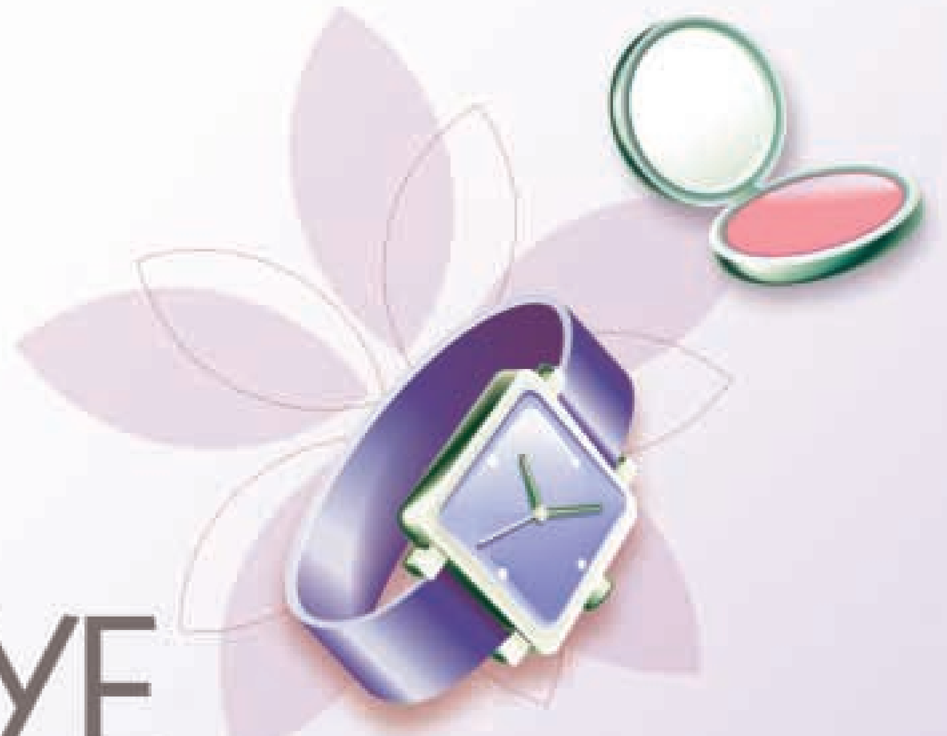
MOI

Interim Report 2010



MAOYE 茂業國際 INTERNATIONAL 控股有限公司 Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 848)

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

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (including but not limited to annual reports, interim reports and circulars) by sending reasonable prior notice in writing to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Shareholders who have chosen to receive the Company's corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

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 operating and managing the department store business 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").

Our department stores predominantly target 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 portfolio to cater for the preferences of a wide range of customers.

The Group is a leading department store chain in the affluent districts of southern and southwestern China, operating 29 stores (including fourteen Maoye-branded stores, eleven Chengshang-branded stores and four Bohai Logistics-branded stores) across twelve cities. The store chain covers four regions, including southern, southwestern, eastern and northern parts of China. The store network in each region is as below:

As at 30 June 2010	Southern China	Southwestern China	Eastern China	Northern China	Total
No. of Stores by Region	7	13	3	6	29
Gross Floor Area (Sq.m.)	235,523	379,289	109,468	115,034	839,314

As at 30 June 2010, total gross floor area of the Group amounted to 839,314 square metres, of which 112,350 square metres are managed stores. Excluding the gross floor area of the managed stores, 57.5% of the Group's store properties are owned by the Group, 30.1% are rented from the controlling shareholder group of the Company, while 12.4% are rented from independent third parties.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Mao Ru（黃茂如）
(Chairman and CEO)
Mr. Zhong Pengyi（鍾鵬翼）
(Vice Chairman)
Ms. Wang Fuqin（王福琴）
(Vice President of Administration)
Mr. Wang Guisheng（王貴升）
(CFO)

Independent Non-executive Directors

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

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

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
Ms. Wang Fuqin

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

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

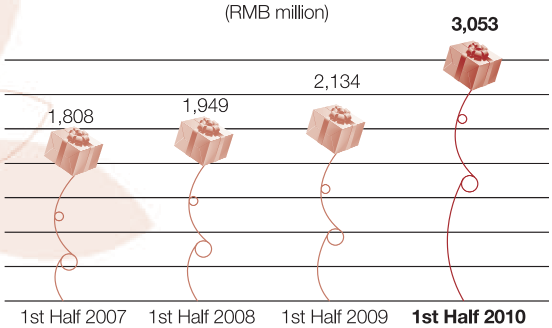
Financial Highlights

The summary of the Group's results for the six months ended 30 June 2010 and 2009 is set out below:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total sales proceeds[1]	**3,052,845**	2,133,556
Total operating revenue[2]	**1,151,781**	1,021,834
Operating profit	**440,463**	359,438
Operating profit excluding other gains	**410,048**	314,380
Profit for the period	**306,187**	260,258
Attributable to:		
– Equity holders of the parent	**285,815**	243,577
– Minority interests	**20,372**	16,681
Basic earnings per share attributable to equity holders of the parent (RMB cents)[3]	**5.6**	4.7
Interim dividend per share (HK cents)	**1.8**	1.6

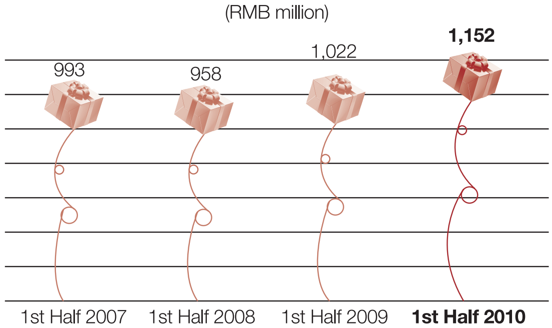
TOTAL SALES PROCEEDS

(RMB million)



TOTAL OPERATING REVENUE

(RMB million)

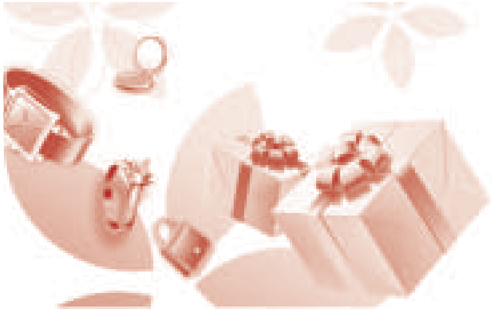


Notes:

1. Total sales proceeds refer to 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 refers to the sum of the Group's revenue and other income.

3. The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2010 attributable to equity holders of the parent of approximately RMB285,815,000 (six months ended 30 June 2009: approximately RMB243,577,000) and the 5,139,856,000 ordinary shares in issue during the period (six months ended 30 June 2009: 5,139,856,000 ordinary shares).



Management Discussion and Analysis

OPERATION REVIEW

During the first half of 2010, the PRC government continued to adopt proactive fiscal policies and moderately relaxed monetary policies to speed up the transformation of the mode of economic development and structural adjustment, and focused on promoting economic growth through the policies of increasing investment and boosting domestic demand. Under the effects of multiple forces, China was able to extend the trend of its 2009 economic rebound, which saw an improved employment situation and the further improvement of consumer demand and consumer confidence. The department store industry continued to prosper. However, the global economic recovery was overshadowed by changes in overseas economic conditions and the further spreading of the Euro sovereign debt crisis. Within the country, the domestic consumer price index continued to rise, asset prices remained high and there is a general expectation that the stimulus policies will gradually be withdrawn amidst an overheating economy. Thus the department store industry faced challenges to its operating environment from macroeconomic conditions at home and abroad. In this complex economic environment during the first half of 2010, the Group, under the leadership of the Board and with the concerted efforts of all levels of employees, adopted a series of effective measures to achieve a steady increase in sales. These measures included hierarchical management of existing stores (implementing more targeted management measures for stores at different development stages), strengthening targeted operations and budget management, and the continued adoption of innovating marketing methods. As a result, the Group recorded a 42.2% increase in sales proceeds from concessionaire sales, with same-store growth of 23.4%.

The Group continued in its efforts to strengthen the integration and nurturing of the newly acquired stores. Benefiting from the effect of the Group's strong brand reputation, advanced management and business philosophy and excellent resource platform, the four stores acquired by the Group in 2008 (namely, Mianyang Linyuan Store, Mianyang Xingda Store, Qinhuangdao Jindu Store and Taiyuan Liuxiang Store), after just over a year's careful integration and nurturing, have gradually moved into a rapid growth phase and are becoming into the new drivers of the Group's business growth. The successful integration of the newly acquired stores once again demonstrates the Group's outstanding management skills and successful development model.

In June 2010, in accordance with its Share Option Scheme, the Company granted a total of 126,308,000 options to 411 individuals for the subscription of the Company's ordinary shares. This move serves to integrate employees' individual goals with the Company's strategic goals, strongly motivating employee enthusiasm and cohesion in enhancing the Group's operating performance. In addition, the Group continued to implement its policy of "Three Services" (services for suppliers, customers and staff) and "Three Incentives" (incentives to suppliers, staff of suppliers and Maoye's grass root staff) so as to fully motivate all parties in the service of the Group.

Management Discussion and Analysis

MARKET PERFORMANCE

Southern China Region

During the first half of 2010, in the face of the impact from the aftermath of the financial crisis on the export-oriented economies in the coastal region, the stores of the Group in the Southern China region actively adjusted their operation and marketing strategies and continuously renovated new marketing models. During the first half of 2010, contribution of total sales proceeds from the Southern China region to the Group's total sales proceeds reached 47.7%. This region recorded same-store growth of 12.0% of sales proceeds from concessionaire sales, and the average value per transaction in the stores amounted to RMB525, representing an increase of 21.2% compared with the same period in 2009.

Shenzhen Huaqiangbei Store, the flagship store of the Group, has remained popular with customers since its introduction of a "Members' Day" last year. The "Members' Day" promotional activities held this year continued to generate excellent results, recording sales proceeds of RMB30.0 million for the day, representing an increase of 8.4% compared with those recorded on "Members' Day" held last year. In March 2010, Huaqiangbei Store introduced some ancillary facilities, including a number of prestigious food and beverage companies and the BONA cinema. This has not only brought in more customer flow, but has also lengthened customers' stay. Average value per transaction of the store rose steadily accordingly. During the first half of 2010, Huaqiangbei Store recorded same-store growth of 12.0% of sales proceeds from concessionaire sales.

Shenzhen Dongmen Store, the first store of the Group, launched a "Staff Shopping Day" sales activity on 31 May, 2010. On the day, within a specified period, all items in the store were sold at preferential prices to staff only. This represented rebate in the most tangible form from the Company to the staff and the activity was most welcomed by the staff. During the activity period (from 9:00 pm to 12:00 mid-night), sales proceeds reached RMB4.5 million. Currently, this activity has been gradually extended to other stores. In addition, as a result of adjustments in branding, product mix and floor layouts of the store since last year, sales of Dongmen Store increased steadily. During the first half of 2010, Dongmen Store recorded same-store growth of 9.7% of sales proceeds from concessionaire sales.

Southwestern China Region

The Group continued to implement the dual-brand strategy of "Maoye Department Store" and "People's Department Store" in the Southwestern China region, devising marketing strategies to suit different customer groups in line with the positioning of different brands and their specific features. The Group also continued to enhance the operating standards and service quality of its stores, optimizing merchandise categories and brand mix and actively launching innovative marketing activities. During the first half of 2010, contribution of total sales proceeds from the Southwestern China region to the Group's total sales proceeds reached 33.1%. This region also recorded same-store growth of 33.0% of sales proceeds from concessionaire sales and the average value per transaction of the stores in the Southwestern China region reached RMB410, representing an increase of 21.3% compared with the same period in 2009.

During the first half of 2010, in the Group's two flagship stores in the Southwestern China Region, Chengdu Yanshikou Store and Chongqing Jiangbei Store, the Group continued with adjustments in brand upgrading and product mix together with appropriate promotional activities. As a result, sales of the two stores rose steadily. During the first half of 2010, sales proceeds from concessionaire sales of Chengdu Yanshikou Store and Chongqing Jiangbei Store reached RMB269.5 million and RMB208.4 million, respectively, representing an increase of 14.5% and 27.6% compared with the same period last year.

Mianyang Linyuan Store and Mianyang Xingda Store, the two stores in Mianyang, Sichuan acquired by the Group in 2008, are both located in the prime commercial area in Mianyang City. After two years of nurturing by the Group, Mianyang Xingda Store has grown into a store with the most comprehensive range of merchandise categories, the largest scale and the best shopping environment in Mianyang City. During the first half of 2010, Mianyang Xingda Store recorded same-store growth of 203.7% of sales proceeds from concessionaire sales. Mianyang Linyuan Store has continuously undergone brand upgrading since its acquisition by the Group and has now made enormous breakthroughs. The Group also made adjustments to Mianyang Linyuan Store on a rather large scale, reducing the proportion of supermarket business which had a lower gross profit margin, while enlarging the operating area of the department store business and introducing corresponding facilities including food and beverage and fitness facilities. After these adjustments, Mianyang Linyuan Store saw increasing improvement in its operating conditions and steady increase in sales. During the first half of 2010, Mianyang Linyuan Store recorded same-store growth of 28.5% of sales proceeds from concessionaire sales compared with the same period last year.

The Group has two stores in Nanchong, Sichuan, which are Nanchong Wuxing Store and Nanchong Mofanjie Store. In terms of the location of the stores, the operating area and the brand influence, the Group is clearly the market leader in the district of Nanchong. Through continuous adjustments in brand upgrading, brand mix and floor layouts, the overall shopping environment of the two stores has been substantially enhanced. During the first half of 2010, Nanchong Wuxing Store recorded same-store growth of 37.1% of sales proceeds from concessionaire sales compared with the same period last year while Mofanjie Store recorded a decrease of 13.6% of sales proceeds from concessionaire sales compared with the same period last year due to municipal constructions in its neighbourhood. Besides, part of the operating floor area of the store was reallocated for supplementary facilities since May this year.

Eastern China Region

Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store"), acquired by the Group in October 2009, achieved an outstanding performance since the acquisition. The Group's excellent integration capability and rich resources of suppliers are complemented by the strong brand effect of Taizhou First Department Store in the locality. During the first half of 2010, contribution of the total sales proceeds from the Eastern China region to the Group's total sales proceeds reached 10.8%. Taizhou First Department Store recorded total sales proceeds (being the sum of the total concessionaire sales and revenue from direct sales) of RMB313.7 million, and the average value per transaction of the store amounted to RMB553. In addition, leveraging from the operating experience of the Group's other stores, and, following the innovative example of Shenzhen Dongmen Store, Taizhou First Department Store launched the "Staff Shopping Day" activity in the store on 30 June 2010. During the activity (from 9:00 pm to 3:00 am the next day), it recorded sales proceeds of RMB8.5 million.

Northern China Region

Qinhuangdao Jindu Store and Taiyuan Liuxiang Store, the two stores in Northern China region acquired by the Group in 2008, are both located in the prime commercial area of the local core business district. During the first half of 2010, contribution of total sales proceeds in the Northern China region to the Group's total sales proceeds reached 8.4%. This region recorded same-store growth of 69.7% of sales proceeds from concessionaire sales and the average value per transaction of the stores amounted to RMB398, representing an increase of 15.0% compared with the same period last year. After the acquisitions, the Group has continuously made adjustments in brand upgrading, product mix and customer flows which have led to a steady increase in sales of the two stores. This outcome was even more prominent on the re-opening of the two stores after upgrading and adjustments carried out by the Group in the first half of 2009. During the first half of 2010, the sales proceeds from concessionaire sales of Qinhuangdao Jindu Store reached RMB98.8 million, representing an increase of 82.5% compared with the same period last year, while the sales proceeds from concessionaire sales of Taiyuan Liuxiang Store reached RMB152.2 million, representing an increase of 62.2% compared with the same period last year.

PERFORMANCE OF MAJOR SAME STORES[1]

	Store	Gross Floor Area (Sq.m)	Operating Area (Sq.m)	Average Value Per Transaction - First Half of 2010 (RMB)	Average Value Per Transaction - First Half of 2009 (RMB)	Sales Proceeds from Concessionaire Sales - First Half of 2010 (RMB'000)	Sales Proceeds from Concessionaire Sales - First Half of 2009 (RMB'000)	YoY Growth Rate of Sales Proceeds from Concessionaire Sales %
1	Shenzhen Dongmen	47,436	33,680	507	414	328,616	299,628	9.7
2	Shenzhen Heping	23,078	17,309	438	389	51,429	42,155	22.0
3	Zhuhai Xiangzhou	23,715	17,549	333	299	103,739	89,824	15.5
4	Shenzhen Huaqiangbei	59,787	45,677	611	494	730,414	652,443	12.0
5	Chongqing Jiangbei	53,542	36,276	412	349	208,381	163,289	27.6
6	Chengdu Yanshikou	53,873	40,674	514	424	269,538	235,365	14.5
7	Nanchong Wuxing	25,994	19,530	433	305	112,153	81,823	37.1
8	Mianyang Linyuan	21,731	13,780	213	219	28,165	21,918	28.5
9	Nanchong Mofanjie[2]	24,035	21,124	262	263	12,927	14,963	-13.6
10	Mianyang Xingda	27,617	19,884	451	360	114,934	37,841	203.7
11	Qinhuangdao Jindu	46,610	33,606	336	277	98,771	54,112	82.5
12	Taiyuan Liuxiang	30,616	22,105	446	404	152,180	93,800	62.2

Notes:

1 Major same stores refer to same stores with a gross floor area of over 20,000 square metres.

2 The Nanchong municipal government plans to construct a commercial street on the lot where the Nanchong Mofanjie Store is located, and the construction during May and June resulted in an adverse impact on the operations of the Nanchong Mofanjie Store in the first half of 2010, which will be eliminated gradually by the end of this year. Besides, part of operating floor area of the store was reallocated for supplementary facilities since May in this year, which also resulted in the decrease of this store's sales proceeds.

The Opening of New Stores and Network Expansion

On 9 January 2010, the Changzhou Wujin Store was officially launched. It is the 23rd store of the Group, has three operating floors, and is one of the largest department stores in Changzhou with a gross floor area of 22,500 square metres. The opening of the Changzhou Wujin Store further enhanced the store network of the Group in Eastern China and will lay a solid foundation for the implementation of the Group´s strategies in Eastern China.

On 10 February 2010, the Chengdu Qingjiang Store of Chengshang Group Co., Ltd (成商集團股份有限公司) ("Chengshang Group", a subsidiary of the Company and a company listed on the Shanghai Stock Exchange, stock code: 600828) was opened. The Chengdu Qingjiang Store is the 6th department store of the Group in Chengdu and has a gross floor area of 5,033 square metres. The opening of the Chengdu Qingjiang Store once again reflects the dual-brand strategy adopted by the Group in the Chengdu area and further strengthened the leading position of the Group in the Chengdu department store industry.

In May 2010, the Maoye Friendship Store was officially launched. It is the 25th store of the Group and the 6th store in Shenzhen as well. Following upgrade and transformation, the Maoye Friendship Store is positioning itself as a middle-to-high end brand, bringing together a large number of well-known brands from China and overseas, of which many are exclusive to Shenzhen. The store is located at the Renminnan commercial zone in the Luohu district, the most developed commercial zone in Shenzhen, occupying a gross floor area of 26,000 square metres and five operating floors. The opening of the Maoye Friendship Store is significant to the extension of the Group's geographical reach in Shenzhen. As at the date of this report, the geographical reach of the Group in Luohu district is manifested by the "golden triangle" formed by the Shenzhen Dongmen Store, Shenzhen Heping Store and Maoye Friendship Store. The Group has therefore established a foothold in each bustling commercial zone of Shenzhen, namely, the commercial zones of Renminnan, Dongmen, Huaqiangbei and Nanshan, thus further strengthening the leading position of the Group in the department store industry in Shenzhen and Southern China.

Since 30 June 2010, Qinhuangdao Bohai Logistics Holding Corporation., Ltd. (秦皇島渤海物流控股股份有限公司) ("Bohai Logistics") became a subsidiary of the Company and has been consolidated into the financial statements of the Company. As at the date of this report, Bohai Logistics owned three department stores, one supermarket and one household store in Qinhuangdao City with a total gross floor zone of 114,123 square metres. Bohai Logistics is the first listed commercial enterprise in Hebei Province and the largest commercial department store company in Qinhuangdao, Hebei Province, and has a leading position in the merchandise retail industry in Qinhuangdao City. With Bohai Logistics´ becoming a subsidiary of the Group, the influence and business development of the Group in the Bohai rim area and Northern China have been further enhanced, in line with the strategic development plans of the Group in Northern China.

On 30 June 2010, the Group successfully acquired a piece of prime land with an area of 6,947 square metres in Jinzhou of Liaoning Province at a total consideration of RMB159.0 million. The land is located at the core trading area in Jinzhou with a high level of commercial activities in the surrounding area. Its prime location is beneficial to operating large department stores. The Group plans to build a department store and apartment complex on the land and operate the department store under the "Maoye" brand. This acquisition will strengthen the influence and business development of the Group in the Bohai rim region and further enhance the market position of the Group in Northern China.

On 8 July 2010, the Group acquired another piece of prime land with an area of 14,090.6 square metres in Huaian of Jiangsu Province at a total consideration of RMB275.0 million. The land is located at the Southwestern corner of Huaihai Square, the busiest core commercial area in Huaian with a high level of commercial activities in the surrounding area. Its prime location is beneficial to operating large department stores. The Group plans to build a department store and apartment complex on the land and operate the department store under the "Maoye" brand. The acquisition is another target project in a target expansion city in Jiangsu Province following the Group´s business developments in Wuxi, Taizhou and Changzhou. This will consolidate the influence and business development of the Company in the Jiangsu Province and further enhance the market position of the Company in Eastern China.

Management Discussion and Analysis

OUTLOOK

Economic data for the first half of 2010 were mixed. On the one hand, the consumer price index was under effective control and the structure of domestic demand was improved as well; on the other hand, the heated economy cooled off significantly since the second quarter, creating worries over continual spending growth in the second half of the year. In addition, as aftershocks of the international financial crisis linger and the sovereign debt crisis in the Euro zone spreads, the international economic outlook looks grave. The changing macroeconomic environment in China and overseas will no doubt create uncertainties over the development of the department store industry. However, with the increase in per capita income in China and the rise of regional economies and the acceleration of the urbanization rate, there will be increased consumer demand and upgrading in spending patterns in the long run. It is expected that more development opportunities will surface in the retail industry in China in the future.

On 22 July 2010, the Political Bureau of the CPC Central Committee held a meeting to formulate economic policies for the second half of the year, and decided to continue to implement proactive financial policies and moderately relaxed monetary policies, and to maintain continuity and stability of macroeconomic policies. The focus will be on promoting the continual stable growth in domestic demand, continuing to increase the income of urban and rural residents, and implementing and improving the policies on expanding consumption. We believe that the consumer industry in China will maintain positive momentum in 2010 with the support of the macroeconomic policies of the government.

In the second half of 2010, the Group will continue to reinforce the management of internal operations, enhance our collaboration with suppliers and adjust our merchandise mix from multiple perspectives; track the sales performance of key brands; improve the service standard of our customer service centres throughout our shops in the country to provide more comprehensive and standardized customer services; increase the value of membership cards and enhance their service functions to foster and enhance the loyalty of customers; continue to manage stores by tier and to draw up store budgets according to store development cycle and make use of the Group´s powerful information system to monitor the operations of our stores in real-time and make speedy adjustments; enhance integration of the operation and financial systems to provide efficient and better services to suppliers; innovate marketing and sales efforts to increase profitability of existing department stores; develop new types of supermarkets to explore new points of performance growth; and in all directions build a talent reserve mechanism for future stores development. We will continue to fully implement our policy of "Three Incentives" and "Three Services" to enhance the initiative of our staff, suppliers and customers and to enable our services for suppliers, customers and staff to be more market-oriented and refined.

In the second half of 2010, the Group will continue to adhere to its "Mass Development" focus and strategy to expand its store network through multiple channels including continuing acquisition, construction of own store properties and leasing. The "Mass Development" strategy serves as a powerful assurance that the Group will maintain new stores at a reasonable percentage, with organic growth of new stores being a source of continual stable growth of the Group. The Group will continue to explore opportunities in Southern China, consolidate its business in Southwestern China, and focus on expanding its business in Eastern and Northern China in order to extend its geographical reach throughout the country. We will further identify growth potential in our existing stores through measures such as brand upgrade, business operation reform, and sales innovation; and speed up the opening of new stores through accelerating projects construction and the recruitment of suppliers. Apart from the addition of 7 stores in this year, the Group is planning to open the Shenyang Jinlang Store by the end of 2010. Currently, the stores under construction are Shenyang Tiexi store, Chengdu Southern store, Yanshikou Phase II store, Wuxi Yibai store, Taiyuan Qinxianjie store, Liaoning Jinzhou store and Jiangsu Huaian store. Between 2010 and 2011, the Group expects to add not less than 200,000 square metres in additional store area each year.

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the six months ended 30 June 2010, total sales proceeds of the Group increased to RMB3,052.8 million, representing an increase of 43.1% as compared to the same period in 2009.

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**2,722,664**	1,914,914
Revenue from direct sales	**330,181**	218,642
Total Sales Proceeds	**3,052,845**	2,133,556

Among the total sales proceeds of the Group in the first half of 2010, total sales proceeds derived from concessionaire sales accounted for 89.2% and those derived from direct sales accounted for 10.8%.

Same-store sales proceeds from concessionaire sales increased to RMB2,360.8 million, representing an increase of 23.4% as compared to the same period in 2009, of which total same-store sales proceeds from concessionaire sales in Southern China region increased by 12.0%, total same-store sales proceeds from concessionaire sales in Southwestern region increased by 33.0%, and total same-store sales proceeds from concessionaire sales in North region increased by 69.7%.

For the six months ended 30 June 2010, the Group's commission rate from concessionaire sales was 18.1%, representing a decrease of 1.6% as compared to the same period in 2009. The decrease was mainly due to the lower commission rate of new stores during the initial opening period and the reduction of brands with higher commission rate but low sales contribution with the introduction of brands with high sales but lower commission rate during the period under review. The Group will strive to enhance 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 steady growth in sales and commissions simultaneously.

Total sales proceeds in the first half of 2010 comprised sales of apparel (46.7%) (first half of 2009: 45%), cosmetics and jewelry (19.9%) (first half of 2009: 17.4%), shoes and leather goods (13.0%) (first half of 2009: 12.5%) and others such as children's wear and toys, household and electronic appliances, etc. (20.4%) (first half of 2009: 29.0%). The percentage attributable to each product category to total sales proceeds was similar to that of the first half of 2009.

For the six months ended 30 June 2010, revenue of the Group amounted to RMB893.8 million, representing an increase of 10.4% as compared with RMB809.7 million for the same period of last year. Without taking the revenue from automobile sales into account, the revenue of the Group increased by 37.2% compared to the same period last year. The commissions from concessionaire sales and revenue from direct sales increased by RMB117.3 million and RMB111.5 million, respectively.

Management Discussion and Analysis

Other Income

For the six months ended 30 June 2010, other income of the Group amounted to RMB258.0 million, representing an increase of 21.7% as compared with RMB212.1 million for the same period of last year. This was primarily resulted from the increase of sales proceeds of concessionaire sales.

Purchases of and Changes in Inventories

For the six months ended 30 June 2010, purchases of and changes in inventories of the Group amounted to RMB301.5 million, representing a decrease of 13.6% as compared with RMB349.0 million for the same period of last year. This was primarily due to the disposal of the entire equity interest of Chengshang Motor Vehicle Co., Ltd. ("Chengshang Motor") at the beginning of this year. Without taking the automobile inventories into account, purchases of and changes in inventories of the Group for the first half of 2010 increased by 50.7% as compared with the same period of last year. This was primarily due to the increase of the direct sale business of 51.0% as compared with the same period last year.

Employee Expenses

For the six months ended 30 June 2010, employee expenses of the Group amounted to RMB80.4 million, representing an increase of 26.2% as compared with RMB63.7 million for the same period of last year. The increase was primarily attributable to the inclusion of staff costs for the new stores opened in the second half of 2009 and the first half of 2010. Staff costs for the new stores increased by RMB16.3 million, and same-store staff costs increased by RMB1.2 million, representing an increase of 2.2% as compared with the same period last year. The employee expense as percentage of total sales proceeds in the first half of 2010 decreased to 2.6% as compared with 3.0% for the first half of 2009.

Depreciation and Amortisation

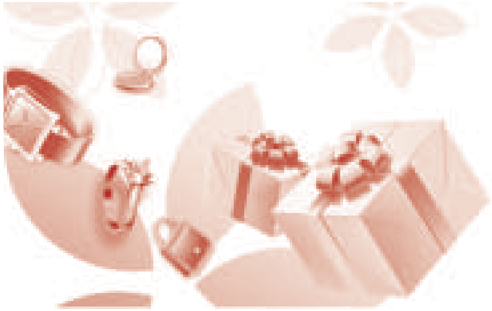
For the six months ended 30 June 2010, depreciation and amortisation of the Group amounted to RMB93.7 million, representing an increase of 25.8% as compared with RMB74.5 million for the same period last year. The increase was primarily due to the depreciation of properties acquired and self-constructed for the new stores during the second half of 2009. The depreciation and amortisation as percentage of total sales proceeds in the first half of 2010 decreased to 3.1% as compared with 3.5% for the first half of 2009.

Operating Lease Rental Expenses

For the six months ended 30 June 2010, operating lease rental expenses of the Group amounted to RMB77.6 million, representing an increase of 17.6% as compared with RMB66.0 million for the same period of last year. This was primarily due to the increase in leased area of the three stores opened during the first half of 2010. The operating lease rental expenses as percentage of total sales proceeds in the first half of 2010 decreased to 2.5% as compared with 3.1% for the first half of 2009.

Other Operating Expenses

For the six months ended 30 June 2010, other operating expenses of the Group amounted to RMB188.5 million, representing an increase of 22.2% as compared with RMB154.3 million for the same period of last year. This was primarily due to the launch of new stores in the second half of 2009 and the first half of 2010. The other operating expenses as percentage of total sales proceeds in the first half of 2010 decreased to 6.2% as compared with 7.2% for the first half of 2009.



Other Gains

For the six months ended 30 June 2010, other gains of the Group amounted to RMB30.4 million, representing a decrease of 32.5% as compared with RMB 45.1 million in the same period last year. Other gains for the six months ended 30 June 2009 was high as it included the gain arising from the disposal of a piece of land owned by Chengshang Group in 2009, which disposal was in line with the government's urban construction plan and resulted in gains of RMB29.7 million. Other gains was mainly arrived at after charging/crediting:

(1) a gain of RMB22.2 million on disposal of the entire equity interest in Chengshang Motor in January 2010;

(2) fair value loss on equity investments at fair value through profit or loss in the first half of 2010 of RMB3.8 million (profit in the same period of 2009: RMB3.7 million); and

(3) foreign exchange loss reduced by RMB0.5 million during the first half of 2010 as compared with the first half of 2009.

Operating Profit

For the six months ended 30 June 2010, operating profit of the Group amounted to RMB440.5 million, representing an increase of 22.5% as compared to RMB359.4 million for the same period last year. This was primarily due to the contribution from strong growth in total sales proceeds of the Group, resulting in significant increase in commissions from sales proceeds of concessionaires, the margin of direct sales as well as other income derived from concessionaire sales as compared to the same period of last year.

Finance Costs

For the six months ended 30 June 2010, finance costs of the Group amounted to RMB40.0 million, representing an increase of 63.8% as compared to RMB24.4 million for the same period of last year. This was due to the increase in average balance of bank loans as compared to the same period of last year.

Income Tax Expense

For the six months ended 30 June 2010, income tax expense of the Group came to RMB97.3 million, representing an increase of 29.9% as compared to RMB74.9 million for the same period last year. During the six months ended 30 June 2010, the effective tax rate applicable to the Group was 24.1% (for the six months ended 30 June 2009: 22.4%), which was a result of the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 20.0% in 2009 to 22.0% in 2010.

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the six months ended 30 June 2010, profit attributable to owners of the parent amounted to RMB285.8 million, representing an increase of 17.3% as compared to RMB243.6 million in the same period of last year.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2010, the Group's cash and cash equivalents amounted to RMB601.4 million, increased by RMB144.4 million as compared to RMB457.0 million as at 31 December 2009. The main cash inflow and cash outflow are set out as following:

(1) net cash inflow of RMB554.0 million arising from operating activities;

(2) Net cash outflow arising from investing activities amounted to RMB489.0 million, mainly included payments for properties and equipment amounted to RMB122.9 million, prepayments for land lease prepayment amounted to RMB224.2 million, and payment of debts amounted to RMB156.2 million in relation to acquisition of a subsidiary; and

(3) net cash inflow of RMB75.2 million from financing activities for reasons such as the increase in bank loans.

As at 30 June 2010, total bank loans of the Group were RMB1,917.1 million (31 December 2009: RMB1,432.0 million), of which RMB451.5 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 19.9% as at 31 December 2009 to 21.4% as at 30 June 2010.

Investment in Listed Shares

The Group currently owns minority interests in companies with department store operations listed in the PRC. The Directors believe these investments will bring long-term benefits to the Group. The following table sets out the Group's interests in two companies listed in PRC as at 30 June 2010, and a summary relating to the information of these companies.

Investment	The Group's Shareholding	Principal Business	Geographical Location
Shenzhen International Enterprises Co., Ltd. (深圳市國際企業股份有限公司)	13.18%	The first listed retail enterprise in Shenzhen	Shenzhen City, Guangdong Province
Shen Yang Commercial City Co., Ltd. (瀋陽商業城股份有限公司)	10.67%	Owns and operates a number of department stores in Shenyang	Shenyang City, Liaoning Province

The total original cost of the investments in the above companies was RMB206.7 million, which was financed by the Group's cash inflow from operations.

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. （成都人民商場（集團）綿陽有限公司） ("Chengshang Mianyang"), a subsidiary of the Group, in respect of the early termination of the lease to Chengdu Watsons of a building previously owned by Xinglida Group. In September 2008, Xinglida Group transferred ownership of the building to Chengshang Mianyang 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 30 June 2010, the Group's interest-bearing bank loans amounting to RMB1,917.1 million were secured by the Group' land and buildings, investment properties, land lease prepayments, completed properties held for sale and properties under development with net carrying amounts of approximately RMB437.0 million, RMB109.5 million, RMB1,331.4 million, RMB76.4 million and RMB18.0 million respectively.

As at 30 June 2010, the Group's bills payables amounting to RMB25.5 million were secured by the Group's land and buildings, investment properties and land lease prepayments with net carrying amounts of approximately RMB8.6 million, RMB10.6 million and RMB96.6 million respectively, and the Group's deposits amounting to RMB11.6 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 currency risk. During the period under review, the Group recorded a net loss in foreign currency of approximately RMB0.04 million.

For the six months ended 30 June 2010, the Group had not entered into any arrangements to hedge foreign currency risk. The Group's operating cash flow is not exposed to any foreign exchange fluctuation risks.

INTERIM DIVIDEND

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2010 of 1.8 HK cents in cash per share, which amounts to a total dividend of HK$92,517,408 based on the total number of shares in issue as at the date of this report, equivalent to approximately RMB81,027,000 (for the six months ended 30 June 2009: 1.6 HK cents per share, totalling HK$82,237,696 which was equivalent to approximately RMB72,476,000).

The interim dividend will be paid on or about Thursday, 16 September 2010 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 10 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 8 September 2010 to Friday, 10 September 2010 (both dates inclusive), during such period no transfer of shares of the Company will be registered. In order to ascertain the right to receive the interim dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 September 2010.

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

As at 30 June 2010, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
Mr. Huang Mao Ru	Interest of controlled corporations	4,200,000,000 (Note)	81.71%
	Beneficial owner	50,000,000	0.97%
		4,250,000,000	82.68%

Note: 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.

(2) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of share options granted	Approximate percentage of the Company's issued share capital
Mr. Zhong Pengyi	Beneficial owner	600,000	0.01%
Ms. Wang Fuqin	Beneficial owner	2,400,000	0.04%
Mr. Wang Guisheng	Beneficial owner	1,200,000	0.02%
Mr. Chow Chan Lum	Beneficial owner	600,000	0.01%
Mr. Pao Ping Wing	Beneficial owner	600,000	0.01%
Mr. Leung Hon Chuen	Beneficial owner	600,000	0.01%

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed under the heading "Share Option Scheme".

(3) Long position in the shares of associated corporations

(3.1) 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)	100%

Note: These shares were held by MOY International Holdings Limited, which was wholly owned by Mr. Huang Mao Ru.

(3.2) 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%

Save as disclosed above, as at 30 June 2010, 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.

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

As at 30 June 2010, 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
Mrs. Huang Jingzhang	Interest of spouse	4,250,000,000 (Note (a))	82.68%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	81.71%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	81.71%

Notes:

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

(b) Maoye Department Store Investment Limited was a wholly-owned subsidiary of MOY International Holdings Limited. Such interests were also disclosed as the interests of Mr. Huang Mao Ru in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".

Save as disclosed above, as at 30 June 2010, 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.

Other Information

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.

Movements of the Scheme during the six months ended 30 June 2010 are as follows:

				Number of share options				
Category	Date of grant	Exercise period	Exercise price (HK$ per share)	As at 1 January 2010	Granted during the period	Lapsed during the period	Exercised/ cancelled during the period	As at 30 June 2010
Director								
Mr. Zhong Pengyi	11 June 2010	A	2.81	—	198,000	—	—	198,000
	11 June 2010	B	2.81	—	198,000	—	—	198,000
	11 June 2010	C	2.81	—	204,000	—	—	204,000
				—	600,000	—	—	600,000
Ms. Wang Fuqin	11 June 2010	A	2.81	—	792,000	—	—	792,000
	11 June 2010	B	2.81	—	792,000	—	—	792,000
	11 June 2010	C	2.81	—	816,000	—	—	816,000
				—	2,400,000	—	—	2,400,000
Mr. Wang Guisheng	11 June 2010	A	2.81	—	396,000	—	—	396,000
	11 June 2010	B	2.81	—	396,000	—	—	396,000
	11 June 2010	C	2.81	—	408,000	—	—	408,000
				—	1,200,000	—	—	1,200,000
Mr. Chow Chan Lum	11 June 2010	A	2.81	—	198,000	—	—	198,000
	11 June 2010	B	2.81	—	198,000	—	—	198,000
	11 June 2010	C	2.81	—	204,000	—	—	204,000
				—	600,000	—	—	600,000
Mr. Pao Ping Wing	11 June 2010	A	2.81	—	198,000	—	—	198,000
	11 June 2010	B	2.81	—	198,000	—	—	198,000
	11 June 2010	C	2.81	—	204,000	—	—	204,000
				—	600,000	—	—	600,000
Mr. Leung Hon Chuen	11 June 2010	A	2.81	—	198,000	—	—	198,000
	11 June 2010	B	2.81	—	198,000	—	—	198,000
	11 June 2010	C	2.81	—	204,000	—	—	204,000
				—	600,000	—	—	600,000
				—	6,000,000	—	—	6,000,000

Category	Date of grant	Exercise period	Exercise price	Number of share options				
				As at 1 January 2010	Granted during the period	Lapsed during the period	Exercised/ cancelled during the period	As at 30 June 2010
			(HK$ per share)					
Employees in aggregate	11 June 2010	A	2.81	—	35,345,640	(178,200)	—	35,167,440
	11 June 2010	B	2.81	—	35,345,640	(178,200)	—	35,167,440
	11 June 2010	C	2.81	—	36,416,720	(183,600)	—	36,233,120
				—	107,108,000	(540,000)	—	106,568,000
Others in aggregate	11 June 2010	A	2.81	—	4,356,000	—	—	4,356,000
	11 June 2010	B	2.81	—	4,356,000	—	—	4,356,000
	11 June 2010	C	2.81	—	4,488,000	—	—	4,488,000
				—	13,200,000	—	—	13,200,000
				—	126,308,000	(540,000)	—	125,768,000

Notes:

Exercise period:–

A: 1st trading date to 30th trading date after the publication date of the 2010 annual report
B: 1st trading date to 30th trading date after the publication date of the 2011 annual report
C: 1st trading date to 30th trading date after the publication date of the 2012 annual report

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

The closing price of the shares of the Company immediately before the date of grant on 11 June 2010 was HK$2.73.

Further details relating to the Scheme and share options granted thereunder are set out in note 27 to the Interim Condensed Consolidated Financial Statements.

EMPLOYEES

As at 30 June 2010, the Group had a total of approximately 6,295 employees. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of individual employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct governing directors' dealings in the Company's securities. The Company has made specific enquiries with all of its directors, who have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

Other Information

CORPORATE GOVERNANCE

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

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, Mr. Huang Mao Ru is both the Chairman and 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.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the results of the Group for the six months ended 30 June 2010 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

DEED OF NON-COMPETITION

Under the deed of non-competition dated 17 April 2008 given by Mr. Huang Mao Ru, Maoye Holdings Limited and Richon Holdings Limited (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 Controlling Shareholder Group has undertaken to use its best endeavour within three years to (i) resolve the existing litigation between Chongqing Jiefangbei Maoye Department Store Co., Ltd.(重慶解放碑茂業百貨有限公司)("Chongqing Jiefangbei Store") and Chongqing Xin Long Da Real Estate Development Company Limited（重慶鑫隆達房地產開發有限公司）("Xin Long Da"), (ii) obtain all necessary consents and approvals for the transfer of the interest of the Controlling Shareholder Group in Chongqing Jiefangbei Store and Wuxi Maoye Department Store Company Limited（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（貴陽友誼（集團）股份有限公司）("Guiyang Friendship 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 his/its best endeavour to transfer the interest in Chongqing Jiefangbei Store, Maoye Wuxi Store and Guiyang Friendship Group to the Group as soon as practicable once the relevant issues impeding such transfer have been resolved. 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 above.

Up to the date of this interim report, Chongqing Jiefangbei Store has received the judgment from the Supreme People's Court. The court adjudged that the leasing agreement entered into between Chongqing Jiefangbei Store and Xin Long Da was executed agreement and should be implemented by both sides. In addition, up to the date of the interim report, all of the business of Wuxi Maoye Baifu Supermarket Company Limited has been merged into Wuxi Maoye Department Store Company Limited. The Controlling Shareholder Group's application for transfer of interest in the merged Wuxi Maoye Department Store Company Limited and Guiyang Friendship Group has not obtained approval from the relevant government departments.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of directors of the Company are set out below:

(A) Mr. Zhong Pengyi, previously a non-executive director of the Company, has been re-designated as an executive director of the Company and appointed as the Vice Chairman of the Company with effect from 7 April 2010.

(B) Ms. Wang Fuqin, an executive director of the Company, has been appointed as (i) a member of Remuneration Committee of the Company with effect from 30 April 2010; and (ii) the Chairman of Bohai Logistics with effect from 6 April 2010.

(C) Mr. Wang Guisheng, an executive director of the Company, has been appointed as a director of Bohai Logistics with effect from 30 June 2010.

(D) Mrs. Huang Jingzhang retired as a non-executive director of the Company with effect from 30 April 2010.

Report on Review of Interim Condensed Consolidated Financial Statements

ERNST & YOUNG
安永

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

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 24 to 57, which comprises the interim condensed consolidated statement of financial position of Maoye International Holdings Limited and its subsidiaries as at 30 June 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards, or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

12 August 2010

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
REVENUE	4	**893,759**	809,743
Other income	5	**258,022**	212,091
Total operating revenue		**1,151,781**	1,021,834
Purchases of and changes in inventories		**(301,482)**	(348,965)
Employee expenses		**(80,414)**	(63,717)
Depreciation and amortisation		**(93,744)**	(74,521)
Operating lease rental expenses		**(77,586)**	(65,953)
Other operating expenses	6	**(188,507)**	(154,298)
Other gains	7	**30,415**	45,058
Operating profit		**440,463**	359,438
Finance costs	8	**(39,954)**	(24,398)
Share of profits and losses of associates		**2,972**	157
PROFIT BEFORE TAX		**403,481**	335,197
Income tax expense	9	**(97,294)**	(74,939)
PROFIT FOR THE PERIOD		**306,187**	260,258
Attributable to:			
Owners of the parent		**285,815**	243,577
Minority interests		**20,372**	16,681
		306,187	260,258
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	11	**RMB5.6 cents**	RMB4.7 cents

Interim Condensed
Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**306,187**	260,258
Available-for-sale equity investments:		
Changes in fair value	**(11,674)**	154,758
Income tax effect	**3,052**	(37,955)
	(8,622)	116,803
Exchange differences on translation of foreign operations	**(601)**	162
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(9,223)**	116,965
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**296,964**	377,223
Attributable to:		
Owners of the parent	**276,592**	360,542
Minority interests	**20,372**	16,681
	296,964	377,223

Interim Condensed
Consolidated Statement Of Financial Position

30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,951,962**	1,637,471
Investment properties	13	**255,012**	104,103
Land lease prepayments	14	**3,176,345**	2,290,912
Goodwill	15	**439,709**	95,997
Other intangible assets	16	**6,990**	3,237
Investments in associates	17	**13,217**	13,437
Available-for-sale equity investments	18	**517,771**	1,331,829
Other asset		**2,458**	2,458
Prepayments	21	**789,718**	696,169
Deferred tax assets		**57,410**	34,449
Total non-current assets		**7,210,592**	6,210,062
CURRENT ASSETS			
Inventories	19	**117,320**	100,714
Completed properties held for sale		**152,407**	—
Properties under development	20	**307,833**	—
Equity investments at fair value through profit or loss		**36,018**	39,168
Trade receivables		**37,090**	268
Prepayments and other receivables	21	**494,660**	386,356
Due from related parties	34(b)	**2,771**	3,739
Pledged deposits	22	**11,638**	12,902
Cash and cash equivalents	22	**601,419**	457,001
		1,761,156	1,000,148
Assets of a disposal group classified as held for sale		**—**	37,404
Total current assets		**1,761,156**	1,037,552
CURRENT LIABILITIES			
Trade and bills payables	23	**1,263,014**	933,043
Deposits received, accruals and other payables	24	**952,790**	750,438
Interest-bearing bank loans	25	**451,470**	163,667
Due to related parties	34(b)	**4,099**	2,337
Tax payable		**85,536**	66,179
		2,756,909	1,915,664
Liabilities directly associated with a disposal group classified as held for sale		**—**	9,504
Total current liabilities		**2,756,909**	1,925,168
NET CURRENT LIABILITIES		**(995,753)**	(887,616)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,214,839**	5,322,446

continued/...

Interim Condensed Consolidated Statement Of Financial Position

30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,214,839**	5,322,446
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	25	**1,465,594**	1,268,300
Deferred tax liabilities		**358,778**	298,559
Total non-current liabilities		**1,824,372**	1,566,859
Net assets		**4,390,467**	3,755,587
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**461,587**	461,587
Reserves		**2,973,011**	2,887,939
Proposed final dividend		**—**	67,800
		3,434,598	3,417,326
Minority interests		**955,869**	338,261
Total equity		**4,390,467**	3,755,587

Huang Mao Ru
Director

Wang Guisheng
Director

Interim Condensed
Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2010

	Attributable to owners of the parent											
	Issued capital RMB'000	Share premium account RMB'000	Share option reserve 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
(Unaudited)												
At 1 January 2010	461,587	1,875,369	–	77	154,710	335,319	(55,290)	577,754	67,800	3,417,326	338,261	3,755,587
Total comprehensive income for the period	–	–	–	–	–	(8,622)	(601)	285,815	–	276,592	20,372	296,964
Reverting to original cost of an available-for-sale investment at the date it becomes an associate	–	–	–	–	–	(185,199)	–	–	–	(185,199)	–	(185,199)
Acquisition of subsidiaries (notes 28 and 29)	–	–	–	–	–	–	–	–	–	–	579,886	579,886
Minority interests arising from investment in a subsidiary	–	–	–	–	–	–	–	–	–	–	17,350	17,350
Final 2009 dividend declared	–	–	–	–	–	–	–	–	(67,800)	(67,800)	–	(67,800)
Dividend paid by a subsidiary	–	–	–	–	–	–	–	(10,092)	–	(10,092)	–	(10,092)
Equity-settled share option arrangements	–	–	3,771	–	–	–	–	–	–	3,771	–	3,771
At 30 June 2010	461,587	1,875,369	3,771	77	154,710	141,498	(55,891)	853,477	–	3,434,598	955,869	4,390,467

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000	Available-for-sale equity investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
(Unaudited)											
At 1 January 2009	461,587	1,875,369	—	77	143,056	59,119	(55,197)	359,235	2,843,246	297,859	3,141,105
Total comprehensive income	—	—	—	—	—	116,803	162	243,577	360,542	16,681	377,223
Final 2008 dividends declared	—	—	—	—	—	—	—	(99,658)	(99,658)	—	(99,658)
At 30 June 2009	461,587	1,875,369	—	77	143,056	175,922	(55,035)	503,154	3,104,130	314,540	3,418,670

Interim Condensed Consolidated Statement Of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows from operating activities	**554,009**	79,489
Net cash flows used in investing activities	**(488,954)**	(437,431)
Net cash flows from financing activities	**75,196**	461,256
NET INCREASE IN CASH AND CASH EQUIVALENTS	**140,251**	103,314
Effect of foreign exchange rate changes, net	**(601)**	162
Cash and cash equivalents at beginning of period	**461,769**	867,900
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**601,419**	971,376
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**581,419**	842,521
Non-pledged time deposits with original maturity of less than three months when acquired	**20,000**	127,687
Cash and cash equivalents as stated in the consolidated statement of financial position	**601,419**	970,208
Cash and short term deposits attributable to a disposal group classified as held for sale	**—**	1,168
Cash and cash equivalents as stated in the consolidated statement of cash flows	**601,419**	971,376

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 People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the operation and management of department stores in the PRC.

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

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of the new Standards and Interpretations as of 1 January 2010, noted below:

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
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*

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

Except for the adoption of IFRS 3 (Revised), IAS 27 (Revised) and Amendments to IFRS 5 included in *Improvements to IFRSs* issued in May 2008 resulted in the changes in the accounting policies, the adoption of these new interpretations and amendments has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

(a) IFRS 3 (Revised) *Business Combinations* 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. The Group chooses to account for the non-controlling interests (previously the minority interests) in the acquiree at the proportionate share of the value of net identifiable assets acquired for the business combination during the period.

(b) IAS 27 (Revised) *Consolidated and Separate Financial Statements* 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. The changes introduced by IAS 27 (Revised) will affect future transactions with non-controlling interests.

(c) 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 changes have been applied and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to IFRSs (issued April 2009)

In April 2009, the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

(a) IFRS 2 *Share-based Payment*: Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of IFRS 2 even though it is outside the scope of IFRS 3.

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

Improvements to IFRSs (issued April 2009) (continued)

(b) 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 provided elsewhere in the financial statements.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

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

Improvements to IFRSs (issued April 2009) (continued)

(h) 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.

The Group amended the above accounting policies accordingly, which did not result in any change in the financial position or results of operations.

Other amendments included in *Improvements to IFRSs* that did not have any impact on the accounting policies, financial position or performance of the Group are those to the following standards:

IFRIC 9	*Reassessment of Embedded Derivatives*
IFRIC 16	*Hedge of a Net Investment in a Foreign Operation*

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3. 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.

On 31 December 2009, the Group entered into a sale and purchase agreement to dispose of the entire equity interest of Chengshang Motor Vehicle Co., Ltd. ("Chengshang Motor") (成都成商汽車有限責任公司) to another two independent third parties for an aggregate consideration of RMB23,000,000. The disposal was completed on 12 January 2010. Further details of this disposal are included in note 30 to the financial statements. Subsequent to the disposal, the operation of department stores segment became the only major continuing reportable operating segment of the Group, which comprises concessionaire and direct sales of merchandise.

As all of the Group's revenue is derived from customers based in the PRC and all the Group's identifiable assets and liabilities are located in the PRC, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

4. REVENUE

	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Commissions from concessionaire sales	**494,103**	376,757
Direct sales	**330,181**	218,642
Sale of automobiles	**906**	159,095
Rental income from the leasing of shop premises	**60,610**	50,296
Management fee income from the operation of department stores	**1,710**	1,399
Others	**6,249**	3,554
	893,759	809,743

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

	2010	2009
Total sales proceeds from concessionaire sales	**2,722,664**	1,914,914
Commissions from concessionaire sales	**494,103**	376,757

5. OTHER INCOME

	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**139,917**	111,426
– Promotion income	**52,836**	46,641
– Credit card handling fees	**33,697**	22,802
Rental income from investment properties	**24,753**	24,107
Interest income	**3,321**	3,224
Others	**3,498**	3,891
	258,022	212,091

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Utility expenses	**60,465**	46,628
Promotion and advertising	**15,309**	11,011
Repair and maintenance expenses	**14,458**	18,765
Entertainment expenses	**4,865**	2,397
Office expenses	**13,378**	9,025
Other tax expenses	**50,877**	37,134
Professional service fees	**2,628**	4,851
Auditors' remuneration	**3,096**	2,496
Bank charges	**17,354**	12,552
Equity-settled share option expense	**3,771**	—
Impairment of goodwill	**—**	4,800
Reversal of impairment of inventories	**(634)**	—
Reversal of impairment of trade receivables	**(480)**	—
Reversal of impairment of other receivables	**—**	(355)
Others	**3,420**	4,994
	188,507	154,298

7. OTHER GAINS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Gain/(loss) on disposal of items of property, plant and equipment	**(303)**	1,411
Gain on disposal of land lease prepayment and buildings	**—**	29,709
Gain on disposal of an investment property	**—**	890
Foreign exchange losses, net	**(42)**	(555)
Fair value gain/(loss) on equity investments at fair value through profit or loss	**(3,839)**	3,700
Gain on disposal of equity investments at fair value through profit or loss	**161**	—
Gain on disposal of a subsidiary (note 30)	**22,188**	—
Gain on deemed disposal of an investment in an associate	**7,273**	—
Dividend income from equity investments at fair value through profit or loss	**50**	—
Others	**4,927**	9,903
	30,415	45,058

8. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	**39,954**	24,398

9. 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.

The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2010 (Six months ended 30 June 2009: 16.5%).

Under the relevant PRC income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (Six months ended 30 June 2009: 25%) on their respective taxable income, except for certain PRC subsidiaries which are exempted from tax or taxed at a preferential rate of 22% 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 22% (Six months ended 30 June 2009: 20%).

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 over 70% of principal revenue generated from the encouraged business activities are entitled to a preferential state income tax rate of 15% for 10 years from 1 January 2001 to 31 December 2010. Accordingly, Chongqing Maoye Department Store Co., Ltd. (重慶茂業百貨有限公司) was subject to CIT at a rate of 15% (Six months ended 30 June 2009: 15%).

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – PRC		
Charge for the period	**92,180**	71,120
Deferred income tax	**5,114**	3,819
Total tax charge for the period	**97,294**	74,939

10. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Proposed interim dividend (not recognised as a liability as at 30 June) - HK$1.8 cents (2009: HK$1.6 cents) per share	**81,027**	72,476
	81,027	72,476

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2010 attributable to equity holders of the parent of RMB285,815,000 (six months ended 30 June 2009: RMB243,577,000) and the 5,139,856,000 ordinary shares in issue during the period (six months ended 30 June 2009: the 5,139,856,000 ordinary shares in issue).

The share options granted during the period had no dilutive effect during the period, and accordingly, no diluted earnings per share amount has been presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Carrying amount at 1 January		**1,637,471**	1,133,610
Additions		**176,696**	417,740
Acquisition of subsidiaries	29	**194,493**	184,259
Disposals		**(3,383)**	(2,986)
Depreciation charge for the period/year		**(53,315)**	(93,850)
Reclassification as held for sale		**—**	(1,302)
Carrying amount at 30 June/31 December		**1,951,962**	1,637,471

Amortisation of land lease payments of approximately RMB9,863,000 during the construction period was capitalised as part of the construction cost of the department stores in construction of the Group, and was included in the above additions.

The Group's land and buildings are held under medium term leases and are situated in Mainland China. Details of the Group's land and buildings pledged to secure the Group's bills payable and interest-bearing bank loans are set out in notes 23 and 25(a).

Certificates of ownership in respect of certain buildings of the Group located in Zhuhai with a net carrying amount of approximately RMB28,313,000 as at 30 June 2010 have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

13. INVESTMENT PROPERTIES

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Cost at 1 January, net of accumulated depreciation		**104,103**	110,495
Acquisition of a subsidiary	29	**154,047**	—
Disposals		**—**	(261)
Depreciation provided during the period/year		**(3,138)**	(6,131)
At 30 June/31 December		**255,012**	104,103
At 30 June/31 December:			
Cost		**346,553**	192,506
Accumulated depreciation		**(91,541)**	(88,403)
Net carrying amount		**255,012**	104,103

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 31(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 23 and 25(b).

Certificates of ownership in respect of certain investment properties of the Group located in Anhui with a net carrying amount of approximately RMB29,516,000 as at 30 June 2010 have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

14. LAND LEASE PREPAYMENTS

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Carrying amount at 1 January		**2,364,815**	2,072,178
Additions		**15,123**	82,009
Acquisition of subsidiaries	28 and 29	**945,864**	279,720
Disposals		**—**	(66)
		3,325,802	2,433,841
Recognised during the period/year		**(43,244)**	(69,026)
Carrying amount at 30 June/31 December		**3,282,558**	2,364,815
Current portion included in prepayments and other receivables		**(106,213)**	(73,903)
Non-current portion		**3,176,345**	2,290,912

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

Details of the Group's leasehold land pledged to secure the Group's bills payable and interest-bearing bank loans are set out in note 23 and note 25(c).

The Group was in the process of applying for the land use right certificates for land lease prepayments with an aggregate carrying amount of approximately RMB19,607,000 as at 30 June 2010 (31 December 2009: approximately RMB473,750,000).

Included in the amortisation provided during the period is an amount of approximately RMB9,863,000, which was capitalised as part of the construction cost of the department stores in construction of the Group and included in the additions of property, plant and equipment (note 12).

15. GOODWILL

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
At 1 January, net of accumulated impairment		**95,997**	45,286
Acquisition of a subsidiary	29	**343,712**	53,566
Acquisition of an additional interest in a subsidiary		**—**	1,962
Reclassification as held for sale		**—**	(17)
Impairment during the period/year		**—**	(4,800)
At 30 June/31 December		**439,709**	95,997
At 30 June/31 December:			
Cost		**445,478**	101,766
Accumulated impairment		**(5,769)**	(5,769)
Net carrying amount		**439,709**	95,997

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on value in use calculation that uses a discounted cash flow projection. The discount rate applied to the cash flow projection ranged from 11% to 17% (2009: 11%-13%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from nil to 5% (2009: nil to 5%). The growth rates do not exceed the projected long term average growth rates for the operation of department stores in Mainland China. The other key assumptions used to determine the recoverable amount for the cash-generating units were discussed in the annual financial statements for the year ended 31 December 2009.

16. OTHER INTANGIBLE ASSETS

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Cost at 1 January, net of accumulated depreciation		3,237	—
Additions		6,516	2,881
Acquisition of a subsidiary	29	1,148	453
Amortisation provided during the period/year		(3,911)	(97)
At 30 June/31 December		6,990	3,237
At 30 June/31 December:			
Cost		10,998	3,334
Accumulated amortisation		(4,008)	(97)
Net carrying amount		6,990	3,237

17. INVESTMENTS IN ASSOCIATES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Share of net assets	13,217	13,437

18. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Listed equity investments, at fair value	393,376	1,222,634
Unlisted equity investments, at cost	130,280	115,080
	523,656	1,337,714
Provision for impairment	(5,885)	(5,885)
	517,771	1,331,829

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.

19. INVENTORIES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Merchandise for resale	123,955	107,984
Provision against slow-moving inventories	(6,635)	(7,270)
	117,320	100,714

20. PROPERTIES UNDER DEVELOPMENT

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Land lease prepayments	85,768	—
Development cost	222,065	—
	307,833	—

Details of the Group's properties under development pledged to secure the Group's interest-bearing bank loans are set out in note 25(e).

21. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Non-current assets		
Prepayments	789,718	696,169
Current assets		
Prepayments	241,108	203,813
Other receivables	270,933	199,995
	512,041	403,808
Impairment of other receivables	(17,381)	(17,452)
	494,660	386,356

Included in the Group's prepayments and other receivables under current assets as at 30 June 2010 were prepayments for operating lease rental expenses of RMB58,586,000 covering the period from July to December 2010 (31 December 2009: RMB111,565,000 covering the period from January to December 2010) and rental deposits of RMB16,027,000 (31 December 2009: RMB16,027,000), which were paid to certain fellow subsidiaries of the Company.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Cash and bank balances	581,419	457,001
Time deposits	31,638	12,902
	613,057	469,903
Less: Pledged time deposits for bills payable	(11,638)	(12,902)
Cash and cash equivalents	601,419	457,001

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
RMB	594,683	456,585
Hong Kong dollar	18,232	13,295
United States dollar	142	23
	613,057	469,903

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.

23. 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:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 90 days	**967,193**	767,737
91 to 180 days	**181,568**	63,064
181 to 360 days	**41,571**	30,489
Over 360 days	**72,682**	71,753
	1,263,014	933,043

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

The Group's bills payable amounting to RMB25,460,000 as at 30 June 2010 (31 December 2009: RMB29,040,000) were secured by the Group's land and buildings, investment properties and land lease prepayments with net carrying amounts of approximately RMB8,590,000 (31 December 2009: Nil), RMB10,634,000 (31 December 2009: RMB11,034,000) and RMB96,616,000 (31 December 2009: RMB24,287,000) respectively, and the Group's time deposits amounting to RMB11,638,000 (31 December 2009: RMB12,902,000).

24. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Deferred income	**529,017**	289,571
Deposits received	**124,608**	107,180
Accrued operating lease rental expenses	**56,214**	52,936
Accrued utilities	**14,483**	9,795
Accrued liabilities	**19,725**	19,819
Accrued staff costs	**33,095**	30,235
Provision for coupon liabilities	**18,822**	17,203
Value-added tax and other tax payables	**(64,867)**	(22,888)
Other payables	**221,693**	246,587
	952,790	750,438

25. INTEREST-BEARING BANK LOANS

	30 June 2010 Effective interest rate (%)	30 June 2010 Maturity	30 June 2010 RMB'000	31 December 2009 Effective interest rate (%)	31 December 2009 Maturity	31 December 2009 RMB'000
Current						
Interest-bearing bank loans – secured	5.13 - 6.37	2010- 2011	287,700	5.31 - 5.84	2010	71,000
Current portion of long term interest-bearing bank loans – secured	5.13 - 5.94	2010- 2011	163,770	5.13 - 5.94	2010	92,667
			451,470			163,667
Non-current						
Long term interest-bearing bank loans – secured	5.13 - 5.94	2011-2019	1,465,594	5.13 - 5.94	2011-2019	1,268,300
			1,917,064			1,431,967

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Repayable:		
Within one year	451,470	163,667
In the second year	370,599	107,801
In the third to fifth years, inclusive	550,213	486,459
Beyond five years	544,782	674,040
	1,917,064	1,431,967

25. INTEREST-BEARING BANK LOANS (continued)

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB437,009,000 (31 December 2009: approximately RMB350,895,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB109,524,000 (31 December 2009: approximately RMB68,589,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB1,331,381,000 (31 December 2009: approximately RMB1,005,062,000);

(d) certain completed properties held for sale of the Group with a net carrying amount of approximately RMB76,390,000 (31 December 2009: Nil);

(e) certain properties under development of the Group with a net carrying amount of approximately RMB17,995,000 (31 December 2009: Nil).

In addition, certain related parties have guaranteed certain of the Group's bank loans up to RMB1,281,363,000 (2009: RMB1,080,000,000) as at the end of the reporting period.

The Group had the following undrawn banking facilities:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
At floating rate	**1,168,000,000**	1,194,000

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

26. ISSUED CAPITAL

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Authorised:		
9,000,000,000 (31 December 2009: 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 2009: 5,139,856,000) ordinary shares of HK$0.10 each	**513,986**	513,986
Equivalent to RMB'000	**461,587**	461,587

27. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (a) the Company's directors, including independent non-executive directors; (b) the management of the Company and its subsidiaries; (c) key business persons and persons with special contributions to the Company; and (d) consultants or advisors with special contributions to the Company. The Scheme became effective on 20 January 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exced 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 7 days from the date of offer, upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determinable by the Share Option Incentive Scheme Committee, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the Share Option Incentive Scheme Committee, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 11 June 2010, a total of 126,308,000 share options were granted to 411 eligible participants of the Company at an exercise price of HK$2.81 per share (the Stock Exchange closing price of the Company's shares on the date of offer of the share options) pursuant to the Scheme.

27. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the period:

	Exercise price HK$ per share	Number of options
At 1 January 2010		—
Granted during the period	2.810	126,308,000
Forfeited	2.810	(540,000)
At 30 June 2010		125,768,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options*	Exercise price HK$ per share	Exercise period
41,503,440	2.810	1st trading date to 30th trading date after the publication date of the 2010 annual report
41,503,440	2.810	1st trading date to 30th trading date after the publication date of the 2011 annual report
42,761,120	2.810	1st trading date to 30th trading date after the publication date of the 2012 annual report
125,768,000		

* The exercise numbers of the share options for the exercise periods are dependent on the operating results of the Group, details are as follow:

(i) Performance target of the first exercise period: both the Company's total sales proceeds and Profit** for the year ended 31 December 2010 are at least 35% higher than the previous financial year;

(ii) Performance target of the second exercise period: both the Company's total sales proceeds and Profit** for the year ended 31 December 2011 are at least 35% higher than the previous financial year;

(iii) Performance target of the third exercise period: both the Company's total sales proceeds and Profit** for the year ended 31 December 2012 are at least 35% higher than the previous financial year.

** "Profit" is defined as the Company's net profit attributable to the shareholders of the Company, excluding the impact of (1) after-tax employee expenses arising from the grant of the options and (2) non-operating gains and losses.

The fair value of the share options granted during the period was HK$130,527,000 (HK$1.03 each) of which the Group recognised a share option expense of HK$4,303,000, equivalent to RMB3,771,000, during the period ended 30 June 2010.

27. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2010
Dividend yield (%)	1.11
Expected volatility (%)	81
Historical volatility (%)	81
Risk-free interest rate (%)	0.38-1.09
Expected life of options (year)	0.8-2.8

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 125,768,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 125,768,000 additional ordinary shares of the Company and additional share capital of HK$12,576,800 and share premium of HK$340,831,280 (before issue expenses).

At the date of approval of these financial statements, the Company had 124,148,000 share options outstanding under the Scheme, which represented approximately 2.4% of the Company's shares in issue as at that date.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

On 10 March 2010, the Group acquired a 90% equity interest in Wuxi Yibai Property Limited (無錫億百置業有限公司) from Jiangxu Wuxi First Department Store Limited Labour Union (江蘇無錫第一百貨（集團）有限公司工會) and certain employees of Jiangxu Wuxi First Department Store Limited (江蘇無錫第一百貨（集團）有限公司), independent third parties. The purchase consideration for the acquisition was in the form of cash of RMB181,350,000. As the assets acquired do not constitute a business, the acquisition does not give rise to goodwill.

	Note	10 March 2010 RMB'000
Assets and liabilities of a subsidiary acquired:		
Land lease prepayments	14	439,546
Cash and cash equivalents		519
Interest-bearing bank loans		(140,000)
Deposits received, accruals and other payables		(34,019)
Deferred tax liabilities		(64,546)
Minority interests		(20,150)
		181,350
Satisfied by:		
Cash		181,350

29. BUSINESS COMBINATION

On 30 June 2010, Qinhuangdao Bohai Logistics Holding Corporation Ltd. ("Bohai Logistics") became a subsidiary of the Company and was consolidated into the consolidated financial statements of the Company. Bohai Logistics was 29.9% owned by the Group as at 30 June 2010. In the opinion of the directors, the Group has obtained effective control over Bohai Logistics upon the election of the directors nominated by the Company, who together constitute the majority of the board members of Bohai Logistics. Bohai Logistics principally engages in the operation of department stores in Qinhuangdao, the PRC.

The fair values of the identifiable assets and liabilities of Bohai Logistics as at the date it became a subsidiary of the Group and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000	Previous carrying amount RMB'000
Property, plant and equipment	12	194,493	193,668
Investment properties	13	154,047	145,381
Land lease prepayments	14	506,318	189,439
Other intangible assets	16	1,148	1,148
Available-for-sale equity investments		5,200	5,200
Prepayments		65,859	65,859
Deferred tax assets		14,994	14,994
Inventories		25,058	25,058
Completed properties held for sale		152,407	147,831
Properties under development		307,833	271,458
Trade receivables		37,033	37,033
Prepayments and other receivables		64,688	64,688
Equity investments at fair value through profit or loss		720	720
Pledged deposits		10,000	10,000
Cash and cash equivalents		118,670	118,670
Trade and bills payables		(247,179)	(247,179)
Deposits received, accruals and other payables		(260,914)	(260,914)
Interest-bearing bank loans		(287,700)	(287,700)
Tax payable		2,105	2,105
Deferred tax liabilities		(68,532)	—
Minority interests		(5,137)	(5,754)
		791,111	491,705
Minority interests on acquisition		(554,599)	
		236,512	
Goodwill on acquisition	15	343,712	
Satisfied by:			
Fair value of the shares in Bohai Logistics at the acquisition date		580,224	

29. BUSINESS COMBINATION (continued)

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the six months ended 30 June 2010 would have been RMB1,184,041,000 and RMB288,435,000, respectively, based on the management accounts provided by Bohai Logistics.

30. DISPOSAL OF A SUBSIDIARY

On 12 January 2010, the Group disposed of the entire equity interest in Chengshang Motor, a company engaged in the sale of automobiles, to Mr. Lv Zhiyong and Mr. Tu Bin, independent third parties, for a consideration of RMB23,000,000 as agreed between both parties.

	Note	**12 January 2010 RMB'000**
Net assets disposed of:		
Property, plant and equipment		1,302
Goodwill		17
Cash and bank balances		4,768
Trade receivables		203
Prepayments and other receivables		21,709
Deferred tax assets		493
Inventories		8,912
Trade payables		(1,351)
Deposits received, accruals and other payables		(33,846)
Tax payable		(1,395)
		812
Gain on disposal of a subsidiary	7	22,188
		23,000
Satisfied by:		
Cash		23,000

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

	12 January 2010 RMB'000
Cash consideration	23,000
Cash and bank balances disposed of	(4,768)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	18,232

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties 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:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	136,573	116,388
In the second to fifth years, inclusive	242,752	81,531
After five years	41,107	22,781
	420,432	220,700

(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:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	143,633	104,929
In the second to fifth years, inclusive	475,805	398,977
After five years	413,372	385,527
	1,032,810	889,433

32. COMMITMENTS

In addition to the operating lease commitments as set out in note 31(b) above, the Group had the following capital commitments:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Contracted, but not provided for, in respect of land and buildings	**720,917**	671,206

33. 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 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), a subsidiary of the Group, 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.

34. 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 period:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye (Group) Co., Ltd. (深圳茂業（集團）股份有限公司) (i) & (iii)	**11,041**	11,041
Zhong Zhao Investment (Group) Limited (中兆投資（集團）有限公司) (i) & (iii)	**4,269**	4,269
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (iii)	**27,345**	27,345
Shenzhen Chongde Real Estate Co., Ltd. (深圳市崇德地產有限公司) (i) & (iii)	**212**	212
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (iii)	**3,152**	3,152
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (iii)	**9,620**	9,620
Shenzhen Friendship Trading Centre Co., Ltd. ("Shenzhen Friendship") (深圳友誼貿易中心有限公司) (iii) & (v)	**4,450**	—
Changzhou Taifu Real Estate Development Co., Ltd. (常州泰富房地產開發有限公司) (i) & (iii)	**3,586**	—
	63,675	55,639
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
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (iv)	**1,710**	1,120
Wuxi Maoye Baifu Supermarket Co., Ltd. (無錫茂業百福超級市場有限公司) (i) & (iv)	**—**	267
	1,710	1,398

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(2) Non-recurring transactions		
Banking facilities guaranteed by:		
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii)	**1,600,000**	1,000,000

(i) They are fellow subsidiaries of the Company.

(ii) Mr. Huang Mao Ru is a director of the Company, and Mrs. Huang Jingzhang is the wife of Mr. Huang Mao Ru.

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

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

(v) Mr. Zhong Pengyi, a director of the Company, is a shareholder of Shenzhen Friendship.

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

(vi) 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 Holdings Limited ("Richon Group") (中華兆業(控股)有限公司) from Richon Holdings and Maoye China at a total consideration of HK$1,928,000,000.

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. 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.

On 29 June 2010, the Group, Richon Holdings and Maoye China entered into another supplemental agreement to further extend the time to complete the acquisition to a future date to be decided by the parties.

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Due from related parties		
Due from associates	1,047	767
Due from fellow subsidiaries	1,724	2,972
	2,771	3,739
Due to related parties		
Due to associates	—	210
Due to fellow subsidiaries	4,099	2,127
	4,099	2,337

Included in the balances due from fellow subsidiaries as at 30 June 2010 was an aggregate amount of approximately RMB1,724,000 (31 December 2009: approximately RMB2,972,000) 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.

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Salaries and allowances	**2,423**	2,312
Retirement benefits	**64**	67
Equity-settled share option expense	**205**	—
	2,692	2,379

35. FAIR VALUE HIERARCHY

As at 30 June 2010, the Group held the following financial instruments measured at fair value:

	30 June 2010	Level 1	Level 2	Level 3
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss				
Trading securities	**36,018**	**36,018**	**—**	**—**
Available-for-sale equity investments				
Equity shares	**393,376**	**393,376**	**—**	**—**

During the six months ended 30 June 2010, 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.

36. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2010, Shenzhen Maoye Shangsha Co., Ltd., a wholly-owned subsidiary of the Company, successfully bid for a parcel of land located in Huaian, Jiangsu Province at a total consideration of RMB275,000,000 in a public asset sale auction from Huaian Municipal Bureau of Land and Resources.

37. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 12 August 2010.