimate owner of Shenzhen Maoye.

Acquisition of the 100% equity interests in Maoye Advertisement

On 31 July 2009, Zhongzhao Investment Management Co., Ltd., a subsidiary of the Company, entered into an equity transfer agreement with Shenzhen Municipal Jiajia Guohuo Company Limited ("Jiajia Guohuo") to acquire the 100% equity interests in Shenzhen Municipal Maoye Advertisement Co., Ltd ("Maoye Advertisement") from Jiajia Guohuo. The consideration for the acquisition of RMB2,810,000 was based on the net asset value of Maoye Advertisement as at 30 June 2009. Through the acquisition of the business of Maoye Advertisement, the Group anticipates to be able to utilize the advertising resources of the Group more effectively, as well as to provide a more comprehensive and value-added service to its concessionaries and lessees so as to enhance its business operations. Mr. Huang Mao Ru, the effective controller and chairman of the Company, is the 100% ultimate owner of Jiajia Guohuo.

Acquisition of a land at the Second Central Office Area at Southern Chengdu

On 3 August 2009, Chengshang Group, a subsidiary of the Company, entered into a joint development agreement with Chengdu Chongde Investment Company Limited ("Chengdu Chongde") to acquire a parcel of land at the Second Central Office Area at Southern Chengdu, PRC (the "Target Land"). The consideration for the acquisition of RMB79,630,000 was based on appraised asset value of the Target Land. Pursuant to the joint development agreement, Chengshang Group and Chengdu Chongde will jointly plan to develop a department store and a commercial complex, and Chengshang Group will develop and construct a five-storey department store, with a total gross floor area of 68,300 square meters, and 23,205 square meters of underground car park. Mr. Huang Mao Ru, the effective controller and chairman of the Company, is the 100% ultimate owner of Chengdu Chongde.

Acquisition of the Orient Times Square Project in Shenzhen

On 10 November 2009, Maoye Department Store Holdings Limited, a subsidiary of the Company, entered into an equity transfer agreement with RICHON Holdings Ltd. ("Richon") and Mao Ye (China) Investment Limited ("Maoye China") to acquire the entire equity interests in Richon Group Holdings Limited ("Zhongzhao") with a view to acquiring the target property held by Shenzhen Orient Times Square Property Co., Limited ("Shenzhen Orient Times"), a wholly owned subsidiary of Zhongzhao (the "Acquisition"). The target property is located at Orient Times Square, Huaqiang North Road, Futian District, Shenzhen and has a total gross floor area of approximately 84,425 square meters, including 10 floors of retail space with a total floor area of approximately 63,820 square meters and 2 floors of underground car park and equipment rooms with a total floor area of approximately 20,605 square meters. The total consideration for the Acquisition of HK$1,928,000,000 was arrived at after arm's length negotiation and with reference to the net asset value of Zhongzhao and taking into account the book value and the estimated market value of the target property, as well as the market value of the properties in the surrounding area of the target property. Mr. Huang Mao Ru, the effective controller and chairman of the Company, is the 100% ultimate owner of Richon and Maoye China.

The aforesaid Acquisition also involves a financial assistance. A loan in the amount of RMB583,163,213.65 is owed by Shenzhen Maoye (Group) Company Limited ("Shenzhen Maoye") to Shenzhen Orient Times. Upon completion of the Acquisition, Zhongzhao and Shenzhen Orient Times will become indirect wholly-owned subsidiaries of the Company. Mr. Huang Mao Ru, the effective controller and chairman of the Company, is the 100% ultimate owner of Shenzhen Maoye. As a result, the loan will constitute financial assistance provided to a connected person of the Company.

The Acquisition and the financial assistance have been approved by independent shareholders at the extraordinary general meeting of the Company held on 9 December 2009.

Pursuant to the equity transfer agreement of the Acquisition and the supplemental agreement, it is anticipated that the transfer of shares of Zhongzhao to Maoye Department Store Holdings Limited will be duly completed in July 2010.

CONTINUING CONNECTED TRANSACTIONS

Master Leasing Agreement

Pursuant to the master leasing agreement dated 13 January 2008 (the "Master Leasing Agreement") and the supplemental agreement (the "Supplemental Agreement") dated 18 May 2009 between Maoye Holdings Limited (a company wholly-owned by Mr. Huang Mao Ru) and the Company, the Company agrees to continue to lease from the Controlling Shareholder Group certain premises for operation of department stores in accordance with the respective terms of the relevant leasing agreements entered into between members of the Group and members of the Controlling Shareholder Group. Up to 31 December 2009, the Group has entered into twelve lease agreements with members of the Controlling Shareholder Group, including nine leases involving six department stores and three leases for office space and warehouse. The Group entered into these lease agreements after having considered the location of the relevant properties and the terms offered by the Controlling Shareholder Group.

On 18 May 2009, the Company and Maoye Holdings Limited entered into a new master leasing agreement to replace the Master Leasing Agreement from 1 January 2010.

During the year ended 31 December 2009, the leasing expenses borne by the Group under the Master Leasing Agreement and the Supplemental Agreement were RMB113.5 million (2008: RMB106.0 million).

Master Management Agreement

Pursuant to the master management agreement entered into between Maoye Group Limited (a company wholly-owned by Mr. Huang Mao Ru) 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 Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store, with a view to protecting the interests of the Group and to facilitating possible acquisition of such stores by the Group in future. 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 terms of the Master Management Agreement were concluded on an arm's length basis.

During the year ended 31 December 2009, the management fee income of the Group under the Master Management Agreement was approximately RMB3.0 million (2008: RMB3.1 million).

Master Development Services Agreement

On 18 May 2009, the Company and Maoye Holdings Limited entered into a master development services agreement (the "Master Development Services Agreement") to regulate the Group's engagement of the Controlling Shareholder Group concerning the construction and development of properties. Pursuant to the Master Development Services Agreement, the Controlling Shareholder Group is responsible for the construction and development of the properties (or part thereof as agreed by the parties) in consideration of the development fees payable by the Group.

The transactions under the Master Development Services Agreement have been entered into in the ordinary and usual course of business of the Group. The term of the Master Development Services Agreement is for three years and will be automatically renewed for the same duration unless it is terminated by either party or its subsequent renewal is not approved by independent shareholders in accordance with the Listing Rules.

During the year ended 31 December 2009, a total development cost of RMB25.9 million was paid by the Group directly to the independent contractors under the Master Development Services Agreement, and no development service fee was incurred by the Group to the Controlling Shareholder Group.

The independent non-executive directors of the Company have reviewed these continuing connected transactions disclosed above and confirmed that such continuing connected transactions are:

(i) entered into in the ordinary course of business of the Group;

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

(iii) carried out in accordance with respective agreements that regulate such transactions and on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have confirmed that these transactions have been approved by the Board and are entered into under respective agreements that regulate such transactions and do not exceed any of the relevant caps as stated in the Prospectus or approved at the extraordinary general meeting of the Company held on 26 June 2009.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2009, 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 Maoye Chongqing Jiefangbei Store, Maoye Wuxi Store and Guiyang Friendship Group. Details of these companies and Mr. Huang's interests in these 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 these companies.

(ii) Mr. Zhong Pengyi held interests in Shenzhen Friendship Trading Centre Company Limited and Shenzhen Friendship Department Store Company Limited. Details of these companies and Mr. Zhong's interests in these 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 these 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 2009, none of its customers or suppliers accounted for more than 5% of the Group's revenue or purchases. In addition, for the year ended 31 December 2009, 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 2009 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 45 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 ended 31 December 2009. First Shanghai has received a fee for acting as the Company's compliance adviser during the period.

A fellow subsidiary of First Shanghai held 230,000 shares of the Company as at 31 December 2009, representing approximately 0.004% of the issued share capital of the Company.

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 2009.

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
Maoye International Holdings Limited
Huang Mao Ru
Chairman

4 March 2010

ERNST & YOUNG
安 永

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 53 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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 2009 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
4 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	5	**1,702,012**	1,492,595
Other income	6	**454,348**	474,840
Total operating revenue		**2,156,360**	1,967,435
Purchases of and changes in inventories		**(736,112)**	(622,326)
Employee expenses	7	**(141,096)**	(126,712)
Depreciation and amortisation		**(154,120)**	(124,183)
Operating lease rental expenses	8	**(131,658)**	(122,580)
Other operating expenses	9	**(343,875)**	(309,477)
Other gains	10	**58,715**	78,321
Operating profit		**708,214**	740,478
Finance costs	11	**(58,427)**	(55,368)
Share of profits and losses of associates		**269**	2,724
PROFIT BEFORE TAX		**650,056**	687,834
Income tax expense	12	**(145,886)**	(144,516)
PROFIT FOR THE YEAR		**504,170**	543,318
Attributable to:			
Owners of the parent	13	**470,107**	520,969
Minority interests		**34,063**	22,349
		504,170	543,318
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic	16	**RMB9.1 cents**	RMB10.8 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 **RMB'000**	2008 RMB'000
PROFIT FOR THE YEAR	**504,170**	543,318
OTHER COMPREHENSIVE INCOME		
Available-for-sale equity investments:		
Changes in fair value	**367,224**	78,505
Income tax effect	**(91,024)**	(19,386)
	276,200	59,119
Exchange differences on translation of foreign operations	**(93)**	(53,365)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**276,107**	5,754
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**780,277**	549,072
Attributable to:		
Owners of the parent	**746,214**	526,723
Minority interests	**34,063**	22,349
	780,277	549,072

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**1,637,471**	1,133,610
Investment properties	18	**104,103**	110,495
Land lease prepayments	19	**2,290,912**	2,005,236
Goodwill	20	**95,997**	45,286
Other intangible assets	21	**3,237**	—
Investments in associates	23	**13,437**	30,598
Available-for-sale equity investments	24	**1,331,829**	487,330
Other asset	25	**2,458**	—
Prepayments	30	**696,169**	383,566
Deferred tax assets	26	**34,449**	28,353
Total non-current assets		**6,210,062**	4,224,474
CURRENT ASSETS			
Inventories	27	**100,714**	96,330
Equity investments at fair value through profit or loss	28	**39,168**	4,579
Trade receivables	29	**268**	1,912
Prepayments, deposits and other receivables	30	**386,356**	288,189
Due from related parties	42(b)	**3,739**	5,086
Pledged deposits	31	**12,902**	12,391
Cash and cash equivalents	31	**457,001**	867,900
		1,000,148	1,276,387
Assets of a disposal group classified as held for sale	14	**37,404**	—
Total current assets		**1,037,552**	1,276,387
CURRENT LIABILITIES			
Trade and bills payables	32	**933,043**	939,017
Deposits received, accruals and other payables	33	**750,438**	733,096
Interest-bearing bank loans	34	**163,667**	361,000
Due to related parties	42(b)	**2,337**	2,885
Income tax payable		**66,179**	29,916
		1,915,664	2,065,914
Liabilities directly associated with a disposal group classified as held for sale	14	**9,504**	—
Total current liabilities		**1,925,168**	2,065,914
NET CURRENT LIABILITIES		**(887,616)**	(789,527)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,322,446**	3,434,947

continued/...

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,322,446**	3,434,947
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	34	**1,268,300**	160,000
Deferred tax liabilities	26	**298,559**	133,842
Total non-current liabilities		**1,566,859**	293,842
Net assets		**3,755,587**	3,141,105
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	**461,587**	461,587
Reserves	36(a)	**2,887,939**	2,282,001
Proposed final dividend	15	**67,800**	99,658
		3,417,326	2,843,246
Minority interests		**338,261**	297,859
Total equity		**3,755,587**	3,141,105

Huang Mao Ru
Director

Wang Guisheng
Director

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 35)	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 2009	**461,587**	**1,875,369**	**77**	**143,056**	**59,119**	**(55,197)**	**259,577**	**99,658**	**2,843,246**	**297,859**	**3,141,105**
Total comprehensive income for the year	–	–	–	–	**276,200**	**(93)**	**470,107**	–	**746,214**	**34,063**	**780,277**
Acquisition of a subsidiary (note 37)	–	–	–	–	–	–	–	–	–	**15,041**	**15,041**
Acquisition of minority interests	–	–	–	–	–	–	–	–	–	**(8,702)**	**(8,702)**
Profit appropriate to reserve	–	–	–	**11,654**	–	–	**(11,654)**	–	–	–	–
Final 2008 dividend declared (note 15)	–	–	–	–	–	–	–	**(99,658)**	**(99,658)**	–	**(99,658)**
Interim 2009 dividend (note 15)	–	–	–	–	–	–	**(72,476)**	–	**(72,476)**	–	**(72,476)**
Proposed final 2009 dividend (note 15)	–	–	–	–	–	–	**(67,800)**	**67,800**	–	–	–
At 31 December 2009	**461,587**	**1,875,369 ***	**77 ***	**154,710 ***	**335,319 ***	**(55,290)***	**577,754 ***	**67,800**	**3,417,326**	**338,261**	**3,755,587**

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 35)	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
Total comprehensive income for the year	–	–	–	–	59,119	(53,365)	520,969	–	526,723	22,349	549,072
Issuance of new shares for the global offering	77,506	2,325,241	–	–	–	–	–	–	2,402,747	–	2,402,747
Issuance of new shares upon exercise of the Over-allotment Option	2,388	71,641	–	–	–	–	–	–	74,029	–	74,029
Capitalisation issue of shares	381,693	(381,693)	–	–	–	–	–	–	–	–	–
Listing expenses for issue of new shares	–	(139,820)	–	–	–	–	–	–	(139,820)	–	(139,820)
Partial disposal of shares in a subsidiary	–	–	–	–	–	–	–	–	–	14,782	14,782
Profit appropriation to reserves	–	–	–	26,647	–	–	(26,647)	–	–	–	–
Dividends paid by the Company and its subsidiaries to their then shareholders (note 15)	–	–	–	–	–	–	(72,608)	–	(72,608)	–	(72,608)
Interim 2008 dividend (note 15)	–	–	–	–	–	–	(148,583)	–	(148,583)	–	(148,583)
Proposed final dividend (note 15)	–	–	–	–	–	–	(99,658)	99,658	–	–	–
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

* These reserve accounts comprise the consolidated reserves of RMB2,887,939,000 (2008: RMB2,282,001,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flow

Year ended 31 December 2009

	Notes	**2009** **RMB'000**	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**650,056**	687,834
Adjustments for:			
Interest income	6	**(6,062)**	(48,902)
Depreciation and amortisation		**154,120**	124,183
Impairment of goodwill	9	**4,800**	—
Impairment of trade receivables	9	**15**	83
Impairment/(reversal of impairment) of inventories	9	**(4,154)**	667
Impairment/(reversal of impairment) of other receivables	9	**(523)**	1,407
Reversal of impairment of an amount due from a related party	9	**—**	(3,870)
Gain on disposal of items of property, plant and equipment	10	**(1,164)**	(20)
Gain on disposal of land lease prepayments	10	**(62)**	(853)
Gain on disposal of land lease prepayment and buildings	10	**(29,709)**	—
Gain on disposal of subsidiaries and associates	10	**(4,626)**	(3,315)
Gain on disposal of investment properties	10	**(558)**	—
Fair value loss/(gain) on equity investments at fair value through profit or loss	10	**(8,954)**	9,888
Gain on disposal of equity investments at fair value through profit or loss	10	**(1,099)**	(1,352)
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	**(70)**	(90)
Dividend income from available-for-sale equity investments	10	**(592)**	(1,195)
Finance costs	11	**58,427**	55,368
Share of profits and losses of associates		**(269)**	(2,724)
		809,576	737,087
Decrease in inventories		**18,512**	16,134
Decrease in trade receivables		**1,738**	1,943
Decrease in prepayments and other receivables		**8,265**	877
Decrease/(increase) in amounts due from related parties		**1,347**	(2,048)
Increase/(decrease) in trade and bills payables		**(78,373)**	98,763
Increase in deposits received, accruals and other payables		**27,660**	62,807
Increase/(decrease) in amounts due to related parties		**(548)**	321
Cash generated from operations		**788,177**	915,884
Interest received		**6,062**	48,902
PRC tax paid		**(111,433)**	(123,119)
Net cash flows from operating activities		**682,806**	841,667

continued/...

Consolidated Statement of Cash Flow

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**2,098**	2,900
Purchases of items of property, plant and equipment		**(364,910)**	(281,003)
Prepayments for items of property, plant and equipment		**(51,683)**	—
Proceeds from disposal of items of property, plant and equipment		**4,041**	2,432
Proceeds from disposal of investment properties		**820**	—
Proceeds from disposal of an associate		**10,000**	—
Proceeds from partial disposal of shares in a subsidiary		**—**	94,805
Purchase of available-for-sale equity investments		**(474,251)**	(302,630)
Purchase of land lease prepayments		**(161,012)**	(1,385,310)
Prepayment for land lease prepayments		**(353,800)**	(380,000)
Proceeds from disposal of land lease prepayments and buildings		**29,818**	—
Disposal of land lease prepayments		**128**	1,228
Purchase of other intangible assets		**(2,881)**	—
Purchase of equity investments at fair value through profit or loss		**(27,775)**	(11,888)
Proceeds from disposal of equity investments at fair value through profit or loss		**3,239**	10,346
Acquisition of subsidiaries		**(245,502)**	(4,991)
Acquisition of a creditor's right	38	**(55,850)**	(37,567)
Acquisition of an additional interest in a subsidiary		**(9,884)**	—
Increase in the capital of an associate		**—**	(265)
Disposal of subsidiaries		**—**	4,891
Advance receipt for disposal of a subsidiary		**3,000**	—
Dividend income from equity investments at fair value through profit or loss		**70**	90
Dividend income from available-for-sale equity investments		**592**	1,195
Net cash flows used in investing activities		**(1,693,742)**	(2,285,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	2,476,776
Listing expense		**—**	(139,820)
New bank loans		**1,330,000**	671,000
Repayment of bank loans		**(485,033)**	(1,547,093)
Decrease in amounts due from related parties		**—**	1,101,847
Decrease in amounts due to related parties		**—**	(56,072)
Interest paid		**(67,420)**	(89,633)
Dividends paid by the Company and its subsidiaries to their then shareholders		**—**	(282,155)
Final 2008 dividend paid		**(99,658)**	—
Interim dividend paid		**(72,476)**	(148,583)
Decrease/(increase) in pledged bank deposits	31	**(511)**	26,459
Net cash flows from financing activities		**604,902**	2,012,726

continued/...

Consolidated Statement of Cash Flow

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(406,034)**	568,626
Effect of foreign exchange rate changes, net		**(97)**	(53,453)
Cash and cash equivalents at beginning of year		**867,900**	352,727
CASH AND CASH EQUIVALENTS AT END OF YEAR		**461,769**	867,900
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	31	**457,001**	604,317
Non-pledged time deposits with original maturity of less than three months when acquired	31	**—**	263,583
Cash and cash equivalents as stated in the statement of financial position		**457,001**	867,900
Cash and cash equivalents attributable to a disposal group classified as held for sale	14	**4,768**	—
		461,769	867,900

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	22	**143,788**	143,788
CURRENT ASSETS			
Prepayments and other receivables	30	**400**	8
Due from subsidiaries	22	**1,949,604**	2,124,019
Cash and cash equivalents	31	**3,970**	8,329
Total current assets		**1,953,974**	2,132,356
CURRENT LIABILITIES			
Other payables and accruals	33	**4,819**	5,253
Due to subsidiaries	22	**20,599**	16,277
Total current liabilities		**25,418**	21,530
NET CURRENT ASSETS		**1,928,556**	2,110,826
Net assets		**2,072,344**	2,254,614
EQUITY			
Issued capital	35	**461,587**	461,587
Reserves	36(b)	**1,542,957**	1,693,369
Proposed final dividends	15/36(b)	**67,800**	99,658
Total equity		**2,072,344**	2,254,614

Huang Mao Ru
Director

Wang Guisheng
Director

1. CORPORATE INFORMATION

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 38/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 Mainland China.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are Maoye Department Store Investment Limited and MOY International Holdings Limited, 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 2009, the Group had net current liabilities of approximately RMB887,616,000. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. 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. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
IFRS 8	*Operating Segments*
IFRS 8 Amendment*	Amendments to IFRS 8 *Operating Segments – Disclosure of information about segment assets (early adopted)*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 18 Amendment*	Amendment to Appendix to IAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
IAS 23 (Revised)	*Borrowing Costs*
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*
IFRIC-Int 9 and IAS 39 Amendments	Amendments to IFRIC-Int 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
IFRIC-Int 13	*Customer Loyalty Programmes*
IFRIC-Int 15	*Agreements for the Construction of Real Estate*
IFRIC-Int 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to IFRSs (May 2008)	Amendments to a number of IFRSs

* *Included in Improvements to IFRSs 2009 (as issued in April 2009).*

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 2 *Share-based Payment – Vesting Conditions and Cancellations*

The IFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or results of operations of the Group.

(b) Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The IFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 43 to the financial statements while the revised liquidity risk disclosures are not significantly impacted by the amendments.

(c) IFRS 8 *Operating Segments*

IFRS 8, which replaces IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to IFRS 8 issued in *Improvements to IFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(d) IAS 1 (Revised) *Presentation of Financial Statements*

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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

(e) Amendment to Appendix to IAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The amendment has had no impact on the financial position or results of operations of the Group.

(f) IAS 23 (Revised) *Borrowing Costs*

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(g) Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(h) Amendments to IFRIC-Int 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to IFRIC-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(i) IFRIC-Int 13 *Customer Loyalty Programmes*

IFRIC-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group's current policy for customer loyalty award credits aligns with the requirements of the interpretation, the adoption of the interpretation has had no impact on the financial position or results of operations of the Group.

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

(j) IFRIC-Int 15 *Agreements for the Construction of Real Estate*

IFRIC-Int 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with IAS 18 *Revenue*. The interpretation has had no impact on the financial position or results of operations of the Group.

(k) IFRIC-Int 16 *Hedges of a Net Investment in a Foreign Operation*

IFRIC-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the consolidated income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(l) IFRIC-Int 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

IFRIC-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. 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.

(m) In May 2008, the IASB issued its first *Improvements to IFRSs* which sets out amendments to a number of IFRSs. Except for the amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with IAS 39 are not automatically classified as current in the statement of financial position.

- IAS 16 *Property, Plant and Equipment:* Replaces the term “net selling price” with “fair value less costs to sell” and the recoverable amount of property, plant and equipment is the higher of an asset’s fair value less costs to sell and its value in use.

- IAS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of “borrowing costs” into one - the interest expenses calculated using the effective interest rate method in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

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

- IAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- IAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- IAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed.

- IAS 40 *Investment Property:* Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009.

2.3 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 1 (Revised)	*First-time Adoption of International Financial Reporting Standards* [1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
IFRS 3 (Revised)	*Business Combinations* [1]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
IFRIC-Int 14 Amendments	Amendments to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
IFRIC-Int 17	*Distributions of Non-cash Assets to Owners* [1]
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to IFRS 5 included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the IASB has issued *Improvements to IFRSs* 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC-Int 9 and IFRIC-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

IFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of IFRSs, the amendments will not have any financial impact on the Group.

The IFRS 1 Amendments provide relief from the full retrospective application of IFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not engaged in this kind of business, the amendments will not have any financial impact on the Group.

The IFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in IFRIC-Int 8 *Scope of IFRS 2* and IFRIC-Int 11 *IFRS 2 – Group and Treasury Share Transactions*. The Group expects to adopt the IFRS 2 Amendments from 1 January 2010.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Group expects to adopt IFRS 3 (Revised) and IAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety by the end of 2010. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011.

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group expects to adopt the IAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The IFRIC-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRIC-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

IFRIC-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

The amendments to IFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. Except for the amendment to IAS 18 and the amendment to IFRS 8, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, those amendments that are expected to have a significant impact on the Group are as follows:

(a) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that (i) the disclosures required in respect of non-current assets (or a disposal group) classified as held for sale or a discontinued operation are those set out in IFRS 5; (ii) the general requirements of IAS 1 still apply (e.g., source of estimation uncertainty); and (iii) the disclosures in other IFRSs are not required unless:

    (i) those IFRSs specifically require disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

    (ii) the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of measurement requirements of IFRS 5 and disclosures are not disclosed elsewhere in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(b) IAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(c) IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(d) IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

(e) IAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 *Operating Segments* before aggregation for financial reporting purposes.

(f) IAS 38 *Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(g) IAS 39 *Financial Instruments*: *Recognition and Measurement*: Clarifies that (i) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (ii) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (iii) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

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 statement of financial position 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 the 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 investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

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 statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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 or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises.

An assessment is made at the end of each reporting period 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 consolidated income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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	—

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 financial year date.

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

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

Investment properties

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

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Other intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement 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

Initial recognition and measurement

Financial assets within 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, due from related parties, and quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the consolidated income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction. For financial instruments where there is no active market, the fair value is determined using appropriate 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 when:

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

— the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated income statement.

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 investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related parties and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. 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 end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

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 the end of the reporting period 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 consolidated 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the initial recognition of goodwill or 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 basis over the lease terms.

(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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

Foreign currencies

The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the 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 Mainland China, RMB is used as the presentation currency of the Group. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective 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 the end of the reporting period. All differences are taken to the consolidated 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 the end of the reporting period and their consolidated income statements are translated into RMB at the weighted average exchange rates for the year. Foreign exchange differences on retranslation are recognised in other comprehensive income and accumulated in a separate component of equity.

For the purpose of the consolidated statement of cash flows, 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 end of the reporting period. 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.

- *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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

- *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 consolidated 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 the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

- *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 the end of the reporting period.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their operations and their products and services they provide, and has three reportable operating segments as follows:

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

(b) the sale of automobiles segment; and

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, other gains as well as head office and corporate expenses are excluded from such measurement.

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)

Group	Operation of department stores RMB'000	Sale of automobiles RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2009				
Segment revenue:				
Sales to external customers	1,369,952	322,369	9,691	1,702,012
Other income	418,294	1,920	28,072	448,286
Total	1,788,246	324,289	37,763	2,150,298
Segment results	706,298	5,465	4,613	716,376
Interest income				6,062
Unallocated gains				58,715
Corporate and other unallocated expenses				(72,939)
Finance costs				(58,427)
Share of profits and losses of associates	—	—	269	269
Profit before tax				650,056
Tax				(145,886)
Profit for the year				504,170
Other segment information:				
Depreciation and amortisation	127,786	1,595	7,895	137,276
Corporate and other unallocated amounts				16,844
				154,120
Capital expenditure	854,715	43	112,304	967,062*
Impairment of goodwill	—	—	4,800	4,800
Reversal of impairment of inventories	(4,154)	—	—	(4,154)
Impairment of trade receivables	—	—	15	15
Impairment/(reversal of impairment) of other receivables	(558)	35	—	(523)

* Capital expenditure consists of additions to property, plant and equipment, land lease prepayments, and other intangible assets including assets from the acquisition of subsidiaries.

4. SEGMENT INFORMATION (continued)

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
Interest income				48,902
Unallocated gains				78,321
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
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)

5. REVENUE

	Group	
	2009	2008
	RMB'000	RMB'000
Commissions from concessionaire sales	**786,649**	712,826
Direct sales	**473,258**	419,478
Sale of automobiles	**322,369**	255,731
Rental income from the leasing of shop premises	**107,072**	94,689
Management fee income from the operation of department stores	**2,973**	3,083
Others	**9,691**	6,788
	1,702,012	1,492,595

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

Total sales proceeds from concessionaire sales	**4,381,479**	3,576,270
Commissions from concessionaire sales	**786,649**	712,826

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

Rental income	**53,207**	41,014
Sublease rental income	**49,963**	49,747
Contingent rental income	**3,902**	3,928
	107,072	94,689

6. OTHER INCOME

	Group	
	2009	2008
	RMB'000	RMB'000
Income from suppliers and concessionaires		
- Administration and management fee income	**250,796**	226,522
- Promotion income	**90,967**	105,011
- Credit card handling fees	**50,314**	43,051
Rental income from investment properties	**46,366**	42,077
Interest income	**6,062**	48,902
Others	**9,843**	9,277
	454,348	474,840

7. EMPLOYEE EXPENSES

	Group	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**122,990**	112,113
Retirement benefits	**11,377**	9,719
Other employee benefits	**6,729**	4,880
	141,096	126,712

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

	Group	
	2009	2008
	RMB'000	RMB'000
Fees	**687**	696
Other emoluments:		
Salaries and allowances	**2,890**	3,309
Bonuses	**—**	100
Retirement benefits	**35**	37
	2,925	3,446
	3,612	4,142

7. EMPLOYEE EXPENSES(continued)

(a) Independent non-executive directors

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

	2009	2008
	RMB'000	RMB'000
Mr. Pao Ping Wing	**212**	214
Mr. Leung Hon Chuen	**158**	161
Mr. Chow Chan Lum	**317**	321
	687	696

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2009 (2008: Nil).

7. **EMPLOYEE EXPENSES** (continued)

(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 2009					
Executive directors:					
Mr. Huang Mao Ru	—	122	—	—	122
Mr. Zou Minggui*	—	789	—	9	798
Ms. Wang Fuqin	—	820	—	12	832
Mr. Wang Guisheng	—	919	—	14	933
	—	2,650	—	35	2,685
Non-executive directors:					
Mrs. Huang Jingzhang	—	120	—	—	120
Mr. Zhong Pengyi	—	120	—	—	120
	—	240	—	—	240
Year ended 31 December 2008					
Executive directors:					
Mr. Huang Mao Ru	—	140	—	—	140
Mr. Zou Minggui	—	1,074	—	13	1,087
Ms. Wang Fuqin	—	250	100	6	356
Mr. Wang Guisheng	—	894	—	13	907
Mr. Lu Fa Chee	—	711	—	5	716
	—	3,069	100	37	3,206
Non-executive directors:					
Mrs. Huang Jingzhang	—	120	—	—	120
Mr. Zhong Pengyi	—	120	—	—	120
	—	240	—	—	240

* Mr. Zou Minggui resigned as an executive director on 21 September 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2009 (2008: Nil).

7. EMPLOYEE EXPENSES (continued)

(c) Five highest paid employees

The five highest paid employees during the year included two (2008: three) directors, details of whose remuneration are set out in note 7(b) above. Details of the remuneration of the remaining three (2008: two) non-director, highest paid employees for the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and allowances	**1,773**	901
Bonuses	**—**	80
Retirement benefits	**27**	23
	1,800	1,004

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

	2009 **RMB'000**	2008 RMB'000
Nil to RMB1,000,000	**3**	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	
	2009 **RMB'000**	2008 RMB'000
Operating lease rental	**123,593**	114,825
Operating sublease rental	**8,065**	7,755
	131,658	122,580

9. OTHER OPERATING EXPENSES

	Notes	Group 2009 RMB'000	2008 RMB'000
Utility expenses		**107,497**	84,453
Promotion and advertising expenses		**25,911**	20,870
Repair and maintenance expenses		**31,540**	25,156
Entertainment expenses		**7,227**	7,337
Office expenses		**21,919**	22,806
Other tax expenses		**85,568**	86,316
Professional service fees		**11,204**	11,422
Auditors' remuneration		**4,308**	7,010
Bank charges		**28,523**	24,995
Impairment of goodwill	20	**4,800**	—
Impairment/(reversal of impairment) of inventories		**(4,154)**	667
Impairment of trade receivables	29	**15**	83
Impairment/(reversal of impairment) of other receivables	30	**(523)**	1,407
Reversal of impairment of an amount due from a related party	42(b)	**—**	(3,870)
Others		**20,040**	20,825
		343,875	309,477

10. OTHER GAINS

	Group	
	2009	2008
	RMB'000	RMB'000
Gain on disposal of items of property, plant and equipment	**1,164**	20
Gain on disposal of land lease prepayments	**62**	853
Gain on disposal of investment properties	**558**	—
Gain on disposal of land lease prepayment and buildings	**29,709**	—
Foreign exchange losses, net	**(400)**	(11,422)
Fair value gain/(loss) on equity investments at fair value through profit or loss	**8,954**	(9,888)
Gain on disposal of equity investments at fair value through profit or loss	**1,099**	1,352
Gain on disposal of subsidiaries and associates	**4,626**	3,315
Gain on partial disposal of shares in a subsidiary	**—**	80,022
Gain on investing on short term financial products	**3,705**	—
Dividend income from available-for-sale equity investments	**592**	1,195
Dividend income from equity investments at fair value through profit or loss	**70**	90
Others	**8,576**	12,784
	58,715	78,321

11. FINANCE COSTS

	Group	
	2009	2008
	RMB'000	RMB'000
Interest on bank loans	**58,427**	55,368

12. INCOME TAX

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

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

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

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2008: 25%) on their respective taxable income, except for certain PRC subsidiaries which are exempted or taxed at a preferential rate of 20% 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 20% (2008: 18%).

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% (2008: 15%).

	Group	
	2009	2008
	RMB'000	RMB'000
Group:		
Current - PRC		
Charge for the year	**148,548**	116,864
Deferred (note 26)	**(2,662)**	27,652
Total tax charge for the year	**145,886**	144,516

12. INCOME TAX (continued)

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			
	2009		2008	
	RMB'000	**%**	RMB'000	%
Profit before tax	**650,056**		687,834	
Tax at the statutory tax rate	**162,514**	**25**	171,959	25
Lower tax rates for specific districts or countries	**(25,565)**	**(4)**	(40,718)	(6)
Tax exemption	**—**	**—**	(1,091)	—
Income not subject to tax	**(1,851)**	**—**	(935)	—
Expenses not deductible for tax	**1,870**	**—**	3,884	1
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**6,897**	**1**	7,089	1
Tax losses not recognised	**1,353**	**—**	1,928	—
Others	**668**	**—**	2,400	—
Tax charge at the Group's effective tax rate	**145,886**	**22**	144,516	21

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a loss of RMB10,326,000 (2008: profit of RMB51,511,000) which has been dealt with in the financial statements of the Company (note 36(b)).

14. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 24 June 2009, the Group decided to dispose of Chengdu Chengshang Motor Vehicle Co., Ltd. ("Chengshang Motor") (成都成商汽車有限責任公司) which engages in the sale of automobiles. The Group plans to focus its resources on its core business of department store operations and to optimise its asset structure through the disposal. On 7 July 2009, the Group entered into a sale and purchase agreement to dispose of the entire equity interest of Chengshang Motor to an independent third party. Subsequently, the Group entered into a termination agreement with the independent third party to terminate the sale and purchase agreement on 31 October 2009.

On 31 December 2009, the Group entered into a sale and purchase agreement to dispose of the entire equity interest of Chengshang Motor to another two independent third parties at an aggregate consideration of RMB23,000,000. The independent third parties have also agreed to assume the repayment of debts, amounting to RMB27,088,000, owed by Chengshang Motor to the Group. Chengshang Motor is classified as a disposal group held for sale at 31 December 2009 (note 45(i)).

The major classes of assets and liabilities of Chengshang Motor classified as held for sale as at 31 December 2009 are as follows:

	Notes	31 December 2009 RMB'000
Assets:		
Property, plant and equipment	17	**1,302**
Goodwill	20	**17**
Cash and cash equivalents		**4,768**
Trade receivables		**203**
Prepayments and other receivables		**21,709**
Deferred tax assets	26	**493**
Inventories		**8,912**
Assets classified as held for sale		**37,404**
Liabilities:		
Trade payables		**1,351**
Deposits received, accruals and other payables		**6,758**
Tax payable		**1,395**
Liabilities directly associated with assets classified as held for sale		**9,504**
Net assets directly associated with the disposal group		**27,900**

The amount due to intercompanies of RMB27,088,000 has been eliminated on consolidation and excluded from the above balance.

15. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Interim dividend - HK1.6 cents (2008: HK3.3 cents) per ordinary share	**72,476**	148,583
Proposed final dividend (not recognised as a liability as at 31 December) -		
HK1.5 cents (2008: HK2.2 cents) per ordinary share	**67,800**	99,658
Special dividends	**—**	72,608
	140,276	320,849

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

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year ended 31 December 2009 attributable to owners of the parent of RMB470,107,000 (2008: RMB520,969,000) and the 5,139,856,000 ordinary shares in issue (2008: the weighted average of 4,834,255,760 ordinary shares deemed to have been in issue).

There was no potential dilutive ordinary share in existence for the years ended 31 December 2009 and 2008, accordingly, no diluted earnings per share amount has been presented.

17. 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 2009							
At 31 December 2008 and at 1 January 2009:							
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
At 1 January 2009, net of accumulated depreciation and impairment	803,569	52,381	5,460	42,820	61,622	167,758	1,133,610
Additions	30,459	1,055	1,227	7,551	16,559	360,889	417,740
Disposals	(730)	(317)	(706)	(1,037)	(159)	(37)	(2,986)
Depreciation provided during the year	(38,662)	(10,239)	(1,636)	(15,043)	(28,270)	–	(93,850)
Acquisition of subsidiaries (notes 37/38)	153,535	10,406	521	908	11,717	7,172	184,259
Reclassification as held for sale (note 14)	–	(573)	(447)	(282)	–	–	(1,302)
Transfers	247,107	34,129	–	947	25,305	(307,488)	–
At 31 December 2009, net of accumulated depreciation and impairment	1,195,278	86,842	4,419	35,864	86,774	228,294	1,637,471
At 31 December 2009:							
Cost	1,503,627	267,890	11,159	179,608	226,954	234,903	2,424,141
Accumulated depreciation and impairment	(308,349)	(181,048)	(6,740)	(143,744)	(140,180)	(6,609)	(786,670)
Net carrying amount	1,195,278	86,842	4,419	35,864	86,774	228,294	1,637,471

Amortisation of land lease payments of approximately RMB13,796,000 and RMB1,187,000 during the construction period was capitalised as part of the construction cost of the stores in Nanshan District, Shenzhen and Tiexi District, Shenyang respectively, 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 interest-bearing bank loans are set out in note 34(a).

Certificates of ownership in respect of certain buildings of the Group located in Zhuhai with a net carrying amount of approximately RMB28,436,000 as at 31 December 2009 have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

17. 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 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 18)	(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

18. INVESTMENT PROPERTIES

	Note	Group 2009 RMB'000	2008 RMB'000
Cost at 1 January, net of accumulated depreciation		**110,495**	105,123
Disposals		**(261)**	—
Disposal of subsidiaries		**—**	(980)
Transfer from property, plant and equipment	17	**—**	11,833
Depreciation provided during the year		**(6,131)**	(5,481)
At 31 December		**104,103**	110,495
At 31 December:			
Cost		**192,506**	192,767
Accumulated depreciation		**(88,403)**	(82,272)
Net carrying amount		**104,103**	110,495

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 39(a).

Details of the Group's investment properties pledged to secure the Group's bills payable and interest-bearing bank loans are set out in notes 32 and 34(b).

At 31 December 2009, the fair value of the Group's investment properties was approximately RMB132,900,000, which was based on the valuation by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis.

19. LAND LEASE PREPAYMENTS

		Group	
		2009	2008
	Notes	**RMB'000**	RMB'000
Carrying amount at 1 January		**2,072,178**	583,144
Acquisition of subsidiaries	37/38	**279,720**	—
Additions		**82,009**	1,533,972
Disposals		**(66)**	(375)
		2,433,841	2,116,741
Amortisation provided during the year		**(69,026)**	(44,563)
Carrying amount at 31 December		**2,364,815**	2,072,178
Current portion included in prepayments, deposits and other receivables		**(73,903)**	(66,942)
Non-current portion		**2,290,912**	2,005,236

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 notes 32 and 34(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 RMB473,750,000 as at 31 December 2009.

Included in the amortisation provided during the year are amounts of approximately RMB13,796,000 and RMB1,187,000, which has been capitalised as part of the construction cost of the stores in Nanshan District, Shenzhen and Tiexi District, Shenyang respectively. Further details of the capitalisation are included in note 17.

20. GOODWILL

	Notes	Group 2009 RMB'000	2008 RMB'000
At 1 January, net of accumulated impairment		**45,286**	45,286
Acquisition of a subsidiary	37	**53,566**	—
Acquisition of an additional interest in a subsidiary	37	**1,962**	—
Reclassification as held for sale	14	**(17)**	—
Impairment during the year	9	**(4,800)**	—
At 31 December		**95,997**	45,286
At 31 December:			
Cost		**101,766**	46,255
Accumulated impairment		**(5,769)**	(969)
Net carrying amount		**95,997**	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 2009	91,484	—	4,513	95,997
At 31 December 2008	35,954	17	9,315	45,286

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections ranged from 11% to 13% (2008: 10% to 12%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from nil to 5% (2008: nil to 5%). The growth rates do not exceed the projected long term average growth rates for the operation of department stores and the sale of automobiles in Mainland China.

20. GOODWILL (continued)

Key assumptions were used in the value in use calculation of the CGUs for 31 December 2009 and 2008. 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% (2008: nil to 5%).

21. OTHER INTANGIBLE ASSETS

Group

	Computer software	
	2009	2008
	RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation	**—**	—
Additions	**2,881**	—
Acquisition of subsidiaries	**453**	—
Amortisation provided during the year	**(97)**	—
At 31 December	**3,237**	—
At 31 December:		
Cost	**3,334**	—
Accumulated amortisation	**(97)**	—
Net carrying amount	**3,237**	—

Computer software is amortised on the straight-line basis over five years.

22. INVESTMENTS IN SUBSIDIARIES

Company

	2009 **RMB'000**	2008 RMB'000
Unlisted shares, at cost	**143,788**	143,788

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB1,949,604,000 (31 December 2008: RMB2,124,019,000) and RMB20,599,000 (31 December 2008: RMB16,277,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

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 (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. (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. (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 (大華投資（中國）有限公司)	Hong Kong 28 May 2008	HK$100/HK$10,000	—	100	Investment holding

continued/...

22. 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 Maoye Shangsha Co., Ltd. (深圳茂業商廈有限公司) **	PRC/ Mainland China 31 January 1996	US$220,000,000	—	100	Investment holding and operation of department stores
Shenzhen Maoye Department Store Shennan Co., Ltd. (深圳市茂業百貨深南有限公司) **	PRC/ Mainland China 20 April 2000	RMB1,000,000	—	100	Operation of a department store
Shenzhen Heping Maoye Department Store Co., Ltd. (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. (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 Orient Times Department Store Co., Ltd. (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. (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. (太原茂業百貨有限公司) **	PRC/ Mainland China 11 April 2008	RMB5,000,000	—	100	Operation of a department store

continued/...

22. 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
Qinhuangdao Maoye Shangsha Business Management Co., Ltd. (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
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	Investment holding
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	Investment holding
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	#
Changzhou Maoye Department Store Co., Ltd. (常州茂業百貨有限公司)**	PRC/ Mainland China 21 May 2009	RMB5,000,000	—	100	#
Shenyang Maoye Times Property Co., Ltd. ("Shenyang Maoye Times") (瀋陽茂業時代置業有限公司)**	PRC/ Mainland China 24 September 2007	RMB8,000,000	—	100	#

continued/...

22. 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 Municipal Maoye Advertisement Co., Ltd. ("Maoye Advertisement") (深圳市茂業廣告有限公司)**	PRC/ Mainland China 25 December 2002	RMB2,000,000	—	100	Provision of advertising services
Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store") (泰州第一百貨商店股份有限公司)**	PRC/ Mainland China 20 May 1994	RMB18,950,000	—	97.31	Operation of a department store
Chengshang Group Co., Ltd. ("Chengshang") (成商集團股份有限公司) *	PRC/ Mainland China 31 December 1993	RMB203,148,000	—	66.77	Investment holding and operation of department stores
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
Chengshang Motor **	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

continued/...

22. 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 %	Percentage of equity attributable to the Company 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	Property leasing
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. (峨眉山成商鳳凰湖有限公司) **	PRC/ Mainland China 11 March 1997	RMB33,730,000	—	53.42	Operation of a hotel and provision of ancillary services
Chengdu People's Department Store (Group) Mianyang Co., Ltd. ("Chengshang Mianyang") (成都人民商場（集團）綿陽有限公司)"**	PRC/ Mainland China 13 September 2007	RMB5,000,000	—	66.77	Operation of a department store
Chengshang Group Nanchong Commercial Co., Ltd. (成商集團南充商業有限公司) **	PRC/ Mainland China 11 April 2008	RMB5,000, 000	—	66.77	Operation of a department store

continued/...

22. 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
Chengshang Group Chengdu People's Department Store Co., Ltd. (成商集團成都人民商場有限公司) **	PRC/ Mainland China 21 August 2009	RMB20,000, 000	—	66.77	Investment holding and operation of department stores
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 the PRC law.

The companies have not yet commenced operation.

During the year, the Group has acquired a total of a 97.31% equity interest in Taizhou First Department Store from independent third parties. Further details of this acquisition are included in note 37 to the financial statements.

During the year, the Group has acquired the entire equity interests in Shenyang Maoye Times (notes 38/42(a)(ix)) and Maoye Advertisement (note 42(a)(viii)) from fellow subsidiaries of the Company.

On 31 December 2009, the Group entered into a sale and purchase agreement to dispose of the entire equity interest of Chengshang Motor to independent third parties, and Chengshang Motor was classified as a disposal group held for sale as at 31 December 2009 (notes 14/45(i)).

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.

23. INVESTMENTS IN ASSOCIATES

	Group 2009 RMB'000	Group 2008 RMB'000
Share of net assets	**13,437**	30,598

The Group's balances with its associates as at 31 December 2009 and 2008 are disclosed in note 42(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
Guangyuan Lizhou 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)	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

* Sichuan New Century Cable Television Networks Construction Co., Ltd. (四川新世紀有綫電視網絡建設有限責任公司), a 62.11% owned subsidiary of Chengshang, has a 32% equity interest in Ya'an New Century. Accordingly, the Group holds 13.27% equity interest in Ya'an New Century indirectly.

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.

23. 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 2009				
Ya'an New Century	9,790	3,458	3,454	458
Guangyuan New Century	7,792	5,304	2,204	208
Leshan Shawan New Century	6,027	1,410	2,294	163
	23,609	10,172	7,952	829
Year ended 31 December 2008				
Yinchuan Broadcasting Network Co., Ltd. ("Yinchuan Broadcasting") (銀川廣播電視網絡有限公司)	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
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)	2,968	510	25,261	(543)
	45,244	14,646	37,229	2,724

On 18 August 2009, the Group disposed of its 44% equity interests in an associate, Yinchuan Broadcasting to an independent party at a cash consideration of RMB17,500,000. The gain arising from the disposal is approximately RMB4,630,000.

On 31 December 2009, Yibin Daguan Building was in liquidation. The Group's investment in it was reclassified to other asset amounting to RMB2,458,000 as at 31 December 2009.

24. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2009	2008
	RMB'000	RMB'000
Listed equity investments, at fair value	**1,222,634**	381,135
Unlisted equity investments, at cost	**115,080**	111,930
	1,337,714	493,065
Provision for impairment	**(5,885)**	(5,735)
	1,331,829	487,330

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB276,200,000 (2008: RMB59,119,000).

Included in the available-for-sale equity investments is a 29.9% interest held in Qinhuangdao Bohai Logistics Holding Corporation., Ltd. ("Bohai Logistics") (秦皇島渤海物流控股股份有限公司). In the opinion of the directors, the Group did not have significant influence on the financial and operating policy decisions of Bohai Logistics at 31 December 2009.

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.

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.

25. OTHER ASSET

	Group	
	2009	2008
	RMB'000	RMB'000
Unlisted equity investment (note 23)	**2,458**	—

26. DEFERRED TAX

Movements in deferred tax assets are as follows:

Group	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 2008	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
Deferred tax credited/(charged) to the consolidated income statement during the year (note 12)	(896)	(80)	7,565	6,589
Reclassification as held for sale (note 14)	(26)	(20)	(447)	(493)
At 31 December 2009	10,851	14,364	9,234	34,449

The Group had tax losses of approximately RMB65,883,000 as at 31 December 2009 (31 December 2008: RMB28,678,000), 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 RMB25,685,000 as at 31 December 2009 (31 December 2008: RMB20,218,000) 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.

26. DEFERRED TAX (continued)

Movements in deferred tax liabilities are as follows:

	Fair value adjustment arising from acquisitionof subsidiaries RMB'000	Revaluation of available-for-sale equity investments RMB'000	Amortisation of pre-paid land lease prepayments RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2008	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
Acquisition of subsidiaries	69,766	—	—	—	69,766
Deferred tax debited to equity during the year	—	91,024	—	—	91,024
Deferred tax charged/(credited) to the consolidated income statement during the year (note 12)	(6,366)	—	3,395	6,898	3,927
At 31 December 2009	167,426	110,410	6,736	13,987	298,559

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 the PRC. 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 the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates.

27. INVENTORIES

	Group	
	2009	2008
	RMB'000	RMB'000
Merchandise for resale	**107,984**	107,616
Provision against slow-moving inventories	**(7,270)**	(11,286)
	100,714	96,330

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	RMB'000	RMB'000
Listed equity investments	**39,168**	4,579

29. TRADE RECEIVABLES

The Group's revenue from the direct sales of merchandise and the 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 end of the reporting period, based on the invoice dates, is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 60 days	**353**	1,680
61 to 90 days	**6**	232
91 to 180 days	**57**	—
181 to 270 days	**3**	—
271 to 360 days	**75**	12
Over 360 days	**7,285**	7,645
	7,779	9,569
Impairment of trade receivables	**(7,511)**	(7,657)
	268	1,912

29. TRADE RECEIVABLES (continued)

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

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**7,657**	7,816
Impairment losses recognised during the year (note 9)	**15**	83
Reclassification to held for sale	**(81)**	—
Amount written off during the year	**(80)**	(242)
At 31 December	**7,511**	7,657

Included in the above provision for impairment of trade receivables as at 31 December 2009 is a provision for individually impaired trade receivables of approximately RMB7,511,000 (31 December 2008: RMB7,657,000) with a carrying amount before provision of approximately RMB7,511,000 (31 December 2008: RMB7,657,000). 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:

	Total	Neither past due nor impaired	Past due but not impaired				
			61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009	268	268	–	–	–	–	–
31 December 2008	1,912	1,680	232	–	–	–	–

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.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**696,169**	383,566	**—**	—
Current assets				
Prepayments	**203,813**	206,529	**400**	7
Other receivables	**199,995**	118,850	**—**	1
	403,808	325,379	**400**	8
Impairment of other receivables	**(17,452)**	(37,190)	**—**	—
	386,356	288,189	**400**	8

Included in the Group's prepayments and other receivables under current assets as at 31 December 2009 are prepayments for operating lease rental expenses of RMB111,565,000 covering the period from January to December 2010 (31 December 2008: RMB112,988,000 covering the period from January to December 2009) and rental deposits of RMB16,027,000 (31 December 2008: 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	
	2009	2008
	RMB'000	RMB'000
At 1 January	**37,190**	35,783
Acquisition of a subsidiary	**458**	—
Impairment losses recognised/(reversed) during the year (note 9)	**(523)**	1,407
Amount written off during the year	**(19,673)**	—
At 31 December	**17,452**	37,190

Included in the above provision for impairment of other receivables as at 31 December 2009 is a provision for individually impaired other receivables of approximately RMB17,452,000 (31 December 2008: RMB37,190,000) with a carrying amount of approximately RMB17,452,000 (31 December 2008: RMB37,190,000). 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.

31. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2009	2008	**2009**	2008
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**457,001**	604,317	**3,970**	8,329
Time deposits		**12,902**	275,974	**—**	—
		469,903	880,291	**3,970**	8,329
Less: Pledged time deposits for bills payable	32	**(12,902)**	(12,391)	**—**	—
Cash and cash equivalents		**457,001**	867,900	**3,970**	8,329

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**456,585**	217,591	**—**	—
Hong Kong dollar	**13,295**	10,583	**3,970**	5,853
United States dollar	**23**	652,117	**—**	2,476
	469,903	880,291	**3,970**	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.

32. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 90 days	**767,737**	731,492
91 to 180 days	**63,064**	93,061
181 to 360 days	**30,489**	53,461
Over 360 days	**71,753**	61,003
	933,043	939,017

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

The Group's bills payable amounting to RMB29,040,000 as at 31 December 2009 (31 December 2008: RMB43,520,000) were secured by the Group's investment properties and land lease prepayments with net carrying amounts of approximately RMB11,034,000 (31 December 2008: RMB12,298,000) and RMB24,287,000 (31 December 2008: RMB14,569,000) respectively, and the Group's time deposits amounting to RMB12,902,000 (31 December 2008: RMB12,391,000).

33. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income	**289,571**	241,547	**—**	—
Deposits received	**107,180**	91,831	**—**	—
Accrued operating lease rental expenses	**52,936**	58,320	**—**	—
Accrued utilities	**9,795**	7,518	**—**	—
Accrued liabilities	**19,819**	11,600	**4,814**	5,135
Accrued staff costs	**30,235**	23,414	**5**	118
Provision for coupon liabilities	**17,203**	5,989	**—**	—
Value-added tax and other tax payables	**(22,888)**	33,470	**—**	—
Other payables	**246,587**	259,407	**—**	—
	750,438	733,096	**4,819**	5,253

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

34. INTEREST-BEARING BANK LOANS

Group

	2009			2008		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured	**5.31 - 5.84**	**2010**	**71,000**	5.80 - 8.96	2009	341,000
Current portion of long term interest-bearing bank loans – secured	**5.13 - 5.94**	**2010**	**92,667**	5.94	2009	20,000
			163,667			361,000
Non-current						
Long term interest-bearing bank loans – secured	**5.13 - 5.94**	**2011 -2019**	**1,268,300**	5.94	2010 -2017	160,000
			1,431,967			521,000

	Group	
	2009	2008
	RMB'000	RMB'000
Repayable:		
Within one year	**163,667**	361,000
In the second year	**107,801**	20,000
In the third to fifth years, inclusive	**486,459**	60,000
Beyond five years	**674,040**	80,000
	1,431,967	521,000

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB350,895,000 (31 December 2008: RMB78,370,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB68,589,000 (31 December 2008: RMB88,539,000); and

(c) certain leasehold land of the Group with a net carrying amount of approximately RMB1,005,062,000 (31 December 2008: RMB413,120,000).

34. INTEREST-BEARING BANK LOANS (continued)

In addition, certain related parties have guaranteed certain of the Group's bank loans up to RMB1,080,000,000 (2008: RMB200,000,000) as at the end of the reporting period.

The Group had the following undrawn banking facilities:

	Group	
	2009	2008
	RMB'000	RMB'000
Floating rate	**1,194,000**	—

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

35. ISSUED CAPITAL

	2009	2008
	HK$'000	HK$'000
Authorised:		
9,000,000,000 (31 December 2008: 9,000,000,000) ordinary shares of HK$0.10 each	**900,000**	900,000
Issued and fully paid		
5,139,856,000 (31 December 2008: 5,139,856,000) ordinary shares of HK$0.10 each	**513,986**	513,986
Equivalent to RMB'000	**461,587**	461,587

There was no change in the authorised and issued capital of the Company during the year.

36. 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 (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in 2008 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
At 1 January 2008		–	–	–	(11,330)	–	(11,330)
Arising from the Reorganisation		–	152,671	–	–	–	152,671
Capitalisation issue of shares		(381,693)	–	–	–	–	(381,693)
Issuance of new shares for the global offering		2,325,241	–	–	–	–	2,325,241
Issuance of new shares upon exercise of the Over-allotment Option		71,641	–	–	–	–	71,641
Listing expenses for issue of new shares		(139,820)	–	–	–	–	(139,820)
Total comprehensive income/(loss) for the year		–	–	(54,003)	51,511	–	(2,492)
Dividends paid by the Company and its subsidiaries to their then shareholders	15	–	–	–	(72,608)	–	(72,608)
Interim 2008 dividend	15	–	–	–	(148,583)	–	(148,583)
Proposed final dividend	15	–	–	–	(99,658)	99,658	–
As at 31 December 2008		1,875,369	152,671	(54,003)	(280,668)	99,658	1,793,027
Total comprehensive income/(loss) for the year		–	–	190	(10,326)	–	(10,136)
Final 2008 dividends declared		–	–	–	–	(99,658)	(99,658)
Interim 2009 dividend	15	–	–	–	(72,476)	–	(72,476)
Proposed final dividend	15	–	–	–	(67,800)	67,800	–
As at 31 December 2009		1,875,369	152,671	(53,813)	(431,270)	67,800	1,610,757

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.

37. BUSINESS COMBINATION

On 9 October and 10 October 2009, the Group entered into sale and purchase agreements with independent third parties, to acquire a total of 93.7% equity interest in Taizhou First Department Store for an aggregate cash consideration of RMB277,272,600. Taizhou First Department Store principally engages in the operation of a department store in Taizhou, the PRC. This acquisition was accounted for under the purchase method and the excess of the consideration over the fair value of the net assets acquired by the Group of RMB223,707,000 was recognised as goodwill RMB53,566,000 (note 20).

The fair values of the identifiable assets and liabilities of Taizhou First Department Store as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition RMB'000	**Previous carrying amount RMB'000**
Property, plant and equipment	177,083	104,585
Land lease prepayments	211,284	16,993
Other intangible assets	453	453
Available-for-sale equity investments	3,000	3,000
Inventories	27,654	27,654
Prepayments and other receivables	19,653	19,653
Cash and cash equivalents	47,289	47,289
Trade and bills payables	(73,750)	(73,750)
Deposits received, accruals and other payables	(40,680)	(40,680)
Interest-bearing bank loans	(66,000)	(66,000)
Income tax payable	(541)	(541)
Deferred tax liabilities	(66,697)	—
Minority interests	(15,041)	—
	223,707	38,656
Goodwill on acquisition	53,566	
Satisfied by cash	277,273	

37. BUSINESS COMBINATION (continued)

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

	RMB'000
Cash consideration	277,273
Cash and cash equivalents acquired	(47,289)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	229,984

Since its acquisition, Taizhou First Department Store has contributed RMB44,980,000 to the Group's turnover and RMB3,349,000 to the consolidated profit for the year ended 31 December 2009.

Had the combinations taken place at the beginning of the year, the total operating revenues and the profit of the Group would have been RMB2,311,368,000 and RMB507,678,000, respectively, based on the management account provided by Taizhou First Department Store.

During the period from 3 December to 5 December 2009, the Group entered into various sales and purchase agreements to acquire the minority interests of Taizhou First Department Store of 3.61%, for an aggregate cash consideration of RMB10,664,000 which generated goodwill of RMB1,962,000 (note 20).

38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

On 5 May 2009, the Group acquired the entire equity interest in Shenyang Maoye Times from Shenzhen Maoye (Group) Company Limited ("Shenzhen Maoye Group") (深圳茂業（集團）股份有限公司), a fellow subsidiary of the Company, for an aggregate cash consideration of RMB16,150,000 and became liable to the shareholder's loan of RMB55,850,000 payable to Shenzhen Maoye Group. Shenyang Maoye Times has not conducted any business as at the date of acquisition by the Group. Accordingly, the transaction was accounted for as the acquisition of assets rather than as a business combination (note 42(a)(ix)). The assets acquired from Shenyang Maoye Times mainly include land lease prepayments and property, plant and equipment of RMB68,436,000 and RMB7,176,000, respectively.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18) 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

	2009 **RMB'000**	2008 RMB'000
Within one year	**116,388**	89,923
In the second to fifth years, inclusive	**81,531**	75,973
After five years	**22,781**	13,085
	220,700	178,981

(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

	2009 **RMB'000**	2008 RMB'000
Within one year	**104,929**	128,762
In the second to fifth years, inclusive	**398,977**	497,113
After five years	**385,527**	586,642
	889,433	1,212,517

40. COMMITMENTS

In addition to the operating lease commitments as set out in note 39(b) above, the Group had the following capital commitments:

Group

	2009 RMB'000	2008 RMB'000
Contracted, but not provided for, in respect of land and buildings	**671,206**	546,373

In addition, on 10 November 2009, the Group entered into an equity transfer agreement with fellow subsidiaries of the Company to acquire the entire equity interest in Richon Group Holdings Limited ("Richon Group") (中華兆業（控股）有限公司) for a total consideration of HK$1,928,000,000. Shenzhen Orient Times Square Property Co., Limited ("Shenzhen Orient Times ") (深圳市東方時代廣場實業有限公司), a wholly owned subsidiary of Richon Group, owns the property located at Orient Times Square in Shenzhen within which the Group currently operates a department store under two leases with Shenzhen Orient Times. No consideration was paid during the year yet (note 42(a)(vii)/45(iii)).

41. CONTINGENT LIABILITY

On 16 July 2009, Chengdu Watsons Economic Development Co., Ltd (成都屈臣經濟發展有限公司) ("Chengdu Watsons") issued proceedings against Sichuan Xinglida Group Industry Co., Ltd (四川興力達集團實業有限公司) ("Xinglida Group"), an independent third party and Chengshang Mianyang, in respect of the early termination of the lease of a building previously owned by Xinglida Group to Chengdu Watsons. Xinglida Group has transferred ownership of the building to Chengshang Mianyang in September 2008 and the lease of the building to Chengdu Watsons was terminated subsequently. Chengdu Watsons has claimed an amount of approximately RMB13,252,000 from Xinglida Group and Chengshang Mianyang together for compensation of its loss due to the early termination of the lease.

42. 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:

	2009 RMB'000	2008 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye Group (i) & (iii)	**22,082**	19,736
Zhong Zhao Investment (Group) Limited (中兆投資（集團）有限公司) (i) & (iii)	**8,538**	7,572
Shenzhen Orient Times (i) & (iii)	**56,939**	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)	**19,197**	17,253
	113,484	105,978
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)	**11**	217
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (iv)	**2,961**	1,957
Wuxi Maoye Baifu Supermarket Co., Ltd. (無錫茂業百福超級市場有限公司) (i)	**—**	909
	2,972	3,083

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) (continued)

	2009 RMB'000	2008 RMB'000
(2) Non-recurring transactions		
Sales of goods to an associate:		
Chengdu People's Department Store Huanghe Commercial City Co., Ltd. (成都人民商場黃河商業城有限責任公司) (v)	–	5,801
Banking facilities guaranteed by:		
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (vi)	**1,900,000**	200,000

(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 the underlying contracts as agreed between the Group and the fellow subsidiaries of the Company.

(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.

(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 guaranteed jointly and severally by Mr. Huang Mao Ru and Mrs. Huang Jingzhang.

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

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) (continued)

(vii) On 10 November 2009, the Group entered into an equity transfer agreement with two fellow subsidiaries of the Company, RICHON Holdings Ltd. ("Richon Holdings") (富安控股有限公司) and Mao Ye (China) Investment Limited ("Maoye China") (茂業（中國）投資有限公司) to acquire the entire equity interest in Richon Group from Richon Holdings and Maoye China for a total consideration of HK$1,928,000,000 (notes 40/45(iii)).

No considerations were paid to Richon Holdings and Maoye China for the acquisition during the year. On 6 February 2010, Richon Holdings and Maoye China agreed to extend the time by which the Group is required to pay the consideration for the acquisition (note 45(iii)).

(viii) During the year, the Group has acquired the entire equity interest in Maoye Advertisement, from a fellow subsidiary of the Company, for a consideration of RMB2,810,000.

(ix) During the year, the Group has acquired the entire equity interest in Shenyang Maoye Times from a fellow subsidiary of the Company for an aggregate cash consideration of RMB16,150,000 and become liable to the shareholder's loan payable of RMB55,850,000 to Shenzhen Maoye Group (note 38).

(x) Pursuant to a joint development agreement entered into between Chengshang, a subsidiary of the Group, and Chengdu Chongde Investment Company Limited ("Chengdu Chongde") (成都崇德投資有限公司), a fellow subsidiary of the Company on 3 August 2009. Chengshang acquired a partial interest in the land use right for a piece of land from Chengdu Chongde for a consideration of RMB79,630,000 during the year. Chengshang and Chengdu Chongde will together develop and construct a department store and commercial complex on the land. Chengshang will own and operate the department store portion of the building upon completion of the construction.

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2009 RMB'000	2008 RMB'000
Due from related parties		
Due from associates	**767**	2,003
Due from fellow subsidiaries	**2,972**	3,083
	3,739	5,086
Due to related parties		
Due to associates	**210**	92
Due to fellow subsidiaries	**2,127**	2,793
	2,337	2,885

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

	2009 RMB'000	2008 RMB'000
At 1 January	**–**	3,870
Reversal of impairment losses (note 9)	**–**	(3,870)
At 31 December	**–**	–

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Included in the balances due from fellow subsidiaries as at 31 December 2009 was an aggregate amount of approximately RMB2,972,000 (31 December 2008: RMB3,083,000) 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

	2009	2008
	RMB'000	RMB'000
Salaries and allowances	**4,730**	4,919
Bonuses	**—**	532
Retirement benefits	**84**	107
	4,814	5,558

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

43. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:				
Trading securities	39,168	—	—	39,168
Available-for-sale equity investments:				
Equity shares	1,222,634	—	—	1,222,634
	1,261,802	—	—	1,261,802

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3.

44. 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.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 34 above.

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

Group	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
31 December 2009			
RMB	**100**	**(43,173)**	**—**
RMB	**(100)**	**43,173**	**—**
31 December 2008			
RMB	100	(6,411)	—
US$	100	(71)	—
		(6,482)	—
RMB	(100)	6,411	—
US$	(100)	71	—
		6,482	—

* Excluding retained earnings

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

A reasonably possible change of 5% in the US$, HK$ and RMB exchange rates would have no material impact on the Group's profit or loss during the Relevant Periods and there would be no impact on the Group's equity.

Credit risk

The Group's sales of merchandise and automobiles are mainly on a cash basis. For credit sales, 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 29 and 30 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 the financial liabilities as at 31 December 2009 and 2008, based on the contractual undiscounted payments, was as follows:

	31 December 2009			
Group	**On demand RMB'000**	**Less than 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Trade payables	–	933,043	–	933,043
Other payables (note 33)	–	246,587	–	246,587
Interest-bearing bank loans	–	239,404	1,524,615	1,764,019
Due to related parties	2,337	–	–	2,337
	2,337	1,419,034	1,524,615	2,945,986

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group		31 December 2008		
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	—	939,017	—	939,017
Other payables (note 33)	—	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

Company		**31 December 2009**		
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Due to subsidiaries	**20,599**	**—**	**—**	**20,599**

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are 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 2009 and 2008.

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 owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2009 and 2008 were as follows:

Group

	2009 **RMB'000**	2008 RMB'000
Interest-bearing bank loans	**1,431,967**	521,000
Less: Cash and cash equivalents and pledged deposits	**(469,903)**	(880,291)
	962,064	(359,291)
Net debt	**962,064**	—
Capital	**3,417,326**	2,843,246
Capital and net debt	**4,379,390**	2,843,246
Gearing ratio	**22%**	—

44. 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 24) and equity investments at fair value through profit or loss (note 28). The Group's listed equity investments are listed on the Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

Group	31 December 2009	Year ended 31 December 2009 High/low	31 December 2008	Year ended 31 December 2008 High/low
Shenzhen – A Share Index	**1,261**	**1,296/600**	582	1,660/480
Shanghai – A Share Index	**3,437**	**3,644/1,956**	1,912	5,771/1,793

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 2009 and 2008.

Group	Increase/decrease in profit before tax RMB'000	Increase/ decrease in equity* RMB'000
31 December 2009		
Equity investments listed in:		
Shenzhen - available-for-sale	**—**	**9,636**
- at fair value through profit or loss	**1**	**—**
Shanghai - available-for-sale	**—**	**48,585**
- at fair value through profit or loss	**1,855**	**—**
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	—

* Excluding retained earnings

45. EVENTS AFTER THE REPORTING PERIOD

(i) The Group has entered into a sale and purchase agreement dated 31 December 2009 to dispose of the entire equity interest in Chengshang Motor to two independent third parties at a consideration of RMB23,000,000. The independent third parties have also agreed to assume the repayment of debts, amounting to RMB27,088,000, owed by Chengshang Motor. This transaction was completed on 12 January 2010 and resulted in a gain on the disposal of approximately RMB22,000,000.

(ii) On 20 January 2010, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Company. Eligible participants of the Scheme include any directors or employees of the Group and any other person (including a consultant or adviser).

No options were granted under the Scheme before the date of approval of these financial statements.

(iii) On 6 February 2010, the Group, Richon Holdings and Maoye China entered into a supplemental agreement to extend the time by which the Group is required to pay the consideration of HK$1,928,000,000 for the acquisition of Richon Group under the Equity Transfer Agreement entered into among the parties (notes 40/42(a)(vii)). According to the Equity Transfer Agreement, the process for the transfer of shares will start upon payment of the first instalment of the consideration representing 25% of the total consideration. According to the supplemental agreement, the time for payment of the first instalment of the consideration shall be payable on or before 30 June 2010. The time within which completion of the transfer of shares of Richon Group should take place has been extended from within 60 days to within 220 days following satisfaction of the conditions precedent under the Equity Transfer Agreement.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 4 March 2010.

Valuation Report No.	:	F10-000225
Our Ref	:	KFC/GL/PEL/kc
Date	:	26 February 2010

The Directors
Maoye International Holdings Limited
Level 38, Block A
World Finance Centre
4003 Shennan East Road
Shenzhen
The People's Republic of China

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the properties held by Maoye International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC") as listed in the attached summary of valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of such properties as at 31 December 2009 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of each property represents its Market Value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that the transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In respect of the properties situated in the PRC, the status of the titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group are set out in the notes in the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

In valuing those properties in Group I which are held by the Group for self-occupation in the PRC, we have adopted direct comparison approach assuming sale of each of those properties in its existing state by making reference to comparable sales transactions as available in the relevant market.

In valuing those properties in Group II which are held by the Group for investment in the PRC, we have valued them either on the basis of capitalization of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties or by reference to comparable market transactions.

The properties in Groups III and IV are held under development or for future development in the PRC. We have valued on the basis that each of these properties will be developed and completed in accordance with the Group's latest development proposals provided to us (if any). We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

Regarding the Property Nos. 18, 19 and 20 in Groups III and IV which are held by the Group under development or for future development in the PRC, we have been advised by the Group that the State-owned Land Use Rights Certificates of the properties have not been obtained yet and we usually ascribe no commercial value to the properties. However, according to the Group's specific instruction, we have valued each of these properties on the basis that valid State-owned Land Use Rights Certificates have been issued to the properties and all land premium and related fees for the grant of the certificates have been fully settled. We have further carried out our valuation on the basis that all costs of public utilities, ancillary infrastructure fees and compensation to and resettlement of any original residents to make way for the proposed development have been fully settled. (see the footnotes mentioned in the Summary of Valuations attached herewith).

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Appendix – Property Valuation Report

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited

Andrew K. F. Chan
Registered Professional Surveyor
(General Practice Division)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 December 2009 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at 31 December 2009 (RMB)
Group I - Properties held by the Group for Self-occupation in the PRC				
1.	Shenzhen Dongmen Store, No.2047 Dongmen Central Road, Luohu District, Shenzhen City, Guangdong Province, The PRC	2,306,000,000	100.00	2,306,000,000
2.	Shenzhen Nanshan Store, Haider Road, Nanshan District, Shenzhen City, Guangdong Province, The PRC	2,367,000,000	100.00	2,367,000,000
3.	Chengdu Yanshikou Store, No 19 Dongyu Street, Jinjiang District, Chengdu City, Sichuan Province, The PRC	2,183,000,000	66.77	1,457,589,100
4.	Nanchong Wuxing Store, Renmin Central Road, Shunqing District, Nanchong City, Sichuan Province, The PRC	326,000,000	66.77	217,670,200
5.	Nanchong Mofanjie Store Monfanxia Street, Shunqing District, Nanchong City, Sichuan Province, The PRC	191,000,000	66.77	127,530,700

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 December 2009 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at 31 December 2009 (RMB)
6.	Mianyang Linyuan Store, Linyuan East Road, Peicheng District, Mianyang City, Sichuan Province, The PRC	216,000,000	66.77	144,223,200
7.	Mianyang Xingda Store, No. 1 Gongyuan Road, Peicheng District, Mianyang City, Sichuan Province, The PRC	629,000,000	66.77	419,983,300
8.	Taiyuan Liuxiang Store, Nos. 99 to 104 Liuxiang South Road, Taiyuan City, Shanxi Province, The PRC	519,000,000	100.00	519,000,000
9.	Qinghuangdao Jindu Store, Haigang District, Qinghuangdao City, Heibei Province, The PRC	697,000,000	100.00	697,000,000
10.	Taizhou First Department Store, Hailing North Road, Taizhou City, Jiangsu Province, The PRC	611,000,000	97.31	594,564,100
	Sub-total:	**10,045,000,000**		**8,850,560,600**

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 December 2009 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at 31 December 2009 (RMB)
Group II - Properties held by the Group for investment in the PRC				
11.	No. 12 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, The PRC	1,000,000,000	66.77	667,700,000
12.	No. 6 Upper Dongda Street, Jinjiang District, Chengdu City, Sichuan Province, The PRC	222,000,000	66.77	148,229,400
13.	Two commercial buildings, No. 49 Hongji Middle Road, Jinjiang District, Chengdu City, Sichuan Province, The PRC	55,000,000	66.77	36,723,500
14.	Retail shop on Level 2, No. 68 Zouma Street, Jinjiang District, Chengdu City, Sichuan Province, The PRC	360,000	66.77	240,372
15.	No. 2 Gongjiao Road, Jinniu District, Chengdu City, Sichuan Province, The PRC	197,000,000	66.77	131,536,900
	Sub-total:	**1,474,360,000**		**984,430,172**

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 December 2009 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at 31 December 2009 (RMB)
Group III - Properties held by the Group under development in the PRC				
16.	Chengdu Yanshikou Store Phase 2, No 19 Dongyu Street, Jinjiang District, Chengdu City, Sichuan Province, The PRC	1,440,000,000	66.77	961,488,000
17.	Chengdu South Maoye Store, Yongan Village, Gaoxin District, Chengdu City, Sichuan Province, The PRC	365,000,000	66.77	243,710,500
18.	Shenyang Tiexi Store, No. 79 Shenliao East Road, Tiexi District, Shenyang City, Liaoning Province, The PRC	270,000,000 (Note 1)	100.00	270,000,000 (Note 1)
19.	Taiyuan Qinxianjie Project, Qinxian Street, Xiaodian District, Taiyuan City, Shanxi Province, The PRC	2,223,000,000 (Note 2)	100.00	2,223,000,000 (Note 2)
	Sub-total:	**4,298,000,000**		**3,698,198,500**

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 December 2009 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at 31 December 2009 (RMB)
Group IV - Properties held by the Group for future development in the PRC				
20.	The development site for Wuxi Yiban Store, Zhongshan Road, Wuxi City, Jiangsu Province, The PRC	922,000,000 (Note 3)	90.00	829,800,000 (Note 3)
	Sub-total:	**922,000,000**		**829,800,000**
	Grand Total of Groups I to IV:	**16,739,360,000**		**14,362,989,272**

Notes:

1. As at the date of valuation, the State-owned Land Use Rights Certificate of the property has not been obtained yet. However, for referencing purpose, we have valued the property on the assumption that all of the valid State-owned Land Use Rights Certificates of the property have been issued to the property, all land premium, related fees for the grant of the certificate and costs necessary to render the site ready for immediate development have been fully settled.

2. As at the date of valuation, the State-owned Land Use Rights Certificate of the property has not been obtained yet. However, for referencing purpose, we have valued the property on the assumption that all of the valid State-owned Land Use Rights Certificates of the property have been issued to the property, all land premium, related fees for the grant of the certificate and costs necessary to render the site ready for immediate development have been fully settled.

3. As at the date of valuation, the State-owned Land Use Rights Certificate of the property with a site area of approximately 1,847.40 sq m out of the total 15,767 sq m has not been obtained yet. However, for referencing purpose, we have valued the property on the assumption that all of the valid State-owned Land Use Rights Certificates of the property have been issued to the property, all land premium, related fees for the grant of the certificate and costs necessary to render the site ready for immediate development have been fully settled.

4. As per the Company's instruction, opinion of the capital value is also required when the properties held under construction and for future development are completed. The "capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it were completed as at the date of valuation.

   The "capital value when completed" for Property No. 16 is RMB3,459,000,000.
   The "capital value when completed" for Property No. 17 is RMB946,000,000.
   The "capital value when completed" for Property No. 18 is RMB949,000,000.
   The "capital value when completed" for Property No. 19 is RMB8,117,000,000.
   The "capital value when completed" for Property No. 20 is RMB2,000,000,000.

Corporate Information

DIRECTORS

Executive Directors
Mr. Huang Mao Ru *(Chairman and CEO)*
Ms. Wang Fuqin *(Vice President of Administration)*
Mr. Wang Guisheng *(CFO)*

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

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

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

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

Ms. Wang Fuqin
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)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Offshore Incorporations (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

First Shanghai Capital Limited

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.maoye.cn

STOCK CODE

848

Address: 38/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, PRC
Postal code: 518001
Website: www.maoye.cn