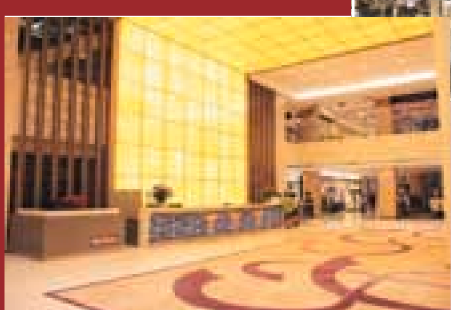
MOI

茂業國際控股有限公司
MAOYE INTERNATIONAL HOLDINGS LIMITED

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

Annual Report 2010



Contents

Corporate Profile

Maoye International Holdings Limited (the "Company") and its subsidiaries (the "Group") are principally engaged in the operation and management of department stores in the People's Republic of China (the "PRC"). The Company was incorporated in the Cayman Islands with limited liability on 8 August 2007. 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 Group is positioned at the medium to high-end department store merchandise and offers a stylish and diversified merchandise mix for well-off urban residents.

As a leading domestic operator of department stores, the Group operates department stores in the affluent and regions of China with high economic growth. Currently, the Group is strategically expanding into four regions: Guangdong Province which is economically developed, Sichuan Province which is one of the most densely populated regions, Jiangsu Province which ranks among the top three regions in terms of GDP, Shandong Province and the Bohai Rim region.

As at the publication date of this annual report, the Group operates and manages 38 stores in 17 cities across the nation with total gross floor area of 1,123,793 square metres, of which self-owned properties accounted for 58.9% in gross floor area (excluding the gross floor area of managed stores). The cities under its coverage include Shenzhen and Zhuhai in Guangdong Province; Chengdu, Nanchong, Mianyang and Luzhou in Sichuan Province; Chongqing; Wuxi, Taizhou, Yangzhou and Changzhou in Jiangsu Province; Zibo in Shandong Province; Qinhuangdao and Baoding in Hebei Province; Shenyang in Liaoning Province and Taiyuan and Yangquan Shanxi Province. As at the publication date of this annual report, the distribution of stores of the Group are as follows:

	Southern China	Southwestern China	Eastern China	Northern China	Total
No. of Stores	7	13	9	9	38
Gross Floor Area (sq.m)	235,523	308,939	296,116	283,215	1,123,793

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

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

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

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

Mission Statement

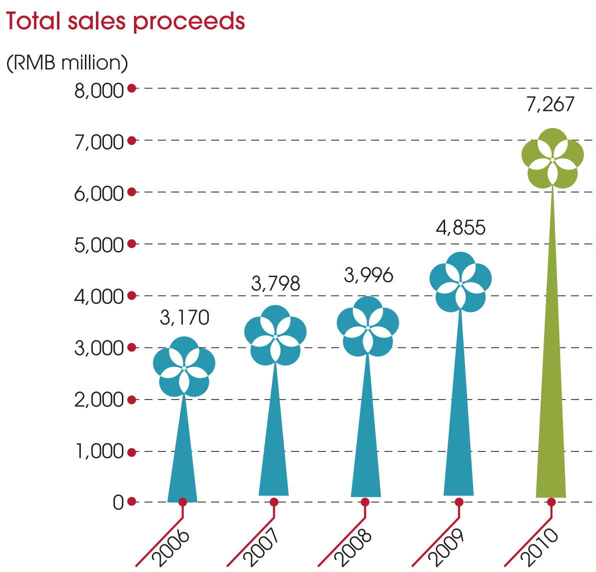
To become a leading department store chain operator in China

Financial Highlights

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

OPERATING RESULTS

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)			
Total sales proceeds[1]	**7,266,687**	4,854,737	3,995,748	3,797,578	3,169,972
Total operating revenue[2]	**2,748,350**	1,832,071	1,967,435	1,922,939	1,651,702
Operating profit	**917,441**	702,749	740,478	643,222	233,097
Profit for the year	**624,086**	504,170	543,318	444,088	177,932
Profit attributable to:					
– Owners of the parent	**576,597**	470,107	520,969	416,999	217,059
– Non-controlling interests	**47,489**	34,063	22,349	27,089	(39,127)
Basic earnings per share (RMB)[3]	**0.11**	0.09	0.11	0.10	0.05
Total dividend per share for the year (HK cents)	**1.8**	3.1	5.5	N/A	N/A
– interim	**1.8**	1.6	3.3	N/A	N/A
– final	**—**	1.5	2.2	N/A	N/A



Financial Highlights

Notes:

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

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

3. The calculation of basic earnings per share for the year ended 31 December 2010 is based on the net profit attributable to owners of the parent of approximately RMB576,597,000 and the 5,139,856,000 ordinary shares in issue.

   The calculation of basic earnings per share for the year ended 31 December 2009 is based on the net profit attributable to owners of the parent of approximately RMB470,107,000 and the 5,139,856,000 ordinary shares in issue.

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

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

HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

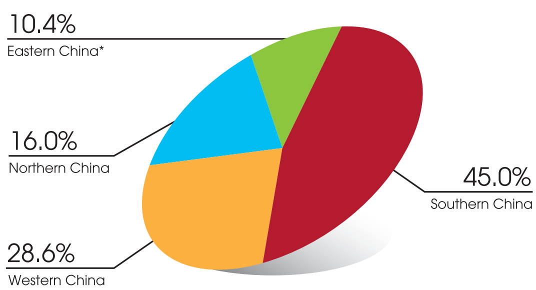
	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**12,048,938**	7,247,614	5,500,861	3,597,158	4,204,311
Total liabilities	**7,108,387**	3,492,027	2,359,756	3,135,672	3,068,228
Total equity	**4,940,551**	3,755,587	3,141,105	461,486	1,136,083
– attributable to owners of the parent	**3,899,584**	3,417,326	2,843,246	200,758	900,306
– Minority interests	**1,040,967**	338,261	297,859	260,728	235,777

Retail Network

	Store (City)	Term of operation (Year)[1]	Gross floor area (sq.m.)	Property ownership
1	Shenzhen Dongmen	14.1	47,436	Owned
2	Shenzhen Heping	11.5	23,078	Leased[2]
3	Zhuhai Xiangzhou	9.4	23,715	Leased[2]
4	Shenzhen Huaqiangbei	7.5	59,787	Leased[2]
5	Chongqing Jiangbei	6.5	53,542	Leased[2]
6	Shenzhen Shennan	4.8	10,507	Leased[2]
7	Chengdu Yanshikou	5.8	53,873	Owned
8	Chengdu Beizhan	5.8	7,204	Owned
9	Chengdu Wuhou	5.8	16,000	Leased[3]
10	Nanchong Wuxing	5.8	25,994	Owned
11	Chengdu Wenjiang	5.8	8,422	Leased[3]
12	Luzhou Beita	5.8	15,115	Leased[3]
13	Mianyang Linyuan	3.2	21,731	Owned
14	Nanchong Mofanjie	2.5	24,035	Owned
15	Mianyang Xingda	2.5	27,617	Owned
16	Qinhuangdao Jindu	2.5	46,610	Owned
17	Taiyuan Liuxiang	2.3	30,616	Owned
18	Shenzhen Nanshan	1.5	45,000	Owned
19	Chengdu Longquanyi	1.5	8,373	Leased[3]
20	Taizhou First Department store	1.4	40,358	Owned
21	Changzhou Wujin	1.2	22,500	Leased[2]
22	Chengdu Qingjiang	1.1	5,033	Leased[3]
23	Shenzhen Friendship	0.9	26,000	Leased[2]
24	Qinhuangdao Hualian	0.8	10,355	Owned
25	Qinhuangdao Shangcheng	0.8	26,696	Owned
26	Qinhuangdao Jinyuan	0.8	10,470	Owned
27	Qinhuangdao Xiandai	0.8	36,897	Leased[3]
28	Zibo Jindi Shopping Plaza	0.4	51,266	Owned
29	Shenyang Jinlang	0.3	70,000	Leased[2]
30	Baoding Guomao Store	0.3	21,831	Owned
31	Yangzhou Store	0.2	21,485	Owned
32	Zibo Dongtai Shopping Plaza	0.1	36,791	Owned
33	Zibo Dongtai Shangsha	0.1	21,229	Owned
34	Zibo Taikerong Store	0.1	25,337	Owned
35	Zibo Dongtai Shangcheng	0.1	6,800	Leased[3]
36	Yangquan Store	—	29,740	Leased[3]
37	Chongqing Jiefangbei	6.2	42,000	Managed Store
38	Jiangsu Wuxi	3.3	70,350	Managed Store

Notes:
1. The term of operation is up to the publication date of this annual report, and the term of acquired stores were calculated from the date of acquisition.
2. Leased from connected party.
3. Leased from independent third parties.

TOTAL SALES PROCEEDS IN 2010 BY REGIONS (EXCLUDING MANAGED STORES)



* As at 31 December 2010, the total sales proceeds in Eastern China have not included that of Zibo Dongtai Shopping Plaza, Zibo Dongtai Shangsha, Zibo Taikerong Store and Zibo Dongtai Shangcheng, as these stores became subsidiaries of the Company since 27 January 2011.

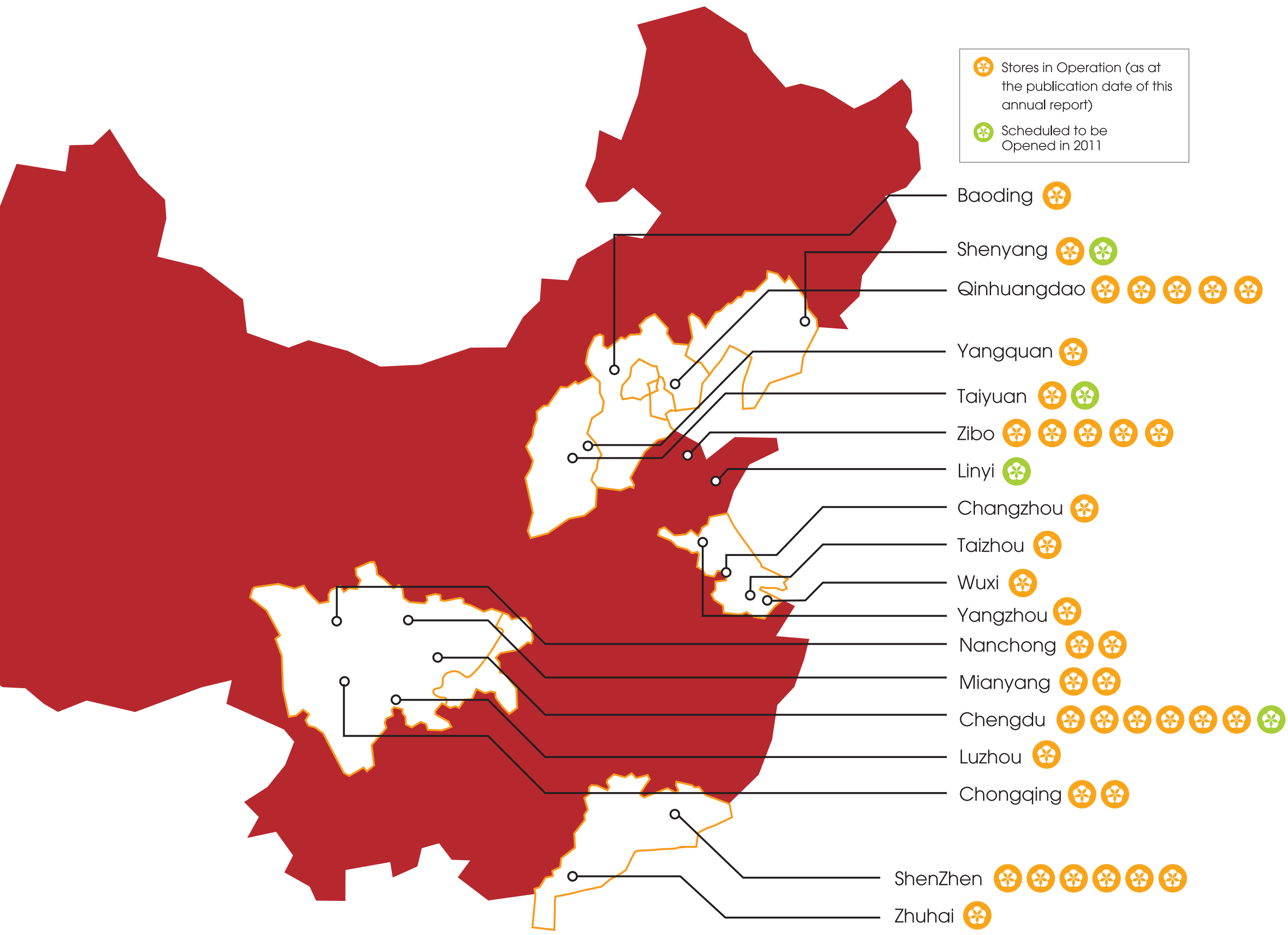
Retail Network

Shenyang Tiexi Store

Taiyuan Qinxianjie Store

Shandong Linyi Store

Chengdu Southern



Operating 38 stores as of the publication date of this annual report and at least 4 more new stores to be opened in 2011

Chairman's Statement

In 2010, through the collective efforts of our management and all our staff, together with the tremendous support from our suppliers and business partners, the business of the Group maintained its rapid development momentum. Total sales proceeds for the full year increased to RMB7,266.7 million, representing an increase of 49.7% over the previous year. Same-store sales growth from concessionaire sales was 21.5% and net profit attributable to the parent company amounted to RMB576.6 million, representing an increase of 22.7% over the previous year. Net profit before Share Option expenses and non-operating gains and losses was RMB585.1 million, increased by 37.0% compared to the previous year.

OPERATION REVIEW

In 2010, in light of the complexities and volatility of the economic conditions in the PRC and overseas, the Group took advantage of the national policy to expand domestic demand and continued to enhance its internal operation management, successfully completed its operation target and also successfully achieved the exercise conditions of the Share Options for the first exercise period of the Group.

In 2010, the Group adhered to its strategies of steady operations and active expansion and achieved striding development during the year, achieving preliminary success in its strategic development across the country (Southern China, Southwestern China, Northern China and Eastern China) and accumulating a large number of quality assets for the Group. In 2010, the Group opened five new stores (Changzhou Wujin Store, Chengdu Qingjiang Store, Shenzhen Friendship City Store, Shenyan Jinlang Store and Baoding Guomao Store). It successfully obtained the effective control of A-share listed company Qinhuangdao Bohai Logistics Holding Corporation Ltd. (stock code: 000889), and acquired 80% equity interests in Shandong Zibo Sugar Wine Co., Ltd. （山東省淄博糖酒站股份有限公司）and land parcels at prime locations at Huaian and Taizhou of Jiangsu Province and Jinzhou of Liaoning Province, etc.

In October 2010, the Group successfully issued convertible bonds due in 2015 with an annual coupon rate of 3%, raising approximately HK$1.16 billion and enlarging the capacity for the Group's "Great development".

The Group continued to consolidate its market position through a business model that focuses on assets. The Group is one of the top department store chains listed in Hong Kong in terms of area of self-owned properties and number of stores. As at the publication date of this annual report, the Group operated and managed 38 stores across the country, covering the four major areas of Southern China, Southwestern China, Northern China and Eastern China and our total gross floor area amounted to 1,123,793 sq.m., of 58.9% of the gross floor area are self-owned stores (excluding managed stores) of the Group.

In 2010, the Group continued to uphold its leading position in Southern China and Southwestern China and further expanded its market share in Eastern and Northern China. The percentage of total sales proceeds attributed to the Southern China region decreased from 55% in 2009 to 45% in 2010. The percentage of total sales proceeds of the Group attributed to the Northern and Eastern China regions increased to 16.0% and 10.4% respectively. In 2010, sales proceeds from Northern China and Eastern China increased by 196% and 547%, respectively on a year-on-year basis.

Highlights of our operation during the year included: the implementation of tier management and hierarchical resource allocation at our stores, establishment of flagship stores and core stores and enhancement of our ability to integrate regional resources, which facilitated the fast growth of many of our stores and brought a nearly 50% same-store growth of Taiyuan Liuxiang Store and Qinhuangdao Jindu Store. As a breakthrough, we have established a continuously effective emotional marketing model.

Chairman's Statement

Particularly, the Thanksgiving Celebration at our Shenzhen Dongmen Store has become like a shopping carnival in Shenzhen and Hong Kong, attracting hundreds of thousands of VIP members from cities surrounding Shenzhen such as Hong Kong, Dongguan and Huizhou and recording a new industry sales record. We also stepped up efforts on refined management, targeted operation, budget management and result-orientation; and we repeatedly followed up and made improvements on our operation targets on a daily, weekly and monthly basis. We also introduced a standardized management system to increase our overall work efficiency and continued to foster customer loyalty and focused on VIP members' marketing and value added services for VIP members. Sales amount attributed to members increased significantly, representing 32.5% of the Group's overall sales amount. The VIP members reached over 2 million for the first time and sales per ticket for VIP members reached to RMB1,360, which is much higher than the average spending. We continued to optimize our supply chain management and expand co-operation with our strategic partners.

OUTLOOK

At the end of 2010, the Chinese government, for the first time, included "expansion of domestic demand" as a separate agenda item of the Twelve Five-Year Plan of the country, which has a long-term positive effect on the department store retail industry. "Economic growth and people's livelihood" has been promoted as the main focus of the country and the government has introduced a series of reform measures to match with these goals (raising income levels, narrowing poverty gap, improving education, medical care and social welfare), which we believe will alleriate citizens' future concerns and will certainly further increase spending. In addition, young adults born in the 80s and 90s have a much stronger desire to spend and have lower savings than the older generations. They have gradually become the major driving force of spontaneous spending for the department store industry and they are and will be the mainstream spending group of China today and for the next ten years.

At the same time, the retail market has continued to develop due to the acceleration of urbanization in second and third-tier cities in China, which presented great development opportunities for Maoye, a department store operator which has been focusing on its development in second and third tier cities.

We will celebrate our 15th anniversary in 2011. Looking back at our development over the past 14 years, the Group increased the number of its stores from one to 38 and has opened stores in 17 cities across eight provinces. Not only is this a business miracle, but also a glory achieved through the dedication of everyone within the Group.

In 2011, the Group will continue to adopt the development model of "department store + commercial property" and continue to focus on developing its Southern China operations, strengthening its Southwestern China operations and focus on its expansion in Eastern China and Northern China. It will adhere to its focused strategy of opening three to five stores in one city and speed up the pace of its geographical extension across the country through acquisition, self-construction and leasing. In 2011 to 2013, the Group will continue to expand by opening not less than five stores each year with not less than 200,000 sq.m. in gross floor area.

Looking ahead, the Group will continue to reinforce its internal operation management and step up the strategic cooperation with its suppliers; and fully implement all incentive policies to become the leading department store enterprise in China to mark the commencement of a new business era in order to maximize shareholders' returns.

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

Huang Mao Ru
Chairman
20 March 2011

Management Discussion and Analysis

OPERATION REVIEW

In 2010, the department stores and retail industry continued to thrive given the higher acceleration of the Chinese nationals' wages over that of CPI under the State policy to stimulate domestic demand and consumption, the speeding up of urbanization process in tier-two and tier-three regions as well as the continual expansion of middle class.

During the year, the Group made remarkable breakthroughs both in internal operations and external expansion, created new milestone achievements on business development and thereby established a solid foundation for its "Great Development Strategy" in 2010 to 2012.

STORES EXPANSION

In 2010, under the guidance of the Board of Directors, the Group steadily proceeded with its groundbreaking developmental strategies and has successfully implemented its strategic plans for regions in Southern China, South-western China, Eastern China and Northern China: in 2010 successive opening of five stores (Changzhou Wujin Store, Chengdu Qingjiang Store, Shenzhen Friendship City Store, Shenyang Jinlang Store and Baoding Guomao Store), successful acquisition of effective control in Qinhuangdao Bohai Logistics Holding Corporation Ltd. (秦皇島渤海物流控股股份有限公司) ("Bohai Logistics"), a company listed on the Shenzhen Stock Exchange (stock code: 000889); and acquisitions of 80% equity interest in Shandong Zibo Sugar Wine Co., Ltd. (山東省淄博糖酒站股份有限公司) and prime land parcels respectively in Huaian City and Taizhou City of Jiangsu Province and Jinzhou City of Liaoning Province. As at the publication date of this annual report, the Group has operated and managed 38 stores in 17 cities, covering a gross floor area of 1,123,793 square meters.

OPERATIONAL MANAGEMENT

Enhancing of Sophisticated Management

The Group has further enhanced budget management and target-oriented operations: a standardized management system was imported and work efficiencies were fully enhanced; an effective management system of PDCA (Plan-Do-Check-Act) was strictly implemented.

Store Upgrading and Performance Consolidation

Stores nationwide were managed in a hierarchical system and resources were allocated accordingly, thereby establishing the flagship stores and core outlet stores; the integration capabilities of regional resources were strengthened, which have contributed to a rapid growth of sales in Chongqing Jiangbei Store, Mianyang Xingda Store, Taiyuan Liuxiang Store and Qinhuangdao Jindu Store; while precise positioning and allocation were implemented over the merchandise mix pursuant to which many international and domestic top brands as well as fashionable goods were introduced such that sales per square meter and sales growth rate for the same store were effectively enhanced, thereby the goal of store upgrading were achieved.

Customer Service Management and Customer Values Enhancement

Emphasis was put on membership marketing and services such that the consumption percentage of VIP members was enhanced. The Group has continued to strengthen its efforts of boosting customers' loyalty and reinforced value-added services for VIP members, resulting in a substantial growth on the sales revenue from VIP members. The VIP members has exceeded 2 million for the first time. The sales per ticket for VIP members has reached RMB1,360, which was far beyond the average sales per ticket.

Management Discussion and Analysis

Innovating Marketing Concepts and Marketing Method

The Group has been committed to seek for breakthroughs from traditional modes of marketing and to take the lead on creating marketing concepts for the industry; the Group launched thanksgiving marketing events nationwide especially for VIP members and such activities have created a far-reaching impact on the industry: a groundbreaking record of sales proceeds (including coupons) amounted to RMB280 million per store within 68 hours. The Group was the first in the industry to launch the "Joint Shopping Day" and "Members' Shopping Day", which have fully utilized the "80/20 Principle" (「二八」原理) in the implementation of target-oriented strategy. Public holidays were flexibly used to conduct various kinds of distinctive marketing and cultural marketing programmes.

Exploration of Financial Values and Safeguard of Strategic Development

The Group has also strengthened risks control and further perfected systems for fund precautionary management and internal control.

Moreover, the Group has intensified its efforts on the disposal of non-core assets. In early 2010, the Group successfully disposed the automobile business of Chengshang Group (成商集團), a subsidiary controlled by the Group.

Transformation of administrative management

The Group procured resources from suppliers by integrating administrations throughout the nation. By means of large-scale bidding, the Group has effectively reduced administration costs of procurement, regulated the working standards for administrative management and has fully enhanced the working efficiency for the administrative management system.

Upgrading the Information System

The Group has upgraded the existing POS system in order to improve the settlement efficiency; it has also further enhanced service platforms for suppliers to safeguard the immediate information sharing with them; the Group's information system was fully upgraded for the development of its corporate strategies.

Human Resources Planning and Management

The Group has paid more attention to human resources planning to train up operating talents at multi-levels. The Group has also implemented effective incentive policies so that staff performance would be closely tied to the business development of the Group.

MARKET PERFORMANCE

Southern China Region

In 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 operational and marketing strategies. The Group actively guided its stores to adapt to market changes and to continuously introduce innovations in marketing strategies. In 2010, contribution of total sales proceeds from the Southern China region to the Group's total sales proceeds was 45.0%. The region recorded same-store growth of 14.5% in sales proceeds from concessionaire sales, with same-store growth of 16.6% for the second half of 2010.

Shenzhen Huaqiangbei Store, the flagship store of the Group, introduced in March 2010 a number of prestigious food and beverage companies and the cinema projects. This has not only created a more enjoyable shopping environment, but has also increased customer flow.

Management Discussion and Analysis

Shenzhen Dongmen Store, the first store of the Group, under the impact of subway re-construction, actively changed its business concepts and strategies, made adjustments to its mechandise mix and brand upgrade and adopted various kinds of innovative marketing activities to attract the attention of more consumers. Following the launch of the "Staff Shopping Day" and promotion events, it has achieved a great success through emotional marketing, setting a new record in 68 hours.

Shenzhen Nanshan Store, the Group's third-generation department store of fine products, has achieved satisfactory operating results since commencement of business on 26 September 2009, realizing its objective of "making profits at the opening year". Nanshan Store will continue to make brand adjustments and marketing activities and further strenghthen its leading position in the Nanshan business circle.

Southwestern China Region

The Group continued to implement the dual-brand development 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 respective features. The Group also continued to raise standards of operation and quality of service of its stores, optimizing merchandise categories and brand mix and actively launching innovative marketing activities. In January 2010, Chengshang Group, a subsidiary of the Group, announced the successful disposal of its non-core business, namely the automobile business, so that the Group could concentrate on its core business. During the year, the Group will speed up its expansion of stores in the Southwestern China region.

Chengdu Yanshikou Store, one of our flagship stores in the Southwestern China region, continued its brand upgrade and adjusting its merchandise offerings during the year, and achieved sustainable increase in its results, despite the negative impact caused by subway construction in the surrounding areas this year.

Zibo Jindi shopping plaza

Shenzhen Friendship store

Yangzhou Store

Management Discussion and Analysis

Chongqing Jiangbei Store, another flagship store of the Group in the Southwestern China region, proactively made innovations this year, resulting an increase in sales revenue and profits in the year. Adopting a marketing strategy that focuses on brand, culture and distinctive characteristics, the store continuously upgraded and adjusted its brands, and actively creating brands with core competitiveness. With effective implementation of such measures, Chongqing Jiangbei Store achieved more rapid growth of sales results. In 2010, Chongqing Jiangbei Store recorded sales proceeds from concessionaire sales of RMB450.9 million, representing an increase of 27.1% on a year-on-year basis.

The two stores that the Group acquired in 2008 in Mianyang, Sichuan are both situated in prime commercial locations in Mianyang which have become one of the best and largest department store in Mianyang with the most comprehensive merchandise offerings and best ambience. In 2010, Mianyang Xingda Store recorded same-store growth in total sales proceeds from concessionaire sales of 83.5%.

The two stores, namely Wuxing Store and Mofanjie Store, which are owned by the Group in Nanchong, Sichuan Province and situated in the core business circle of Nanchong, recorded a growth in aggregate sales proceeds from concessionaire sales of 27.2% in 2010, while Wuxing Store alone achieved a growth of 32.0%, on a year-on-year basis.

Eastern China Region

The Eastern China region is the Group's key strategic development area. Through acquisitions, self-construction and leasing, the Group owns nine stores in this area, as at the publication date of this annual report, located in Wuxi, Changzhou, Taizhou, Zibo and Yangzhou etc, respectively. The Group also plans to continue to open new stores in Linyi and Huaan. In 2010, the total sales proceeds generated by the Eastern China region accounted for 10.4% of the total sales proceeds of the Group, representing an increase of 8.0% on a year-on-year basis (in 2009: 2.4%).

Chengdu Southern Store

Taizhou East Plaza

Baoding Yanzhao Store

Huaian Store

Management Discussion and Analysis

Benefiting from the Group's excellent new store integration capability and rich supplier resources, Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store"), a store we acquired in October 2009, continued to post outstanding performance since its acquisition. In 2010, Taizhou First Department Store recorded total sales proceeds of RMB665.2 million.

Northern China Region

The Northern China region is a key development region of the Group. During the year, the Group opened two new stores, namely Shenyang Jinlang Store and Baoding Guomao Store, successfully acquired and gained effective control of Bohai Logistics and effectively consolidated the resources in the Northern China market, thereby setting a basis for the Group's development in the Northern China region. As at the publication date of this annual report, the Group successfully operated nine department stores in Northern China and will open more stores in the future, including Shenyang Tiexi Store, Taiyuan Qinxianjie Store, Jinzhou Linghe Store and Baoding Yanzhao Store etc. In 2010, the total sales proceeds generated by the Northern China region accounted for 16.0% of the total sales proceeds of the Group. Same-store growth of sales proceeds from concessionaire sales was 48.5%, with same-store growth of 69.7% recorded in the first half of 2010.

Qinhuangdao Jindu Store and Taiyuan Liuxiang Store, the two stores in Northern China acquired by the Group in 2008, are both located in the prime commercial area of the local core business district. After the acquisitions, the Group continuously made adjustments in brand upgrading, merchandise mix and customer flows, which led to a steady increase in sales of the two stores. This outcome was even more evident after upgrading and adjustments carried out by the Group in the first half of 2009. In 2010, the Qinhuangdao Jindu Store recorded proceeds from concessionaire sales of RMB223.5 million, an increase of 48.3% over the same period last year. The Taiyuan Liuxiang Store recorded proceeds from concessionaire sales of RMB345.3 million, an increase of 48.6% over the same period last year.

Performance of Major Same – Stores[1]

	Store name	Gross floor area *(sq.m)*	Operation area *(sq.m)*	2009 Sales per ticket *(RMB)*	2010 Sales per ticket *(RMB)*	Proceeds from Concessionaire sales - 2009 *(RMB'000)*	Proceeds from Concessionaire sales - 2010 *(RMB'000)*	YoY growth Rate of proceeds from Concessionaire sales
1	Shenzhen Dongmen Store	47,436	33,680	502	560	685,767	760,759	10.9%
2	Shenzhen Heping Store	23,078	17,309	502	452	101,231	128,879	27.3%
3	Zhuhai Xiangzhou Store	23,715	17,549	337	332	193,421	222,662	15.1%
4	Shenzhen Huaqiangbei Store	59,787	45,677	560	649	1,376,228	1,583,172	15.0%
5	Chongqing Jiangbei Store	53,542	36,276	342	411	354,841	450,865	27.1%
6	Chengdu Yanshikou Store	53,873	40,674	480	538	483,434	542,824	12.3%
7	Nanchong Wuxing Store	25,994	19,530	339	444	172,386	227,541	32.0%
8	Mianyang Linyuan Store	21,731	13,780	206	243	44,355	59,800	34.8%
9	Nanchong Mofanjie Store[2]	24,035	21,124	241	259	26,462	25,352	(4.2%)
10	Mianyang Xingda Store	27,617	19,884	408	468	128,658	236,070	83.5%
11	Qinhuangdao Jindu Store	46,610	33,606	285	335	150,690	223,534	48.3%
12	Taiyuan Liuxiang Store	30,616	22,105	399	447	232,268	345,264	48.6%

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 constructed a commercial street in 2010 on the lot where the Nanchong Mofanjie Store is located, and the construction resulted in an adverse impact on the operations of the Nanchong Mofanjie Store since May 2010. Besides, part of the operating floor area of the store was reallocated to food catering and entertainment ancillary facilities in May 2010, which also led to decrease of this store's sales proceeds.

Management Discussion and Analysis

NETWORK EXPANSION

Apart from Changzhou Wujin Store, Chengdu Qingjiang Store and Shenzhen Youyicheng Store opened by the Group in succession in the first half of 2010, the Group focused on expanding store networks in Northern and Eastern China during rest of the year.

Northern China Region

On 1 July 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 approximately RMB159.0 million. The land is located in the core commercial zone in Jinzhou with a high level of commercial activities in the surrounding area. The Group plans to build a department store and apartment complex on the land and operate the department store under the "Maoye" brand.

On 12 September 2010, the Group acquired Guomao Building in Baoding, Hebei Province, which is located in the Chaoyang South Street commercial zone, and is one of the major commercial zones of Baoding, Hebei Province, with a total gross floor area of approximately 21,831 square metres at a total consideration of approximately RMB176.0 million. The building held its grand opening on 31 December 2010.

On 3 November 2010, the Group also acquired a parcel of land with an area of approximately 11,333 square metres located in the business circle of Chaoyang South Street, Baoding at a total consideration of RMB126.0 million. The Group plans to build a department store and office complex on the land and operate the department store in the complex under the "Maoye" brand.

Shenyang Jinlang Store, opened by the Group through the leasing of the property of the controlling shareholder, held its grand opening on 24 December 2010. The opening of the Shenyang Jinlang Store will improve coverage of the store network of the Group in Northern China, further strengthening the Group's market position and influence in Northern China and also laying foundation for the establishment of the Shenyang Tiexi store.

Eastern China Region

On 8 July 2010, the Group successfully bid for another piece of prime land with an area of 14,090.6 square metres in Huaian City of Jiangsu Province at a total consideration of RMB275.0 million. 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.

On 13 October 2010, the Group acquired 80% of the issued share capital of Shandong Zibo Sugar Wine Co., Ltd. (山東省淄博糖酒站股份有限公司) ("Target Company") at a total consideration of approximately RMB388.0 million. The Target Company 100% owned Zibo Jindi Shopping Plaza Co., Ltd, which manages and operates Jindi Shopping Plaza (金帝購物廣場). The Jindi Shopping Plaza has a gross floor area of 51,266 square metres and is located at Zhangdian Willow Road, the heart of the central business district in Zibo. The Target Company also owns five parcels of land with a total land area of approximately 56,133 square metres.

On 26 October 2010, the Group entered into a Pre-sale and Purchase Agreement with the vendor to acquire a six-storey commercial building with a total gross floor area of approximately 45,758 square metres at a total consideration of approximately RMB311.2 million. The building is situated at Jietang Road, Lanshan District, the core commercial zone in Linyi City, Shandong Province. The Group intends to operate a department store in the building.

Management Discussion and Analysis

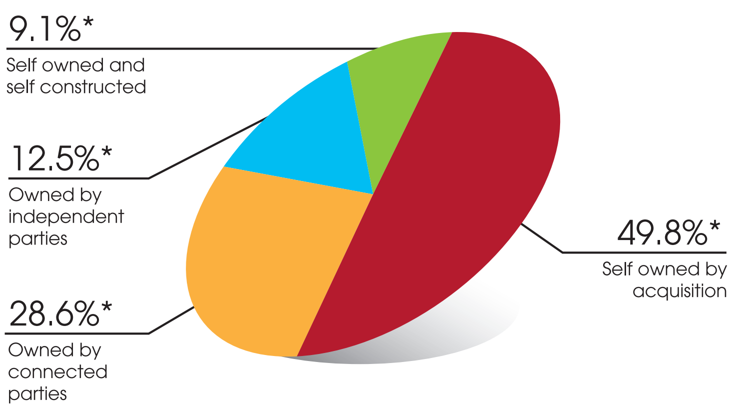
On 19 November 2010, the Group entered into an agreement to acquire an 80% of the issued share capital of Zibo Dongtai Building Co., Ltd. ("Dongtai Shangsha") (淄博東泰商廈有限公司) and the entire issued share capital of Zibo Dongtai Jianghao Logistics Co., Ltd. (淄博東泰江浩物流有限公司) at a consideration of approximately RMB406 million. Zibo Dongtai Building Co., Ltd. owned three department stores and operated a leased department store and a chain of over 40 supermarkets (including franchised stores), which are located in the core business area of Linzi District, Zibo City, Shandong Province. Zibo Dongtai Jianghao Logistics Co., Ltd. owned the land use right of a parcel of land with an area of approximately 28,018 square metres and also owned the buildings for the Jianghao Logistics Distribution Centre (江浩物流配送中心) under construction on the land. The transaction was subsequently completed on 27 January 2011 and Dongtai Shangsha became a subsidiary of the Company since then.

On 2 December 2010, the Group won the bid for a parcel of prime land, which is located in the Pozi Street commercial circle (also known as the Xibakou business area) of the core commercial district of Taizhou, Jiangsu Province, with a total area of approximately 212,698 square metres at a total consideration of RMB1,111.0 million. The land is adjacent to Taizhou First Department Store (泰州第一百貨) which enjoys a high reputation in Taizhou. The Group plans to build on the target land one of the most influential city commercial complexes in Taizhou. Upon completion, together with Taizhou First Department Store owned by the Group, the Directors believe that the complex will generate economy of scale, radiating outwards and influencing the consumer market of the entire Jiangsu Province and facilitating the strengthening of the Group's market position and influence in Eastern China.

On 23 December 2010, the Group successfully bid for a 70% equity interests of Yangzhou Yangzi River Department Store Co., Ltd. ("Yangzi River Department Store") (「揚州市揚子江百貨有限責任公司」), which owns and operates a department store located in the Wenchang commercial circle, Guangling District, the core business area of Yangzhou, Jiangsu Province, with a total gross floor area of approximately 21,485 square metres at a total consideration of approximately RMB174.0 million. The Directors believe that the department store acquired, together with the various stores successfully operated by the Group and the stores to be opened in Eastern China, will achieve economy of scale, thereby further enhancing the market presence and influence of the Group in Eastern China and the Yangtze River Delta economic region. The transaction was subsequently completed on 1 January 2011 and Yangzi River Department Store became a subsidiary of the Company since then.

Management Discussion and Analysis

2010 was a year during which the Group achieved great leaps forward in its development. As at the publication date of this annual report, the Group operated and managed 38 stores nationwide, covering the southern, southwestern, northern and eastern regions of China, with a total gross floor area of 1,123,793 square metres, of which 112,350 square metres are managed stores. As at the publication date of this annual report, the gross floor area by store property ownership was set out below:



* *excluding the gross floor area of managed stores.*

Management Discussion and Analysis

OUTLOOK

In late 2010, the Chinese government included the "expansion of domestic demand" as an independent topic in the country's five-year plan for the first time which we view the same will have long term positive impact on department store retailing business.

From a short-term perspective, moderate inflation will have a positive impact on the growth of consumer industries and the retail sector will maintain steady growth. From a medium-term perspective, the restructuring of the economic structure, the broadening of opportunities for the economic development of private enterprises, and reforms in policies of national economic income distribution, education, medical and social security services will further increase consumption. From a long-term perspective, the economy will maintain its rapid growth in the course of industrialization, and in conjunction with the advancement of urbanization, consumption growth will be expedited and opportunities for the development of the consumer market will continue to open up.

In 2011, the Group will effectively seize opportunities to continue to strengthen fine internal management processes in detail and management of stores by tier; identify growth potential and profit making capability of existing stores through measures such as brand upgrade and business operation reforms; focus on supporting newly opened stores, develop new business formats and identify new performance growth areas; enhance strategic developments of the purchasing department and strengthen overall budget and cost control; enhance integration of the operation and financial systems to provide efficient and better services to suppliers; improve the service standard of the customer service centres of our shops throughout the country and raise the value of membership cards and their service functions; in all aspects build a all-dimentional talent reserve mechanism for future stores development; and to fully implement our policy of "Triple Incentives" and "Triple Services" to motival our staff, suppliers and customers, and to improve and innovate business models so as to maintain the Group's leading position in the industry.

In 2011, the Group will continue to adhere to its "Great Development" theme and strategy and step on to a fast development track. The "Great 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 through multiple channels including acquisition, construction of self owned stores and leasing. The Group will actively speed up the opening of new stores through accelerating project construction and the recruitment of suppliers. 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, Jiangsu Huaian Store, Baoding Yanzhao Store, Shandong Linyi Store and Taizhou East Plaza Store. During 2011 and 2012, the Group will continue to open no fewer than five stores with an average gross floor area of not less than 200,000 square metres per year and will be steadily heading towards our goal of developing into the leading department store operator in China.

Management Discussion and Analysis

FINANCIAL REVIEW

Total Sales Proceeds and Revenue (excluding the total sales proceeds and revenue of a discontinued operation)
For the year ended 31 December 2010, total sales proceeds of the Group increased to RMB7,266.7 million, representing an increase of 49.7% as compared to the same period in 2009.

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**6,471,245**	4,381,479
Revenue from direct sales	**795,442**	473,258
Total Sales Proceeds	**7,266,687**	4,854,737

Among the total sales proceeds of the Group in the year of 2010, total sales proceeds derived from concessionaire sales accounted for 89.1% and those derived from direct sales accounted for 10.9%.

Same-store sales proceeds from concessionaire sales increased to RMB5,127.5 million, representing an increase of 21.5% as compared to the same period in 2009, of which total same-store sales proceeds from concessionaire sales in Southern China region increased by 14.5%, total same-store sales proceeds from concessionaire sales in Southwestern region increased by 26.5%, and total same-store sales proceeds from concessionaire sales in Northern region increased by 48.5%.

For the year ended 31 December 2010, the Group's commission rate from concessionaire sales was 17.5%, representing a decrease of 0.5% as compared to the same period in 2009. The decrease was mainly due to the lower commission rate of new stores during the initial period after opening and the reduction of brands with higher commission rate but low sales contribution, and the introduction of brands with high sales volume 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 established 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 year of 2010 comprised sales of apparel 46.0% (2009: 45.0%), cosmetics and jewelry 19.7% (2009: 19.0%), shoes and leather goods 13.4% (2009: 14.0%) and others such as children's wear and toys, household and electronic appliances, etc. 20.9% (2009: 22.0%). The percentage attributable to each product category to total sales proceeds was similar to that of the year of 2009.

For the year ended 31 December 2010, revenue of the continue operations of the Group (excluding the revenue of discontinued operation) amounted to RMB2,197.3 million, representing an increase of 54.1% as compared with RMB1,426.0 million for the same period of last year. The commissions from concessionaire sales and revenue from direct sales increased by RMB348.4 million and RMB322.2 million, respectively.

Management Discussion and Analysis

Other Income (excluding the other income from a discontinued operation)
For the year ended 31 December 2010, other income of the Group amounted to RMB551.1 million, representing an increase of 35.7% as compared with RMB406.1 million for the same period of last year. This was primarily resulted from the increase of other income related to the increase in sales proceeds from concessionaire sales.

Cost of Sales (excluding the cost of sales of a discontinued operation)
For the year ended 31 December 2010, cost of sales of the Group amounted to RMB747.1 million, representing an increase of 73.8% as compared with RMB429.9 million for the same period of 2009. This was primarily due to the increase of the direct sales business by 68.1% as compared with the same period last year.

Employee Expenses (excluding the employee expenses of discontinued operation)
For the year ended 31 December 2010, employee expenses of the Group amounted to RMB245.6 million, representing an increase of 82.9% as compared with RMB134.3 million for the same period of 2009, if without taking into account the effect of share option expenses, employee expenses increased by 53.6%. The increase was primarily attributable to the inclusion of staff costs for the new stores opened in 2010. Staff costs for the new stores increased by RMB40.4 million, and same-store staff costs increased by RMB6.9 million, representing an increase of 6.5% as compared with the same period last year. The proportion of employee expenses as percentage of total sales proceeds in 2010 increased to 3.4% as compared with 2.8% for the year of 2009.

Depreciation and Amortisation (excluding the depreciation and amortisation of a discontinued operation)
For the year ended 31 December 2010, depreciation and amortisation of the Group amounted to RMB211.1 million, representing an increase of 38.4% as compared with RMB152.5 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 in 2010. The proportion of depreciation and amortisation as percentage of total sales proceeds in 2010 decreased to 2.9% from 3.1% in 2009.

Operating Lease Rental Expenses (excluding the operating lease rental expenses of a discontinued operation)
For the year ended 31 December 2010, operating lease rental expenses of the Group amounted to RMB172.8 million, representing an increase of 31.8% as compared with RMB131.2 million for the same period of last year. This was primarily due to the increase in areas of the six stores leased in 2010. The proportion of operating lease rental expenses as percentage of total sales proceeds in the year of 2010 decreased to 2.4% from 2.7% in 2009.

Other Operating Expenses (excluding operating expenses of a discontinued operation)
For the year ended 31 December 2010, other operating expenses of the Group amounted to RMB488.4 million, representing an increase of 43.9% as compared with RMB339.4 million for the same period of last year. This was primarily due to the launch of new stores in 2010. The proportion of other operating expenses as percentage of total sales proceeds in 2010 decreased to 6.7% from 7.0% in 2009.

Other Gains (excluding other gains of a discontinued operation)
For the year ended 31 December 2010, other gains of the Group amounted to RMB34.3 million, representing a decrease of 40.9% as compared with RMB58.0 million in the same period last year. This was primarily due to the absence of gain arising from the disposal of a piece of land owned by Chengshang Group in 2009. The disposal was in line with the government's urban construction plan and resulted in gains of RMB29.7 million, but such gains didn't happen in 2010.

Management Discussion and Analysis

Operating Profit (excluding the operating profit of a discontinued operation)

For the year ended 31 December 2010, operating profit of the Group amounted to RMB917.4 million, representing an increase of 30.6% as compared to RMB702.7 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 sale proceeds of concessionaires, the margin of direct sales as well as other income derived from concessionaire sales as compared to the same period in 2009.

Finance Costs (excluding the finance costs of a discontinued operation)

For the year ended 31 December 2010, finance costs of the Group amounted to RMB113.8 million, representing an increase of 94.7% as compared to RMB58.4 million for the same period of last year. This was due to the increase in average balance of loans as compared to the same period of last year.

Income Tax Expense (excluding the other income of discontinued operation)

For the year ended 31 December 2010, income tax expense of the Group was RMB197.8 million, representing an increase of 36.9% as compared to RMB144.5 million for the same period last year. During the year ended 31 December 2010, the effective tax rate applicable to the Group was 24.6% (for the 12 months ended 31 December 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 year ended 31 December 2010, profit attributable to owners of the parent amounted to RMB576.6 million, representing an increase of 22.7% as compared to RMB470.1 million in 2009, while without taking into account the effect of share option expenses, representing an increase of 31.0%; while without taking into account the effect of share option expenses and non-operating gains and losses, representing an increase of 37.0%. Detailed analysis is as follows:

	2010 **RMB'000**	2009 RMB'000
Profit attributable to owners of the parent	**576,597**	470,107
Adjustment items:		
1. Without taking into account non-operating gains and losses*	**(30,994)**	(42,915)
2. Without taking into account share option expenses	**39,469**	—
Profit attributable to owners of the parent after adjustment	**585,072**	427,192
Growth rate	**37.0%**	

* Non-operating gains and losses represent gains or losses on equity investments at fair value through profit or loss, available-for-sale equity investments, investment in subsidiaries and associate and disposal of items of property, plant and equipment, investment properties and land lease prepayments, etc.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2010, the Group's cash and cash equivalents amounted to RMB1,024.1 million, increased by RMB567.1 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 RMB1,663.5 million arising from operating activities;

(2) net cash outflow arising from investing activities amounted to RMB2,292.6 million, mainly included payments for properties and equipment amounted to RMB528.7 million, prepayment and purchase of land lease prepayment amounted to RMB1,242.6 million, and prepayment for acquisition of a subsidiary amounting to RMB255.6 million; and

(3) net cash inflow of RMB1,201.1 million from financing activities for reasons such as the issue of convertible bonds and the increase in bank loans.

As at 31 December 2010, total bank loans of the Group were RMB2,415.8 million (31 December 2009: RMB1,432.0 million), of which RMB851.0 million will mature within one year.

The debt to total assets ratio of the Group, expressed as a percentage of interest-bearing bank loans over total assets, increased from 19.8% as at 31 December 2009 to 20.0% as at 31 December 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 31 December 2010, and relevant summary information relating to these companies.

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

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at the date of this report.

Management Discussion and Analysis

Major Property

The detailed information of the property of the Group held for development whose percentage ratio (as applicable) (as defined under Listing Rules 14.04(9)) exceeds 5% is set out as follows:

Name of the property	:	Taiyuan Qinxianjie Project (property development)
Book value (RMB)	:	738,840,783
Address	:	located at the south of Yong Kang Jie (永康街), north of Qin Xian Bei Jie (親賢北街), east of Ti Yu Xi Lu (體育西路) and west of Ti Yu Lu (體育路), Taiyuan Shanxi Province, PRC.
Stage of completion as at the date of this report	:	under construction
Expected completion time	:	2013
Site area (sq.m)	:	73,876
Existing use	:	approximately 73,876 square meters of Taiyuan Qinxianjie project are constructed or developed for further to sale or lease out after completion.
Expected gross floor area	:	approximately 450,000 square meters
Percentage interest in the property held by the Group	:	100%

Pledge of Assets

As at 31 December 2010, the Group's interest-bearing bank loans amounting to RMB2,415.8 million were secured by the Group's land and buildings, investment properties, land lease prepayments, completed properties held for sale and properties under development with net carrying amounts of approximately RMB656.5 million, RMB336.6 million, RMB1,182.3 million, RMB182.5 million and RMB14.4 million, respectively.

As at 31 December 2010, the Group's bills payables amounting to RMB4.5 million were secured by the Group's investment properties and land lease prepayments with net carrying amounts of approximately RMB10.2 million and RMB20.8 million respectively, and the Group's deposits amounting to RMB1.4 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 from foreign currency of approximately RMB0.7 million.

For the year ended 31 December 2010, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to any foreign exchange fluctuation risks.

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

(i) On 19 November 2010, the Group entered into an agreement with Zibo Dongtai Group Co., Ltd. (淄溥東泰集團有限公司) to acquire an 80% equity interest in Dongtai Shangsha for a cash consideration of RMB405,558,000. The transaction was completed on 27 January 2011.

(ii) On 23 December 2010, the Group successfully bid for a 70% equity interest in Yangzi River Department Store in a public auction and then entered into an agreement with Yangzhou Commercial Company (揚州商業大廈) and Yangzhou Yangzi River Investment Development Group (揚州市揚子江投資發展集團有限公司), who are independent third parties, pursuant to which Maoye China has agreed to purchase a 70% of the equity interest in Yangzi River Department Store for a cash consideration of RMB174,463,940. The transaction was completed on 1 January 2011.

(iii) On 24 January 2011, the Group was granted banking facilities by a bank amounting to RMB200 million for a period of 12 months. Additionally, on 28 January 2011, the Group was granted banking facilities by another bank amounting to RMB150 million for a period of 12 months.

EMPLOYEES

As of 31 December 2010, the Group had a total of approximately 9,246 employees (as of 31 December 2009: 4,065 employees). Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualification and experience of individual employees. Employees increase mostly due to consolidating Bohai logistic, Dongtai Shangsha and other new store openings (i.e Bobai logistic: 2,069 employees, Dongtai Shangsha: 1,563 employees).

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Mao Ru (黃茂如), aged 45, is the founder of the Group and has been the Chairman, Executive Director and Chief Executive Officer of the Company since August 2007. He is also a director of various companies in the Group. Besides, he is a director and owner of Maoye Department Store Investment Limited and MOY International Holdings Limited, the controlling shareholders of the Company. Mr. Huang is responsible for the overall development and strategic planning of the Group. He has extensive experience in department store and commercial real estate industries and has been engaged in department store business for over 10 years. Before commencing his department store business, Mr. Huang established Maoye (Shenzhen) Real Estate Development Co., Ltd. (茂業（深圳）房地產開發有限公司) in 1992 and Shenzhen Maoye (Group) Co., Ltd. (深圳茂業（集團股份有限公司) in 1995. Mr. Huang had been a director and the Chairman of Chengshang Group since July 2005 and resigned on 9 February 2009.

Mr. Zhong Pengyi (鍾鵬翼), aged 55, is an Executive Director and the Vice Chairman of the Company. He joined the Group in August 2007. Mr. Zhong has over 20 years of experience in the operational management of the department store industry, real estate industry and trading industry. Mr. Zhong has been the chairman of Friendship Department Store Company Limited (友誼城百貨有限公司) since February 2006 and the independent director of Shenzhen Changcheng Investment Holding Co., Ltd. (深圳市長城投資控股股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code:000042) since 2008. He is also a councilor of China Commerce Association for General Merchandise (中國百貨商業協會) and a Vice Chairman of China Friendship External Supplier Association of Commerce (中國友誼外供商業協會). Mr. Zhong received a master's degree in business administration from Hong Kong Baptist University in 2003.

Ms. Wang Fuqin (王福琴), aged 40, is an Executive Director, Vice President of Administration and a member of the Remuneration Committee of the Company. She is also a director/general manager of various companies in the Group. She joined the Group in 1996. Ms. Wang is responsible for the overall management of the Group's back office, including departments of finance, human resources, administration, office management, and information technology. Prior to joining the Group, Ms. Wang was engaged in office management at Nanjing Jianghai Shipping (Group) Company (南京江海航運集團公司). She has over 10 years of experience in the retail industry and had served as assistant general manager and deputy general manager of Shenzhen Maoye Shangsha Co., Ltd. (深圳茂業商廈有限公司), a wholly owned subsidiary of the Company, and as the general manager of Chengshang Group. Ms. Wang has been appointed as a director of Chengshang Group since June 2006 and as the Chairman of Chengshang Group since 9 February 2009. She has also been appointed as a director of Bohai Logistics since December 2009 and as the Chairman of Bohai Logistics on 6 April 2010.

Mr. Wang Bin (王斌), aged 44, has been appointed as an Executive Director and Chief Financial Officer of the Company with effect from 20 October 2010. Mr. Wang is a senior accountant. He received a bachelor's degree majored in financing and accounting from Shanghai Maritime University in 1988 and received a Master of Business Administration degree from Murdoch University of Australia in 2001. Prior to joining the Group, Mr. Wang Bin worked for China Merchants Group (香港招商集團) and served as financial controller of Huafu Holdings Limited (華孚控股有限公司). He has more than 20 years experience in financial management. Currently, he is a director of Huafu Top Dyed Melange Yarn Co., Ltd. (華孚色紡股份有限公司) (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, stock code: 002042). Mr. Wang was also appointed as a director of Chengshang on 9 November 2010 and a director of Bohai Logistics on 20 December 2010.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Chan Lum (鄒燦林), aged 60, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in October 2007. He is a member of the Hong Kong Institute of Certified Public Accountants and is a partner of Wong Brothers & Co., Certified Public Accountants. Mr. Chow obtained a Bachelor of Business Administration degree from The Chinese University of Hong Kong in 1974 and received a Postgraduate Diploma in Accountancy from the University of Strathclyde in Glasgow, the United Kingdom in 1975. He has been qualified as a Scottish Chartered Accountant since 1979, and was awarded a Postgraduate Diploma in China Law by the Research Institute of University of East Asia (now known as the University of Macau) in 1987. Mr. Chow is a member of the Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance and had served on a number of committees of the Hong Kong Institute of Certified Public Accountants, including as the deputy chairman of the Auditing & Assurance Standards Committee, and a member of the Investigation Panel, and the Professional Standards Monitoring Committee. He was a past President of The Taxation Institute of Hong Kong. Mr. Chow serves as an honorary advisor and committee member of various social bodies, and is currently a member of the Chinese People's Political Consultative Conference of Guangdong Province, the PRC. Currently, he is also an independent non-executive director of two other companies listed on the Stock Exchange.

Mr. Pao Ping Wing (浦炳榮), aged 63, is an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He joined the Group in August 2007. Mr. Pao obtained a Master of Science degree in Human Settlements Planning and Development from the Asian Institute of Technology in Bangkok, Thailand in 1980. For over 20 years, Mr. Pao has been actively serving on government policy committees and statutory bodies, especially those involving town planning, urban renewal, public housing, culture and arts and environmental matters. Mr. Pao is a Hon. Fellow of The Hong Kong Institute of Housing. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Outstanding Young Persons of the World in 1983. He was also an ex-Urban Councilor of Hong Kong. Mr. Pao was appointed as a Justice of the Peace in 1987 and was a member of the 9th and 10th session of the Guangzhou Committee of the Chinese People's Political Consultative Conference. He is also an independent non-executive director of a number of companies listed on the Stock Exchange.

Mr. Leung Hon Chuen (梁漢全), aged 59, is an Independent Non-executive Director and a member of the Audit Committee of the Company. He joined the Group in October 2007. He is currently operating a financial and investment consultation company with a focus on corporate fundraising and asset restructuring. Mr. Leung obtained a Bachelor of Arts degree with a major in economics from the University of Western Ontario in Canada in 1976. He has over 25 years of experience in financial services industry in Canada and Asia. Since 1976, Mr. Leung worked for the Canadian Imperial Bank of Commerce in Canada and Asia for 15 years, where he held senior management positions in investment banking, retail and corporate banking and private banking. Currently, he is also a non-executive director of another company listed on the Stock Exchange.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Hou Yin-Yao (侯英堯), aged 63, is the Vice President of Operation of the Company and is mainly responsible for the management of front office matters of the Group, including the departments of purchasing, operation and expansion. Mr. Hou has over 30 years of experience in planning and operational management in the general merchandise retailing industry. He joined the Group in September 2009. Prior to joining the Group, Mr. Hou held senior management positions, such as general manager, for various department stores both in mainland China and Taiwan, including Pacific Construction Co. Ltd. in Taipei, Taiwan (台灣台北太平洋建設集團) as special assistant to the president, Changchun Saide Shopping Centre in China (長春賽德購物中心) as general manager, Jushuixuan Shopping Centre in Taiwan (台灣掬水軒購物中心) as general manager, and Changchun Charter Department Store (長春卓展時代廣場百貨) as general manager. Mr. Hou graduated from National Chengchi University in Taiwan and obtained a master's degree in business management.

Ms. Gan Ling (甘玲), aged 36, has been appointed as the deputy general manager of the Company, the general manager of Strategic Management Centre and the general manager of Investor Relations Department of the Company since 20 October 2010. Ms. Gan has more than 10 years of experience in the financial industry. Prior to joining the Group, she was an analyst at Coatue Management LLC, one of the Tiger Cubs based in New York. Before going to the USA, Ms. Gan Ling served at Securities Times as a financial journalist and an editor for overseas financial markets. Ms. Gan Ling graduated from Shantou University majored in English and received a Master of Business Administration degree from the University of Texas at Austin.

Mr. Lee Chang Jung (李昌融), aged 46, is the General Manager of the operational management centre of the Company. He has over 20 years of experience in operational management in the general merchandise retailing industry. He joined the Group in September 2009. Prior to joining the Group, Mr. Lee held senior management positions for various department stores in Taiwan, mainland China and the Philippines, including Taiwan Yidie Fashion Store (台灣衣蝶流行館) as chief of operational section, RT-MART International Ltd. (大潤發流通事業股份有限公司) in Taiwan as procurement manager/store general manager, New World Department Store in Hong Kong as marketing manager and SM PRIME Group as regional general manager, etc.. Mr. Lee graduated from China Junior College of Industrial & Commercial in Taiwan (台灣中國工商專科學校) with a major in business administration.

Mr. Zhang Yi (張毅), aged 42, is the General Manager of the human resources department of the Company. He has over 12 years of experience in human resources management. He joined the Group in October 2009. Prior to joining the Group, Mr. Zhang Yi held various senior management positions, including senior supervisor for large state-owned enterprises in mainland China, director of human resources for multinational companies and private-owned companies listed in mainland China, such as senior supervisor of human resources for Foxconn Technology Group (富士康科技集團), director of human resources for Tianyin Holdings Co. (天音控股有限公司) and director of human resources for Shenzhen Eternal Asia Supply Chain Co., Ltd. (深圳市怡亞通供應鏈股份有限公司). Mr. Zhang graduated from Wuhan University with a major in administration and obtained a master's degree in engineering from China University of Geosciences and an MBA degree from the University of Southern California in the United States of America.

Directors and Senior Management

COMPANY SECRETARY

Ms. Soon Yuk Tai (孫玉蒂), aged 44, was appointed as the Secretary of the Company in July 2008. She is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Soon is a Chartered Secretary and an associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She has extensive experience in a diversified range of corporate services for Hong Kong and offshore companies, including business advisory, corporate restructuring, liquidation and dissolution of companies. She has been providing professional services to companies listed on the Main Board and the Growth Enterprise Market of the Hong Kong Stock Exchange for many years.

Corporate Governance Report

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2010 save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

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

A. THE BOARD

A.1 Responsibilities and Delegation

The Board is responsible for overall management and control of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively, and acting in the interests of the Company and its shareholders at all times.

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

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

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

Corporate Governance Report

A.2 Board Composition

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

Board of Directors
Executive Directors
Mr. Huang Mao Ru, *Chairman of the Board and Chief Executive Officer*
Mr. Zhong Pengyi, *Vice Chairman*
Ms. Wang Fuqin
Mr. Wang Bin

Independent Non-executive Directors
Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

Audit Committee
Mr. Chow Chan Lum, *Chairman*
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

Remuneration Committee
Mr. Pao Ping Wing, *Chairman*
Mr. Chow Chan Lum
Ms. Wang Fuqin

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

The biographical details of the directors are disclosed under the section headed "Directors and Senior Management" in this annual report. Mr. Huang Mao Ru, the Chairman, Executive Director and the Chief Executive Officer is the husband of Mrs. Huang Jingzhang, a former Non-Executive Director of the Company, who was retired on 30 April 2010.

During the year ended 31 December 2010, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors.

All directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

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

Corporate Governance Report

A.3 Chairman and Chief Executive Officer

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

Mr. Huang Mao Ru is Chairman of the Board and Chief Executive Officer of the Company. As Mr. Huang is the founder of the Group and has extensive experience in the department store industry and commercial real estate industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for continuous effective management and business development of the Group.

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

A.4 Appointment and Re-Election of Directors

All directors are appointed for a specific term. All the executive directors and independent non-executive directors of the Company, except for Ms. Wang Fuqin and Mr. Wang Bin, are engaged on a service contract/letter of appointment with the Company for a term of three years commencing from 5 May 2008. Ms. Wang Fuqin is engaged on a service contract with the Company commencing from 5 July 2008 to 5 May 2011, whereas Mr. Wang Bin is engaged on a service contract with the Company commencing from 20 October 2010 to 5 May 2011.

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

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

In accordance with the Articles of Association, Mr. Huang Mao Ru, Mr. Wang Bin and Mr. Chow Chan Lum shall retire and, being eligible, offer themselves for re-election at the forthcoming 2011 annual general meeting of the Company. The Board recommends their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above three directors as required by the Listing Rules.

Corporate Governance Report

During the year ended 31 December 2010, the Board, through its meetings held on 4 March 2010, 7 April 2010 and 20 October 2010 with the presence of all the then existing directors of the Company, performed the following works:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;
- Recommendation of the re-appointment of those directors standing for re-election at the 2010 annual general meeting of the Company;
- Assessment of the independence of all the independent non-executive directors of the Company;
- Appointment of Mr. Zhong Pengyi as the Vice Chairman of the Board and re-designation of Mr. Zhong Pengyi as an executive director of the Company;
- Appointment of Mr. Wang Bin as an executive director of the Company;
- Acceptance of the retirement of Mrs. Huang Jingzhang as a non-executive director of the Company; and
- Acceptance of the resignation of Mr. Wang Guisheng as an executive director of the Company.

A.5 Induction and Continuing Development of Directors

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key business sites and/or meetings with the senior management of the Company.

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

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance to facilitate them to attend. Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

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

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

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

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

Corporate Governance Report

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

A.6.2 *Directors' Attendance Records at Board Meetings*

The Board has met regularly during the year ended 31 December 2010 for reviewing and discussing the financial and operating performance and development of the Group, acquisitions and investments and other related matters. Directors' attendance records at Board meetings during the year are set out below:

Name of Director	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Huang Mao Ru	17/17
Mr. Zhong Pengyi	15/17
Ms. Wang Fuqin	16/17
Mr. Wang Bin (Note (1))	5/5
Mr. Wang Guisheng (Note (2))	11/12
Non-executive Director	
Mrs. Huang Jingzhang (Note (3))	7/7
Independent Non-executive Directors	
Mr. Chow Chan Lum	15/17
Mr. Pao Ping Wing	17/17
Mr. Leung Hon Chuen	15/17

Notes:

(1) Mr. Wang Bin was appointed as an executive director of the Company on 20 October 2010. A total of five Board meetings were held from the date of his appointment to 31 December 2010.

(2) Mr. Wang Guisheng resigned as an executive director of the Company on 20 October 2010. Before his resignation, there were a total of twelve Board meetings held during the year ended 31 December 2010.

(3) Mrs. Huang Jingzhang retired as a non-executive director of the Company on 30 April 2010. Before her retirement, there were a total of seven Board meetings held during the year ended 31 December 2010.

Corporate Governance Report

A7. Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct governing directors' dealings in the Company's securities. Specific enquiry has been made of the Company's directors and all the existing directors have confirmed that they have complied with the required standards set out in the Model Code throughout the period from 1 January 2010 (or the date of appointment for Mr. Wang Bin) to the date of this report. Besides, Mrs. Huang Jingzhang and Mr. Wang Guisheng have confirmed their compliance with the required standards throughout the period from 1 January 2010 up to their respective date of retirement/resignation.

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

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

B. BOARD COMMITTEES

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

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

B.1 Remuneration Committee

The Remuneration Committee comprises a total of three members, namely, being two independent non-executive directors, namely Mr. Pao Ping Wing (Chairman) and Mr. Chow Chan Lum; and one executive director, namely Ms. Wang Fuqin. Accordingly, a majority of the members are independent non-executive directors.

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

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

Details of the remuneration of each director of the Company for the year ended 31 December 2010 are set out in note 8 to the financial statements contained in this annual report.

During the year ended 31 December 2010, the Remuneration Committee has performed the following major tasks:

- Discussion and recommendation of the grant of share options of the Company;
- Review and discussion of the remuneration policy of the Group and the remuneration packages of directors and senior management of the Company; and
- Discussion and recommendation of the remuneration package of Mr. Wang Bin who has been appointed as an executive director of the Company.

The attendance records of members at the said three Remuneration Committee meetings are set out below:

Name of Remuneration Committee Member	Attendance/ Number of Meetings
Mr. Pao Ping Wing *(Chairman)*	3/3
Mr. Chow Chan Lum	2/3
Ms. Wang Fuqin (Note (1))	3/3
Mrs. Huang Jingzhang (Note (2))	—

Notes:

(1) Ms. Wang Fuqin was appointed as a member of the Remuneration Committee on 30 April 2010. There were a total of three Remuneration Committee meetings held from the date of her appointment to 31 December 2010.

(2) Mrs. Huang Jingzhang retired as a non-executive director of the Company and ceased to be a member of the Remuneration Committee on 30 April 2010. Before her retirement, no Remuneration Committee meeting was held during the year ended 31 December 2010.

B.2 Audit Committee

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

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

Corporate Governance Report

During the year ended 31 December 2010, the Audit Committee has met together with the Company's external auditors and/or the senior management and performed the following major tasks:

- Review of the scope of audit work, auditors' fees and terms of engagement for the year ended 31 December 2009;
- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2009, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2010 and the related accounting principles and practices adopted by the Group;
- Discussion and recommendation of the re-appointment of the external auditors; and
- Review of the internal control system of the Group.

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

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

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

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

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

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2010.

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

Corporate Governance Report

D. INTERNAL CONTROLS

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

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

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2010 is set out in the section headed "Independent Auditors' Report" in this annual report.

For the year ended 31 December 2010, the auditors of the Company received approximately RMB3.3 million for audit services.

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

To promote effective communication, the Company maintains a website at "www.maoye.cn", where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong at Room 3301, 33/F, Office Tower Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong. Enquiries are dealt with in an informative and timely manner.

Corporate Governance Report

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the Chairmen and/or other members of the Audit Committee and Remuneration Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

At the Company's extraordinary general meeting held on 20 January 2010 for approving the adoption of share option scheme of the Company (details of which were set out in the Company's circular dated 31 December 2009, the Chairman of the Board was present to answer questions from the shareholders at that meeting.

The 2010 annual general meeting of the Company was held on 30 April 2010, the notice of which was sent to shareholders no less than 20 clear business days before the meeting. Meanwhile, in relation to the above extraordinary general meeting held during the year, no less than 10 clear business days' notice was given to shareholders.

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

G. SHAREHOLDERS' RIGHTS

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

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoye.cn) immediately after the relevant general meetings.

Directors' Report

The Board is pleased to present the audited consolidated results of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in the Cayman Islands with limited liability on 8 August 2007. The Group principally engages in the operation and management of department stores in the PRC. There were no significant changes in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 23 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 is set out in the consolidated income statement on pages 53.

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2010 (2009: 1.5 HK cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Tuesday, 19 April 2011 to Thursday, 21 April 2011 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 18 April 2011.

PRE-EMPTIVE RIGHTS

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

FIXED ASSETS

Details of the fixed assets of the Group are set out in note 18 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 58 and note 40 to the financial statements.

SHARE CAPITAL

Movements of the share capital of the Company are set out in note 38 to the financial statements.

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2010 amounted to RMB2,415.8 million, details of which are set out in note 36 to the financial statements.

DONATIONS

Donations made by the Group during the year amounted to RMB212,345.

Directors' Report

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

On 30 April 2010, Mr. Zhong Pengyi was re-designated as an executive director and appointed as the Vice Chairman of the Company, and Mrs. Huang Jingzhang retired as a non-executive director of the Company on the same day. On 20 October 2010, Mr. Wang Guisheng resigned as an executive director and CFO of the Company, and Mr. Wang Bin was appointed as an executive director and CFO of the Company on the same day.

Pursuant to Article 86(3) of the Articles of Association, Mr. Wang Bin, who has been appointed by the Board to fill the casual vacancy, will retire at the forthcoming annual general meeting. In addition, pursuant to Article 87 of the Articles of Association, Mr. Huang Mao Ru and Mr. Chow Chan Lum, the existing directors of the Company, will retire from office by rotation at the said annual general meeting. All the above retiring directors, being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

PENSION SCHEMES

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

The Group's contributions to retirement benefit schemes charged to the consolidated income statement for the year ended 31 December 2010 were RMB14.9 million.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 46 to the financial statements, no director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' EMOLUMENTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 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 set out in the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
Mr. Huang Mao Ru	Interest of controlled corporations	4,200,000,000 (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 is wholly owned by Mr. Huang Mao Ru.

Directors' Report

(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. 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" and note 39 to the financial statements.

(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 is 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 31 December 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 31 December 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 is 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".

Directors' Report

Save as disclosed above, as at 31 December 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.

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 year ended 31 December 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 year	Forfeited during the year	Exercised/ cancelled during the year	As at 31 December 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. 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

Directors' Report

Category	Date of grant	Exercise period	Exercise price (HK$ per share)	Number of share options: As at 1 January 2010	Granted during the year	Forfeited during the year	Exercised/ cancelled during the year	As at 31 December 2010
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
				–	4,800,000	–	–	4,800,000
Employees in aggregate	11 June 2010	A	2.81	–	35,345,640	(253,440)	–	35,092,200
	11 June 2010	B	2.81	–	35,345,640	(253,440)	–	35,092,200
	11 June 2010	C	2.81	–	36,416,720	(261,120)	–	36,155,600
				–	107,108,000	(768,000)	–	106,340,000
Others in aggregate	11 June 2010	A	2.81	–	4,752,000	–	–	4,752,000
	11 June 2010	B	2.81	–	4,752,000	–	–	4,752,000
	11 June 2010	C	2.81	–	4,896,000	–	–	4,896,000
				–	14,400,000	–	–	14,400,000
				–	126,308,000	(768,000)	–	125,540,000

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.

As at the date of this report, the total number of shares available for issue under the Scheme is 388,445,600, representing approximately 7.5% of the Company's issued shares.

Further details relating to the Scheme and share options granted thereunder are set out in note 39 to the financial statements.

Directors' Report

CONVERTIBLE BONDS

Details of the convertible bonds of the Company are set out in note 37 to the financial statements.

EMPLOYEES

As at 31 December 2010, the Group had a total of approximately 9,246 employees. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of individual employees.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

DEED OF NON-COMPETITION

Under the deed of non-competition dated 17 April 2008 given by Mr. Huang Mao Ru, Maoye Holdings Limited and RICHON Holdings Limited (collectively known as the "Controlling Shareholder Group") in favour of the Company, details of which were stated in the prospectus of the Company dated 21 April 2008 (the "Prospectus"), the Controlling Shareholder Group has undertaken to use its best endeavour within three years to (i) resolve the existing litigation between Maoye Chongqing Jiefangbei Store ("Chongqing Jiefangbei Store") and Chongqing Xin Long Da Real Estate Development Company Limited ("Xin Long Da") (重慶鑫隆達房地產開發有限公司), (ii) obtain all necessary consents and approvals for the transfer of the interest of the Controlling Shareholder Group in Maoye Chongqing Jiefangbei Store, Wuxi Maoye Department Store Company Limited (無錫茂業百貨有限公司) and Wuxi Maoye Baifu Supermarket Company Limited (無錫茂業百福超級市場有限公司) (the latter two collectively known as "Maoye Wuxi Store") to the Group, and (iii) obtain all necessary consents and approvals for the transfer of the Controlling Shareholder Group's interest in Guiyang Friendship Group Holdings Company Limited ("Guiyang Friendship Group") (貴陽友誼(集團)股份有限公司) to the Group, to serve a notice on the Group within ten business days of any of the issues in clauses (i) through (iii) above having been resolved, and to use its best endeavour to transfer the interests in Maoye Chongqing Jiefangbei Store, Maoye Wuxi Store and Guiyang Friendship Group, as applicable, to the Group as soon as practicable once the relevant issues impeding such transfer have been resolved and upon the Group's exercise of the option to acquire such interests. The Controlling Shareholder Group has further undertaken to keep the Company informed every six months from the listing date of the Company as regards the progress on the matters described in clauses (i) through (iii) above.

As at the date of this annual report, Chongqing Jiefangbei Store has received the judgment from the Supreme People's Court in its litigation with Xin Long Da. 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 annual 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.

Directors' Report

CONNECTED TRANSACTIONS

Deferred acquisition of the Orient Times Square Project in Shenzhen

On 10 November 2009, Maoye Department Stores (China) Limited ("Maoye Department Stores China"), a wholly-owned subsidiary of the Company, proposed to acquire the entire equity interest in Richon Group Holdings Limited ("Zhongzhao") from RICHON Holdings Ltd. ("Richon") and Mao Ye (China) Investment Limited ("Maoye China") at a consideration of HK$1,928,000,000, such that the Group would own the target property held by Shenzhen Orient Times Square Property Co., Ltd ("Shenzhen Orient Times"), a wholly owned subsidiary of Zhongzhao (the "Acquisition"). Mr. Huang Mao Ru, the effective controller and chairman of the Company, is the 100% ultimate owner of Richon and Maoye China.

As the parties to the transaction needed more time to complete the Acquisition, Maoye Department Stores China, Richon and Maoye China agreed on 6 February 2010 to defer the timing of payment of the acquisition consideration by Maoye Department Stores China. The deferred payment schedule was as follows:

(a) the first installment payment equivalent to 25% of total consideration would be paid on or before 30 June 2010, but not within 7 days after all the conditions under the equity transfer agreement were fulfilled; (b) the second installment payment equivalent to 40% of total consideration remained to be paid within 7 days after the transfer documents relating to the transfer of the shares of Zhongzhao to Maoye Department Stores China were duly accepted by the Stamp Duty Office; and (c) the third installment payment equivalent to the remainder amount of the consideration remained to be paid within 2 years upon completion of transferring the shares of Zhongzhao by Richon to Maoye Department Stores China. The time for completion of transferring the shares of Zhongzhao had been deferred from 60 days after fulfillment of all conditions precedent under the equity transfer agreement to 220 days after fulfillment of all conditions precedent.

As the parties to the transaction needed further time to complete the Acquisition, Maoye Department Stores China, Richon and Maoye China agreed on 28 June 2010 to defer the completion time of the Acquisition to another date determined by all parties to the transaction. Except for those as disclosed above, all other terms of the equity transfer agreement would remain unchanged and valid.

CONTINUING CONNECTED TRANSACTIONS

Master Leasing Agreement

Pursuant to the master leasing agreement dated 18 May 2009 (the "Master Leasing Agreement") between Maoye Holdings Limited (a company wholly-owned by Mr. Huang Mao Ru) and the Company, the Company agreed to continue to lease certain premises from the Controlling Shareholder Group for operation of department stores in accordance with the respective terms of the relevant leasing agreements entered into between members of the Group and members of the Controlling Shareholder Group. As at 31 December 2010, the Group had entered into 12 lease agreements with members of the Controlling Shareholder Group, including 10 leases involving 8 department stores and 2 leases for offices and warehouses. The Group entered into these lease agreements after having considered the location of the relevant properties and the terms offered by the Controlling Shareholder Group.

During the year ended 31 December 2010, the leasing expenses borne by the Group under the Master Leasing Agreement were RMB121.8 million (2009: RMB113.5 million).

Directors' Report

Master Management Agreement

Pursuant to the master management agreement dated 13 January 2008 (the "Master Management Agreement") between Maoye Group Limited (a company wholly-owned by Mr. Huang Mao Ru) and the Company, the Company agreed to provide management services to the Controlling Shareholder Group with respect to the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store, with a view to protect the interests of the Group and facilitate possible acquisitions of such stores by the Group in future. The management services provided by the Group include services in respect of operation, accounting, administration, advertising and promotion, finance, marketing, human resources, licence to use the "Maoye Department Store" trademark, computer software, information technology and any other services in relation to the management of department stores as agreed by the parties from time to time. The Master Management Agreement has a term of three years and would be renewable for another three years at the Company's option. The terms of the Master Management Agreement were determined on an arm's length basis.

During the year ended 31 December 2010, the management fee income of the Group under the Master Management Agreement was approximately RMB3.6 million (2009: RMB3.0 million).

Master Development Services Agreement

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

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

During the year ended 31 December 2010, a total development cost of RMB77.8 million was paid by the Group directly to the independent contractors under the Master Development Services Agreement, and no development service fee was incurred by the Group to the Controlling Shareholder Group.

Directors' Report

Lease of the Friendship City Building in Shenzhen City

On 7 April 2010, Shenzhen Maoye Shangsha Co., Ltd. ("Maoye Shangsha"), a wholly-owned subsidiary of the Company, and Shenzhen Friendship Trading Centre Co., Ltd. ("Shenzhen Friendship") entered into a leasing agreement to lease the first four levels of the Friendship City Building and the fifth and sixth floors of Block A of the Friendship City Building located at No.63 Youyi Road, Shenzhen City, PRC, with a total gross floor area of 26,000 square metres, for operating a Maoye brand department store. The annual rent is RMB33,900,000 (including the renovation and upgrading costs of RMB3,600,000 per annum). The lease has a term of three years commencing from 1 May 2010. The lease will be renewed automatically up to a maximum term of 12 years unless the agreement is terminated by the tenant. During the first two years of the leasing period, if Maoye Shangsha incurred cumulated net losses during the first two years of operating the leased properties, Shenzhen Friendship shall pay to Maoye Shangsha a sum equivalent to the amount of the cumulated net losses. Pursuant to a supplemental agreement entered into between Maoye Shangsha and Shenzhen Friendship in August 2010, such provision has been amended so that if Maoye Shangsha incurred net losses during the first two years of operating the leased properties, Shenzhen Friendship shall pay to Maoye Shangsha a sum equivalent to the amount of net losses on an annual basis. Shenzhen Friendship shall be responsible for all the renovation works and their costs. The terms of the leasing agreement were on normal commercial terms after arm's length negotiations. The rent and annual cap of the leasing agreement were determined with reference to the current market rent of similar properties located in the proximity areas. Mr. Zhong Pengyi, the Vice Chairman and executive director of the Company, was the owner of 40% interest in Shenzhen Friendship.

During the year ended 31 December 2010, the leasing expense borne by the Group under the above leasing agreement was RMB 22 million.

According to the terms of the lease arrangement, Shenzhen Friendship shall compensate any loss incurred by the department store operated by the Group at the leased property during each of the first two years of the lease. The department store operated by the Group at the leased preperty recorded a loss of RMB6,686,000 for the period ended 31 December 2010. Accordingly, an amount of RMB6,686,000 was recoverable from Shenzhen Friendship in accordance with the terms of the lease.

The independent non-executive directors of the Company had reviewed and confirmed that the such continuing connected transactions were:

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

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

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

The auditors of the Company confirmed that the above transactions were approved by the Board and were entered into under respective agreements that regulate such transactions and did not exceed any of the relevant caps as approved at the extraordinary general meeting of the Company held on 26 June 2009 and set out in the Company's announcement dated 8 April 2010.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, save as disclosed below, none of the Directors or their respective associates had any business or interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group mainly engages in retail business, for the year ended 31 December 2010, none of its customers or suppliers accounted for more than 5% of the Group's revenue or purchases. In addition, for the year ended 31 December 2010, none of the directors, shareholders or their respective associates who owned 5% or more of the Company's issued share capital as at 31 December 2010 had any interest in any of the five largest customers and the five largest suppliers of the Group.

CORPORATE GOVERNANCE REPORT

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

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 50 to the financial statements.

AUDITORS

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

By order of the Board
Maoye International Holdings Limited
Huang Mao Ru
Chairman

28 Feburary 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Maoye International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 167, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst &Young
Certified Public Accountants
Hong Kong

1 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	**2010 RMB'000**	2009 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**2,197,282**	1,426,009
Other income	6	**551,068**	406,062
Total operating revenue		**2,748,350**	1,832,071
Cost of sales	7	**(747,147)**	(429,935)
Employee expenses	8	**(245,640)**	(134,268)
Depreciation and amortisation		**(211,107)**	(152,525)
Operating lease rental expenses	9	**(172,829)**	(131,176)
Other operating expenses	10	**(488,437)**	(339,413)
Other gains	11	**34,251**	57,995
Operating profit		**917,441**	702,749
Finance costs	12	**(113,780)**	(58,427)
Share of profits and losses of associates		**1,659**	269
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**805,320**	644,591
Income tax expense	13	**(197,840)**	(144,505)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**607,480**	500,086
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	15	**16,606**	4,084
PROFIT FOR THE YEAR		**624,086**	504,170
Attributable to:			
Owners of the parent	14	**576,597**	470,107
Non-controlling interests		**47,489**	34,063
		624,086	504,170

Consolidated Income Statement

Year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000 (Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	17		
Basic			
– For profit for the year		**RMB11.2 cents**	RMB9.1 cents
– For profit from continuing operations		**RMB11.0 cents**	RMB9.1 cents
Diluted			
– For profit for the year		**RMB11.2 cents**	RMB9.1 cents
– For profit from continuing operations		**RMB11.0 cents**	RMB9.1 cents

Details of the dividends payable and proposed for the year are disclosed in note 16 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR	**624,086**	504,170
OTHER COMPREHENSIVE INCOME		
Available-for-sale equity investments:		
Changes in fair value	**108,908**	367,224
Income tax effect	**(25,993)**	(91,024)
	82,915	276,200
Exchange differences on translation of foreign operations	**(1,822)**	(93)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**81,093**	276,107
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**705,179**	780,277
Attributable to:		
Owners of the parent	**657,690**	746,214
Non-controlling interests	**47,489**	34,063
	705,179	780,277

Consolidated Statement of Financial Position

31 December 2010

	Notes	**2010 RMB'000**	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**2,437,213**	1,637,471
Investment properties	19	**292,199**	104,103
Land lease prepayments	20	**3,657,010**	2,290,912
Goodwill	21	**537,050**	95,997
Other intangible assets	22	**4,148**	3,237
Investments in associates	24	**11,904**	13,437
Available-for-sale equity investments	25	**635,398**	1,331,829
Other asset	26	**2,458**	2,458
Prepayments	32	**1,115,458**	696,169
Deferred tax assets	27	**61,647**	34,449
Total non-current assets		**8,754,485**	6,210,062
CURRENT ASSETS			
Inventories	28	**166,419**	100,714
Completed properties held for sale		**485,287**	—
Properties under development	29	**1,177,562**	—
Equity investments at fair value through profit or loss	30	**11,271**	39,168
Trade receivables	31	**15,794**	268
Prepayments, deposits and other receivables	32	**402,778**	386,356
Due from related parties	46(b)	**9,919**	3,739
Pledged deposits	33	**1,350**	12,902
Cash and cash equivalents	33	**1,024,073**	457,001
		3,294,453	1,000,148
Assets of a disposal group classified as held for sale		**—**	37,404
Total current assets		**3,294,453**	1,037,552
CURRENT LIABILITIES			
Trade and bills payables	34	**1,688,373**	933,043
Deposits received, accruals and other payables	35	**1,611,369**	750,438
Interest-bearing bank loans and other borrowings	36	**851,024**	163,667
Due to related parties	46(b)	**4,249**	2,337
Income tax payable		**115,076**	66,179
		4,270,091	1,915,664

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Liabilities directly associated with a disposal group classified as held for sale		**–**	9,504
Total current liabilities		**4,270,091**	1,925,168
NET CURRENT LIABILITIES		**(975,638)**	(887,616)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,778,847**	5,322,446
NON-CURRENT LIABILITIES			
Convertible bonds	37	**860,441**	–
Interest-bearing bank loans and other borrowings	36	**1,564,776**	1,268,300
Deferred tax liabilities	27	**413,079**	298,559
Total non-current liabilities		**2,838,296**	1,566,859
Net assets		**4,940,551**	3,755,587
EQUITY			
Equity attributable to owners of the parent			
Issued capital	38	**461,587**	461,587
Equity component of convertible bonds	37	**119,125**	–
Reserves	40(a)	**3,318,872**	2,887,939
Proposed final dividend	16	**–**	67,800
		3,899,584	3,417,326
Non-controlling interests		**1,040,967**	338,261
Total equity		**4,940,551**	3,755,587

Huang Mao Ru
Director

Wang Bin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 38)	Share premium account RMB'000	Share option reserve RMB'000 (note 39)	Equity component of convertible bonds 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	Non-controlling interests RMB'000	Total equity RMB'000
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
Profit for the year	–	–	–	–	–	–	–	–	576,597	–	576,597	47,489	624,086
Other comprehensive income for the year:													
Changes in fair value of available-for -sale investments, net of tax	–	–	–	–	–	–	82,915	–	–	–	82,915	–	82,915
Exchanges differences on translation of foreign operations	–	–	–	–	–	–	–	(1,822)	–	–	(1,822)	–	(1,822)
Total comprehensive income for the year	–	–	–	–	–	–	82,915	(1,822)	576,597	–	657,690	47,489	705,179
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 (note 41 and 42)	–	–	–	–	–	–	–	–	–	–	–	623,911	623,911
Non-controlling interests arising from investment in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	43,350	43,350
Profit appropriated to reserve	–	–	–	–	–	37,795	–	–	(37,795)	–	–	–	–
Issue of convertible bonds (note 37)	–	–	–	119,125	–	–	–	–	–	–	119,125	–	119,125
Final 2009 dividend declared (note 16)	–	–	–	–	–	–	–	–	–	(67,800)	(67,800)	–	(67,800)
Equity-settled share option arrangement	–	–	39,469	–	–	–	–	–	–	–	39,469	–	39,469
Interim 2010 dividend (note 16)	–	–	–	–	–	–	–	–	(81,027)	–	(81,027)	–	(81,027)
Dividend paid by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(12,044)	(12,044)
At 31 December 2010	461,587	1,875,369*	39,469*	119,125	77*	192,505*	233,035*	(57,112)*	1,035,529*	–	3,899,584	1,040,967	4,940,551

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000	Available-for-sale equity investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	461,587	1,875,369	77	143,056	59,119	(55,197)	259,577	99,658	2,843,246	297,859	3,141,105
Profit for the year	–	–	–	–	–	–	470,107	–	470,107	34,063	504,170
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	276,200	–	–	–	276,200	–	276,200
Exchange difference on translation of foreign operations	–	–	–	–	–	(93)	–	–	(93)	–	(93)
Total comprehensive income for the year	–	–	–	–	276,200	(93)	470,107	–	746,214	34,063	780,277
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	15,041	15,041
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	(8,702)	(8,702)
Profit appropriated to reserve	–	–	–	11,654	–	–	(11,654)	–	–	–	–
Final 2008 dividend declared	–	–	–	–	–	–	–	(99,658)	(99,658)	–	(99,658)
Interim 2009 dividend	–	–	–	–	–	–	(72,476)	–	(72,476)	–	(72,476)
Proposed final 2009 dividend	–	–	–	–	–	–	(67,800)	67,800	–	–	–
At 31 December 2009	461,587	1,875,369*	77*	154,710*	335,319*	(55,290)*	577,754*	67,800	3,417,326	338,261	3,755,587

* These reserve accounts comprise the consolidated reserves of RMB3,318,872,000 (2009: RMB2,887,939,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**805,320**	644,591
From a discontinued operation		**22,153**	5,465
Adjustments for:			
Interest income	6	**(7,500)**	(6,062)
Depreciation and amortisation		**211,627**	154,120
Impairment of goodwill	10	**—**	4,800
Impairment/(reversal of impairment) of trade receivables	10	**(1,042)**	15
Reversal of impairment of inventories	10	**(678)**	(4,154)
Impairment/(reversal of impairment) of other receivables	10	**42**	(523)
Gain on deemed disposal of an investment in an associate	11	**(7,273)**	—
Loss/(gain) on disposal of items of property, plant and equipment	11	**1,314**	(1,164)
Gain on disposal of land lease prepayments	11	**(3,162)**	(62)
Gain on disposal of land lease prepayments and buildings	11	**—**	(29,709)
Gain on disposal of subsidiaries and associates	11/15	**(22,188)**	(4,626)
Gain on disposal of investment properties	11	**(1,261)**	(558)
Fair value loss/(gain) on equity investments at fair value through profit or loss	11	**2,105**	(8,954)
Gain on disposal of equity investments at fair value through profit or loss	11	**(3,368)**	(1,099)
Dividend income from equity investments at fair value through profit or loss	11	**(80)**	(70)
Dividend income from available-for-sale equity investments	11	**(3,881)**	(592)
Finance costs	12	**113,780**	58,427
Share of profits and losses of associates		**(1,659)**	(269)
Equity-settled share option expense	39	**39,469**	—
		1,143,718	809,576
Decrease in completed properties held for sale		**28,311**	—
Additions to properties under development		**(95,111)**	—
Decrease/(increase) in inventories		**(39,970)**	18,512
Decrease in trade receivables		**22,549**	1,738
Decrease in prepayments and other receivables		**101,699**	8,265
Decrease/(increase) in amounts due from related parties		**(6,180)**	1,347
Increase/(decrease) in trade and bills payables		**508,151**	(78,373)
Increase in deposits received, accruals and other payables		**160,054**	27,660
Increase/(decrease) in amounts due to related parties		**1,912**	(548)

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash generated from operations		**1,825,133**	788,177
Interest received		**7,500**	6,062
PRC tax paid		**(169,098)**	(111,433)
Net cash flows from operating activities		**1,663,535**	682,806
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**484**	2,098
Purchases of items of property, plant and equipment		**(528,733)**	(364,910)
Prepayments for items of property, plant and equipment		**(7,576)**	(51,683)
Additions to investment properties		**(5,692)**	—
Proceeds from disposal of items of property, plant and equipment		**3,848**	4,041
Proceeds from disposal of investment properties		**9,858**	820
Proceeds from disposal of an associate		**7,500**	10,000
Purchase of available-for-sale equity investments		**(9,000)**	(474,251)
Proceeds from disposal of available-for-sale equity investments		**208**	—
Purchase of land lease prepayments		**(479,602)**	(161,012)
Prepayment for land lease prepayments		**(762,950)**	(353,800)
Proceeds from disposal of land lease prepayments and buildings		**—**	29,818
Disposal of land lease prepayments		**5,615**	128
Purchase of other intangible assets		**(662)**	(2,881)
Purchase of equity investments at fair value through profit or loss		**(236)**	(27,775)
Proceeds from disposal of equity investments at fair value through profit or loss		**30,116**	3,239
Acquisition of subsidiaries		**(299,401)**	(245,502)
Acquisition of a creditor's right		**(20,034)**	(55,850)
Acquisition of an additional interest in a subsidiary		**—**	(9,884)
Prepayments for acquisition of subsidiaries		**(255,574)**	—
Disposal of a subsidiary		**15,232**	—
Advance receipt for disposal of a subsidiary		**—**	3,000
Dividend income from equity investments at fair value through profit or loss		**80**	70
Dividend income from available-for-sale equity investments		**3,881**	592
Net cash flows used in investing activities		**(2,292,638)**	(1,693,742)

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	37	**976,437**	—
New bank loans		**1,182,108**	1,330,000
Repayment of bank loans		**(755,975)**	(485,033)
Interest paid		**(105,501)**	(67,420)
Increase in the capital of subsidiaries		**43,350**	—
Final 2009 dividend paid		**(67,800)**	(99,658)
Interim dividend paid		**(81,027)**	(72,476)
Dividend paid by subsidiaries to non-controlling shareholders		**(12,044)**	—
Decrease/(increase) in pledged bank deposits		**21,552**	(511)
Net cash flows from financing activities		**1,201,100**	604,902
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**571,997**	(406,034)
Effect of foreign exchange rate changes, net		**(9,693)**	(97)
Cash and cash equivalents at beginning of year		**461,769**	867,900
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,024,073**	461,769
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	33	**1,024,073**	457,001
Cash and cash equivalents as stated in the statement of financial position		**1,024,073**	457,001
Cash and cash equivalents attributable to a discontinued operation		**—**	4,768
Cash and cash equivalents as stated in the statement of cash flows		**1,024,073**	461,769

Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	23	**143,788**	143,788
CURRENT ASSETS			
Prepayments and other receivables	32	**16**	400
Due from subsidiaries	23	**2,696,139**	1,949,604
Cash and cash equivalents	33	**4,804**	3,970
Total current assets		**2,700,959**	1,953,974
CURRENT LIABILITIES			
Other payables and accruals	35	**435**	4,819
Due to subsidiaries	23	**17,565**	20,599
Total current liabilities		**18,000**	25,418
NET CURRENT ASSETS		**2,682,959**	1,928,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,826,747**	2,072,344
NON-CURRENT LIABILITIES			
Convertible bonds		**860,441**	—
Total non-current liabilities		**860,441**	—
Net assets		**1,966,306**	2,072,344
EQUITY			
Issued capital	38	**461,587**	461,587
Equity component of convertible bonds	37	**119,125**	—
Reserves	40(b)	**1,385,594**	1,542,957
Proposed final dividends	16/40(b)	**—**	67,800
Total equity		**1,966,306**	2,072,344

Huang Mao Ru
Director

Wang Bin
Director

Notes to Financial Statements

31 December 2010

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 36/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 Mainland China.

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

2.1 BASIS OF PREPARATION

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

As at 31 December 2010, the Group had net current liabilities of approximately RMB975,638,000. Having taken into account the cash flows from the operations and the current available banking facilities, the directors consider that it is appropriate to prepare the financial statements on a going concern basis notwithstanding the net current liabilities position.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra group balances, transactions, and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

Notes to Financial Statements

31 December 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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*
IFRS 5 Amendments 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*
Improvements to IFRSs 2009	Amendments to a number of IFRS issued in April 2009

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised) and amendments to IAS 7, IAS 17 and IAS 36 included in Improvements to IFRSs 2009 and, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

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

(a) IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- 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.

- 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.

- 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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 Amendment	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [2]
IFRS 1 Amendment	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
IFRS 9	*Financial Instruments* [6]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
IFRIC 14 Amendments	Amendments to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

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

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRC-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

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

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

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

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

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations:* Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements:* Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

(d) IFRIC 13 *Customer Loyalty Programmes:* Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amounts of discounts or incentives otherwise granted to customers not participating in the award credit scheme are to be taken into account.

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

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

The Group's Investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated statement of changes in equity, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and not individually tested for impairment.

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

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010 but after 1 January 2005
In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010 but after 1 January 2005:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year date.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount of this item at the date of transfer is recognised as the cost of an investment property for accounting purposes. Property being constructed or developed for future as an investment property is classified as an investment property.

Properties under development

Properties under development are stated at cost, which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Properties under development are valued at the lower of cost and net realizable value at the end of reporting period and any excess of cost over net realizable value of individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Non-current assets and disposal groups held for sale

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

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

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill)

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

Operating leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated income statement.

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

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

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

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

Convertible bonds
The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same and a discounted cash flow analysis.

Inventories

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

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Cash and cash equivalents

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

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

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Coupon liabilities

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Revenue recognition

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

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

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

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 39 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where nonvesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6% has been applied to the expenditure on the individual assets.

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group which is RMB at the exchange rates ruling at the end of the reporting period and their consolidated income statements are translated into RMB at the weighted average exchange rates for the year. Foreign exchange differences on retranslation are recognised in other comprehensive income and accumulated in a separate component of equity.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

- *Operating lease commitments - Group as lessor*

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

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

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

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

Estimation uncertainty

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

- *Useful lives of property, plant and equipment*

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

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

- *Net realisable value of inventories and completed properties held for sale*
  Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. Net realisable value of completed properties held for sale is estimated by the directors based on the prevailing market prices. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of the reporting period.

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

4. OPERATING SEGMENT INFORMATION

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

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

(b) the property development segment principally engaged in development as well as leasing and sales of commercial and residential properties; and

(c) the "others" segment comprises, principally, operations of hotels and provision of ancillary services, provision of advertising services and construction of television networks.

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

Segment assets exclude investment in associates, available-for-sale equity investments, other asset, deferred tax assets and equity investments at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans and other borrowings, convertible bonds and deferred tax liabilities as these liabilities are managed on a group basis.

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

Notes to Financial Statements

31 December 2010

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	2,060,822	122,311	14,149	2,197,282
Intersegment revenue	—	6,647	—	6,647
Other income	535,890	3,059	4,619	543,568
	2,596,712	132,017	18,768	2,747,497
Reconciliation:				
Elimination of intersegment revenue				(6,647)
Revenue from continuing operations				2,740,850
Segment results	952,063	18,582	3,961	974,606
Reconciliation:				
Interest income				7,500
Unallocated gains				34,251
Corporate and other unallocated expenses				(98,916)
Finance costs				(113,780)
Share of profits and losses of associates				1,659
Profit before tax from continuing operations				805,320
Segment assets	8,613,504	2,658,072	54,684	11,326,260
Reconciliation:				
Corporate and other unallocated assets				722,678
Total assets				12,048,938

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010 (continued)

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment liabilities	**3,157,930**	**247,861**	**13,276**	**3,419,067**
Reconciliation:				
Corporate and other unallocated liabilities				**3,689,320**
Total liabilities				**7,108,387**
Other segment information:				
Share of profits and losses of associates	**2,708**	**—**	**(1,049)**	**1,659**
Impairment losses recognised in the income statement	**42**	**—**	**—**	**42**
Impairment losses reversed in the income statement	**(1,720)**	**—**	**—**	**(1,720)**
Depreciation and amortisation	**200,329**	**9,173**	**1,605**	**211,107**
Investments in associates	**—**	**—**	**11,904**	**11,904**
Capital expenditure*	**2,842,404**	**1,476,270**	**—**	**4,318,674**

* Capital expenditure consists of additions to property, plant and equipment, land lease prepayments, investment properties, properties under development, other intangible assets and completed properties held for sale including assets from the acquisition of subsidiaries.

Notes to Financial Statements

31 December 2010

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,369,953	46,366	9,690	1,426,009
Other income	371,980	—	28,072	400,052
Revenue from continuing operations	1,741,933	46,366	37,762	1,826,061
Segment results	689,859	16,439	4,612	710,910
Reconciliation:				
Interest income				6,010
Unallocated gains				57,995
Corporate and other unallocated expenses				(72,166)
Finance costs				(58,427)
Share of profits and losses of associates				269
Profit before tax from continuing operations				644,591
Segment assets	5,024,198	638,799	125,872	5,788,869
Reconciliation:				
Corporate and other unallocated assets				1,421,341
Assets related to a discontinued operation				37,404
Total assets				7,247,614

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009 (continued)

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment liabilities	1,736,326	—	15,671	1,751,997
Reconciliation:				
Corporate and other unallocated liabilities				1,730,526
Liabilities related to a discontinued operation				9,504
Total liabilities				3,492,027
Other segment information:				
Share of profits and losses of associates	—	—	269	269
Impairment losses recognised in the income statement	15	—	—	15
Impairment losses reversed in the income statement	(4,042)	—	—	(4,042)
Depreciation and amortisation	144,714	6,131	1,680	152,525
Investments in associates	—	—	13,437	13,437
Capital expenditure*	854,715	—	112,304	967,019

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

Notes to Financial Statements

31 December 2010

5. REVENUE

	Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Commissions from concessionaire sales	**1,135,013**	786,649
Direct sales	**795,442**	473,258
Rental income from the leasing of shop premises	**140,133**	107,072
Management fee income from the operation of department stores	**3,589**	2,973
Rental income from investment properties	**66,566**	46,366
Sale of properties	**45,610**	—
Others	**10,929**	9,691
	2,197,282	1,426,009

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

Total sales proceeds from concessionaire sales	**6,471,245**	4,381,479
Commissions from concessionaire sales	**1,135,013**	786,649

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

Rental income	**74,972**	53,207
Sublease rental income	**64,029**	49,963
Contingent rental income	**1,132**	3,902
	140,133	107,072

6. OTHER INCOME

	Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Income from suppliers and concessionaires		
– Administration and management fee income	**313,887**	250,796
– Promotion income	**138,114**	90,967
– Credit card handling fees	**77,810**	50,314
Interest income	**7,500**	6,010
Others	**13,757**	7,975
	551,068	406,062

7. COST OF SALES

	Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Purchases of and changes in inventories	**717,967**	429,127
Cost of properties sold	**28,311**	—
Others	**869**	808
	747,147	429,935

Notes to Financial Statements

31 December 2010

8. EMPLOYEE EXPENSES

	Note	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)
Wages and salaries		**183,743**	116,162
Equity-settled share option expense	39	**39,469**	—
Retirement benefits		**14,850**	11,377
Other employee benefits		**7,578**	6,729
		245,640	134,268

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

	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)
Fees	**676**	687
Other emoluments:		
Salaries and allowances	**2,114**	2,890
Equity-settled share option expenses	**1,913**	—
Retirement benefits	**68**	35
	4,095	2,925
	4,771	3,612

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of these options which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. EMPLOYEE EXPENSES (continued)

(a) Independent non-executive directors

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

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Year ended 31 December 2010			
Mr. Pao Ping Wing	**208**	**191**	**399**
Mr. Leung Hon Chuen	**156**	**191**	**347**
Mr. Chow Chan Lum	**312**	**191**	**503**
	676	**573**	**1,249**
Year ended 31 December 2009			
Mr. Pao Ping Wing	212	—	212
Mr. Leung Hon Chuen	158	—	158
Mr. Chow Chan Lum	317	—	317
	687	—	687

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2010 (2009: Nil).

8. EMPLOYEE EXPENSES (continued)

(b) Executive and non-executive directors

	Fees RMB'000	Salaries and allowances RMB'000	Equity-settled share option expense RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Year ended 31 December 2010					
Executive directors:					
Mr. Huang Mao Ru	**–**	**120**	**–**	**–**	**120**
Mr. Zhong Pengyi*	**–**	**78**	**191**	**–**	**269**
Ms. Wang Fuqin	**–**	**725**	**766**	**31**	**1,522**
Mr. Wang Bin	**–**	**337**	**–**	**12**	**349**
Mr. Wang Guisheng**	**–**	**780**	**383**	**25**	**1,188**
	–	**2,040**	**1,340**	**68**	**3,448**
Non-executive directors:					
Mrs. Huang Jingzhang#	**–**	**32**	**–**	**–**	**32**
Mr. Zhong Pengyi*	**–**	**42**	**–**	**–**	**42**
	–	**74**	**–**	**–**	**74**
Year ended 31 December 2009					
Executive directors:					
Mr. Huang Mao Ru	–	122	–	–	122
Mr. Zou Minggui	–	789	–	9	798
Ms. Wang Fuqin	–	820	–	12	832
Mr. Wang Guisheng	–	919	–	14	933
	–	2,650	–	35	2,685
Non-executive directors:					
Mrs. Huang Jingzhang#	–	120	–	–	120
Mr. Zhong Pengyi	–	120	–	–	120
	–	240	–	–	240

8. EMPLOYEE EXPENSES (continued)

(b) Executive and non-executive directors

* Mr. Zhong Pengyi, previously a non-executive director, was appointed as an executive director on 7 April 2010.

** Mr. Wang Guisheng resigned as an executive director on 20 October 2010.

\# Mrs. Huang Jingzhang retired as a non-executive director on 7 April 2010.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2010 (2009: Nil).

(c) Five highest paid employees

The five highest paid employees during the year included two (2009: two) directors, details of whose remuneration are set out in note 8(b) above. Details of the remuneration of the remaining three (2009: three) non-director, highest paid employees for the year are as follows:

	2010 **RMB'000**	2009 RMB'000
Salaries and allowances	**4,027**	1,773
Equity-settled share option expenses	**1,226**	—
Retirement benefits	**56**	27
	5,309	1,800

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

	2010	2009
Nil to RMB1,000,000	**2**	3
RMB1,000,001 to RMB4,000,000	**1**	—
	3	3

During the year, share options were granted to three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of these options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

Notes to Financial Statements

31 December 2010

9. OPERATING LEASE RENTAL EXPENSES

	Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Operating lease rental	**152,430**	123,111
Operating sublease rental	**20,399**	8,065
	172,829	131,176

10. OTHER OPERATING EXPENSES

		Group	
		2010	2009
	Notes	**RMB'000**	RMB'000
			(Restated)
Utility expenses		**147,507**	106,970
Promotion and advertising expenses		**45,645**	25,371
Repair and maintenance expenses		**39,530**	31,302
Entertainment expenses		**12,250**	7,073
Office expenses		**33,424**	21,326
Other tax expenses		**138,172**	84,161
Professional service fees		**8,249**	11,012
Auditors' remuneration		**3,917**	4,308
Bank charges		**41,617**	28,364
Impairment of goodwill	21	**—**	4,800
Reversal of impairment of inventories	28	**(678)**	(3,519)
Impairment/(reversal of impairment) of trade receivables	31	**(1,042)**	15
Impairment/(reversal of impairment) of other receivables	32	**42**	(523)
Others		**19,804**	18,753
		488,437	339,413

11. OTHER GAINS

	Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Gain/(loss) on disposal of items of property, plant and equipment	**(1,314)**	1,164
Gain on disposal of land lease prepayments	**3,162**	62
Gain on disposal of investment properties	**1,261**	558
Gain on disposal of land lease prepayments and buildings	**—**	29,709
Foreign exchange losses, net	**(709)**	(400)
Fair value gain/(loss) on equity investments at fair value through profit or loss	**(2,105)**	8,954
Gain on disposal of equity investments at fair value through profit or loss	**3,368**	1,099
Gain on disposal of subsidiaries and associates	**—**	4,626
Gain on deemed disposal of an investment in an associate	**7,273**	—
Gain on investing on short term financial products	**358**	3,705
Dividend income from available-for-sale equity investments	**3,881**	592
Dividend income from equity investments at fair value through profit or loss	**80**	70
Others	**18,996**	7,856
	34,251	57,995

12. FINANCE COSTS

	Group	
	2010	2009
	RMB'000	RMB'000
Interest on bank loans	**105,501**	58,427
Interest on convertible bonds (note 37)	**12,010**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**117,511**	58,427
Less: Interest capitalised	**(5,487)**	—
	112,024	58,427
Other finance costs:		
Increase in discounted amounts of consideration payable	**1,756**	—
	113,780	58,427

Notes to Financial Statements

31 December 2010

13. INCOME TAX

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

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

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

The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2010 (2009: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2009: 25%) on their respective taxable income, except for certain PRC subsidiaries which are exempted 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 are entitled to a preferential CIT rate of 22% (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 principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2001 to 31 December 2010. Accordingly, Chongqing Maoye Department Store Co., Ltd. ("Chongqing Maoye")（重慶茂業百貨有限公司）was subject to CIT at a rate of 15% (2009: 15%).

13. INCOME TAX (continued)

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of RMB1,786,000 is charged to the consolidated income statement for the year ended 31 December 2010 (2009: Nil).

		Group	
		2010	2009
	Notes	**RMB'000**	RMB'000
			(Restated)
Group:			
Current – CIT		**184,889**	148,548
Current - LAT		**1,786**	—
Deferred (note 27)		**16,712**	(2,662)
Total tax charge for the year		**203,387**	145,886
Represented by:			
Tax charge attributable to continuing operations reported in the consolidated income statement		**197,840**	144,505
Tax charge attributable to a discontinued operation	15	**5,547**	1,381
Total tax charge for the year		**203,387**	145,886

13. INCOME TAX (continued)

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

	Group			
	2010		2009	
	RMB'000	%	RMB'000 (Restated)	%
Profit before tax from continuing operations	805,320		644,591	
Tax at the statutory tax rate	201,330	25	161,147	25
Lower tax rates for specific districts or countries	(12,429)	(2)	(25,565)	(4)
Income not subject to tax	(8,527)	1	(1,851)	—
Expenses not deductible for tax	2,393	—	1,870	—
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	11,032	1	6,897	1
Tax losses not recognised	1,748	—	1,353	—
LAT	1,786	—	—	—
Tax effect of LAT	(447)	—	—	—
Others	954	—	654	—
Tax charge at the Group's effective tax rate	197,840	25	144,505	22

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a loss of RMB54,741,000 (2009: loss of RMB10,326,000) which has been dealt with in the financial statements of the Company (note 40(b)).

15. DISCONTINUED OPERATION

On 12 January 2010, the Group disposed of the entire interest in Chengshang Motor Vehicle Co., Ltd. ("Chengshang Motor")（成都成商汽車有限責任公司）for a cash consideration of RMB23,000,000, resulting in a gain on disposal of a subsidiary of RMB22,188,000. Chengshang Motor is engaged in sale of automobiles and, together with Chengdu Chengshang United Motor Vehicle Co., Ltd. ("United Motor")（成都成商聯合汽車有限責任公司）, accounted for a separate operating segment of the Group. The Group has decided to cease its automobile sales business as the Group plans to focus its resources on its core business of department store operations and to optimise its asset structure.

The results of the discontinued operation for the year are presented below:

	Notes	**2010** **RMB'000**	2009 RMB'000
Revenue		**1,493**	322,369
Other income		**—**	1,920
Purchases of and changes in inventories		**(1,055)**	(306,177)
Employee expenses		**(9)**	(6,828)
Depreciation and amortisation		**(520)**	(1,595)
Operating lease rental expenses		**—**	(482)
Other operating expenses		**(77)**	(4,463)
Other gains		**133**	721
Gain/(loss) of the discontinued operation		**(35)**	5,465
Gain on disposal of a subsidiary	43	**22,188**	—
Gain before tax from the discontinued operation		**22,153**	5,465
Income tax expense		**(5,547)**	(1,381)
Profit for the year from the discontinued operation		**16,606**	4,084
Attributable to:			
Owners of the parent		**11,089**	2,727
Non-controlling interests		**5,517**	1,357
		16,606	4,084

Notes to Financial Statements

31 December 2010

15. DISCONTINUED OPERATION (continued)

The net cash flows incurred by the discontinued operation are as follows:

	2010 RMB'000	2009 RMB'000
Operating activities	**(903)**	(12,214)
Investing activities	**15,232**	2,083
Net cash inflow/(outflow)	**14,329**	(10,131)
Earnings per share:		
Basic, from the discontinued operation	**RMB0.2 cents**	—
Diluted, from the discontinued operation	**RMB0.2 cents**	N/A

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2010	2009
Profit attributable to ordinary equity holders of the parent from the discontinued operation discontinued operation	**RMB11,089,000**	RMB2,727,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 17)	**5,139,856,000**	5,139,856,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 17)	**5,142,423,606**	N/A

16. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Interim dividend - HK1.8 cents (2009: HK1.6 cents) per ordinary share	**81,027**	72,476
Proposed final dividend (not recognised as a liability as at 31 December) – Nil (2009: HK1.5 cents) per ordinary share	**—**	67,800
	81,027	140,276

17. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year ended 31 December 2010 attributable to ordinary equity holders of the parent of RMB576,597,000 (2009: RMB470,107,000) and the 5,139,856,000 ordinary shares in issue during the year (2009: 5,139,856,000).

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	2010 **RMB'000**	2009 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**565,508**	467,380
From a discontinued operation	**11,089**	2,727
	576,597	470,107
Interest on convertible bonds	**12,010**	—
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**588,607**	470,107
Attributable to:		
Continuing operations	**577,518**	467,380
Discontinued operation	**11,089**	2,727
	588,607	470,107

17. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
	2010	2009
Shares		
Ordinary shares in issue during the year used in the basic earnings per share calculation	**5,139,856,000**	5,139,856,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,567,606**	—
Convertible bonds	**59,864,835**	—
	5,202,288,441*	5,139,856,000

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the year and the profit attributable to continuing operations of RMB576,597,000 and RMB565,508,000, respectively, and the weighted average number of ordinary shares of 5,142,423,606 in issue during the year.

18. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fittings and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010							
At 31 December 2009 and at 1 January 2010:							
Cost	1,503,627	267,890	11,159	179,608	226,954	234,903	2,424,141
Accumulated depreciation and impairment	(308,349)	(181,048)	(6,740)	(143,744)	(140,180)	(6,609)	(786,670)
Net carrying amount	1,195,278	86,842	4,419	35,864	86,774	228,294	1,637,471
At 1 January 2010, net of accumulated depreciation and impairment	1,195,278	86,842	4,419	35,864	86,774	228,294	1,637,471
Additions	106,429	628	2,959	13,297	3,282	408,620	535,215
Disposals	(121)	(68)	(694)	(208)	(4,070)	–	(5,161)
Depreciation provided during the year	(59,559)	(14,998)	(1,545)	(10,251)	(27,850)	–	(114,203)
Acquisition of subsidiaries (notes 41 and 42)	527,635	10,165	6,745	7,394	5,120	–	557,059
Transfer to investment properties (note 19)	(28,230)	–	–	–	–	(10,888)	(39,118)
Transfer	37,114	36,024	–	890	139,285	(213,313)	–
Transfer to completed properties held for sale	–	–	–	–	–	(133,041)	(133,041)
Exchange realignment	(1,009)	–	–	–	–	–	(1,009)
At 31 December 2010, net of accumulated depreciation and impairment	1,777,537	118,593	11,884	46,986	202,541	279,672	2,437,213
At 31 December 2010:							
Cost	2,136,516	314,246	18,975	194,039	370,869	286,284	3,320,929
Accumulated depreciation and impairment	(358,979)	(195,653)	(7,091)	(147,053)	(168,328)	(6,612)	(883,716)
Net carrying amount	1,777,537	118,593	11,884	46,986	202,541	279,672	2,437,213

Amortisation of land lease payments of approximately RMB13,023,000 during the construction period was capitalised as part of the construction cost of the department stores in construction of the Group, and 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 interest-bearing bank loans are set out in note 36(a).

Certificates of ownership in respect of certain buildings of the Group located in Zhuhai and Baoding with a net carrying amount of approximately RMB28,313,000 and RMB56,458,000, respectively as at 31 December 2010 have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fittings and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009							
At 31 December 2008 and at 1 January 2009:							
Cost	1,051,688	214,411	11,199	172,731	170,735	174,367	1,795,131
Accumulated depreciation and impairment	(248,119)	(162,030)	(5,739)	(129,911)	(109,113)	(6,609)	(661,521)
Net carrying amount	803,569	52,381	5,460	42,820	61,622	167,758	1,133,610
At 1 January 2009, net of accumulated depreciation and impairment	803,569	52,381	5,460	42,820	61,622	167,758	1,133,610
Additions	30,459	1,055	1,227	7,551	16,559	360,889	417,740
Disposals	(730)	(317)	(706)	(1,037)	(159)	(37)	(2,986)
Depreciation provided during the year	(38,662)	(10,239)	(1,636)	(15,043)	(28,270)	–	(93,850)
Acquisition of subsidiaries	153,535	10,406	521	908	11,717	7,172	184,259
Reclassification as held for sale	–	(573)	(447)	(282)	–	–	(1,302)
Transfers	247,107	34,129	–	947	25,305	(307,488)	–
At 31 December 2009, net of accumulated depreciation and impairment	1,195,278	86,842	4,419	35,864	86,774	228,294	1,637,471
At 31 December 2009:							
Cost	1,503,627	267,890	11,159	179,608	226,954	234,903	2,424,141
Accumulated depreciation and impairment	(308,349)	(181,048)	(6,740)	(143,744)	(140,180)	(6,609)	(786,670)
Net carrying amount	1,195,278	86,842	4,419	35,864	86,774	228,294	1,637,471

19. INVESTMENT PROPERTIES

	Notes	Group 2010 RMB'000	2009 RMB'000
Cost at 1 January, net of accumulated depreciation		**104,103**	110,495
Acquisition of a subsidiary	42	**154,047**	—
Additions		**9,539**	—
Disposals		**(5,435)**	(261)
Transfer from property, plant and equipment	18	**39,118**	—
Depreciation provided during the year		**(9,173)**	(6,131)
At 31 December		**292,199**	104,103
At 31 December:			
Cost		**399,698**	192,506
Accumulated depreciation		**(107,499)**	(88,403)
Net carrying amount		**292,199**	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 44(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 34 and 36(b).

Certificates of ownership in respect of certain investment properties of the Group located in Anhui with a net carrying amount of approximately RMB28,432,000 as at 31 December 2010 have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

At 31 December 2010, the fair value of the Group's investment properties was approximately RMB358,098,000, which was based on the valuation by DTZ Debenham Tie Leung Limited ("DTZ"), independent professionally qualified valuers, on an open market, existing use basis.

20. LAND LEASE PREPAYMENTS

		Group	
	Notes	**2010**	2009
		RMB'000	RMB'000
Carrying amount at 1 January		**2,364,815**	2,072,178
Acquisition of subsidiaries	41 and 42	**1,080,471**	279,720
Additions		**667,845**	82,009
Transfer to properties under development	29	**(60,389)**	—
Transfer to completed properties held for sale		**(184,946)**	—
Disposals		**(5,615)**	(66)
		3,862,181	2,433,841
Amortisation provided during the year		**(101,779)**	(69,026)
Carrying amount at 31 December		**3,760,402**	2,364,815
Current portion included in prepayments, deposits and other receivables		**(103,392)**	(73,903)
Non-current portion		**3,657,010**	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 notes 34 and 36(c).

The Group is in the process of applying for the land use right certificates for land lease prepayments with an aggregate carrying amount of approximately RMB137,518,000 as at 31 December 2010.

Included in the amortisation provided during the year is an amount of approximately RMB13,023,000, 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 18).

21. GOODWILL

	Notes	Group 2010 RMB'000	2009 RMB'000
At 1 January, net of accumulated impairment		**95,997**	45,286
Acquisition of subsidiaries	42	**441,053**	53,566
Acquisition of an additional interest in a subsidiary		**–**	1,962
Reclassification as held for sale		**–**	(17)
Impairment during the year		**–**	(4,800)
At 31 December		**537,050**	95,997
At 31 December:			
Cost		**542,819**	101,766
Accumulated impairment		**(5,769)**	(5,769)
Net carrying amount		**537,050**	95,997

Impairment testing of goodwill

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

- *the CGU of the operation of department stores; and*
- *the CGU of "others".*

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

	Operation of department stores RMB'000	Others RMB'000	Total RMB'000
At 31 December 2010	**532,537**	**4,513**	**537,050**
At 31 December 2009	91,484	4,513	95,997

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections ranged from 11% to 17% (2009: 11% to 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.

Notes to Financial Statements

31 December 2010

21. GOODWILL (continued)

Key assumptions were used in the value in use calculation of the CGUs for 31 December 2010 and 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

Purchase price inflation - Management has considered the possibility of increases in purchase price inflation ranging from nil to 5% (2009: nil to 5%).

22. OTHER INTANGIBLE ASSETS

Group

	Note	**Computer software**	
		2010	2009
		RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation		**3,237**	—
Additions	42	**1,148**	2,881
Acquisition of a subsidiary		**662**	453
Amortisation provided during the year		**(899)**	(97)
At 31 December		**4,148**	3,237
At 31 December:			
Cost		**5,144**	3,334
Accumulated amortisation		**(996)**	(97)
Net carrying amount		**4,148**	3,237

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

23. INVESTMENTS IN SUBSIDIARIES

Company

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**143,788**	143,788

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,696,139,000 (31 December 2009: RMB1,949,604,000) and RMB17,565,000 (31 December 2009: RMB20,599,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

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

Notes to Financial Statements

31 December 2010

23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenzhen Maoye Shangsha Co., Ltd. (深圳茂業商廈有限公司) **	PRC/Mainland China 31 January 1996	US$220,000,000	–	100	Investment holding and operation of department stores
Shenzhen Maoye Department Store Shennan Co., Ltd. (深圳市茂業百資深圳南有限公司) **	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Heping Maoye Department Store Co., Ltd. (深圳市和平茂業百貨有限公司) **	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. (深圳市茂業百貨華強北有限公司) **	PRC/Mainland China 31 March 2003	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Oriental Times Department Store Co., Ltd. (深圳茂業東方時代百貨有限公司) **	PRC/Mainland China 8 August 2005	RMB1,200,000	–	100	Operation of a department store
Zhuhai Maoye Department Store Co., Ltd. (珠海市茂業百貨有限公司) **	PRC/Mainland China 24 August 2001	RMB4,800,000	–	100	Operation of a department store
Chongqing Maoye **	PRC/Mainland China 27 August 2004	RMB30,000,000	–	100	Operation of a department store
Taiyuan Maoye Department Store Co., Ltd. (太原茂業百貨有限公司) **	PRC/Mainland China 11 April 2008	RMB5,000,000	–	100	Operation of a department store

23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Qinhuangdao Maoye Shangsha Business Management Co., Ltd. (秦皇島茂業商廈經營管理有限公司) **	PRC/Mainland China 4 August 2008	RMB5,000,000	–	100	Operation of a department store
Chongqing Buy First Business Co., Ltd. (重慶百福樂商貿有限公司) **	PRC/Mainland China 16 September 2008	US$15,000,000	–	100	Operation of a supermarket
Shenzhen Gangdaoyinzuo Supermarket Co., Ltd. (深圳港島銀座超市有限公司) **	PRC/Mainland China 18 August 2008	US$30,000,000	–	100	Investment holding
Shenzhen Shijinhangong Supermarket Co., Ltd. (深圳世金漢宮超市有限公司) **	PRC/Mainland China 18 August 2008	US$30,000,000	–	100	Investment holding
Shanxi Maoye Land and Real Estate Development Co., Ltd. (山西茂業置地房地產開發有限公司) **	PRC/Mainland China 18 November 2008	RMB30,000,000	–	100	Property development
Changzhou Maoye Department Store Co., Ltd. (常州茂業百貨有限公司) **	PRC/Mainland China 21 May 2009	RMB5,000,000	–	100	Operation of a department store
Shenyang Maoye Times Property Co., Ltd. (沈陽茂業時代置業有限公司) **	PRC/Mainland China 24 September 2007	RMB8,000,000	–	100	Property development
Shenzhen Municipal Maoye Advertisement Co., Ltd. ("Maoye Advertisement") (深圳市茂業廣有限公司) **	PRC/Mainland China 25 December 2002	RMB2,000,000	–	100	Provision of advertising services

Notes to Financial Statements

31 December 2010

23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store") (泰州第一百貨商店股份有限公司) **	PRC/Mainland China 20 May 1994	RMB18,950,000	–	97.31	Operation of a department store
Wuxi Yibai Property Limited ("Wuxi Yibai") (無錫億百置業有限公司) **	PRC/Mainland China 15 April 2008	RMB202,500,000	–	90	Property development
Shenyang Maoye Department Store Co., Ltd. (沈陽茂業百貨有限公司) **	PRC/Mainland China 13 May 2010	RMB5,000,000	–	100	Operation of a department store
Jinzhou Maoye Property Co., Ltd. (錦州茂業置業有限公司) **	PRC/Mainland China 9 July 2010	HK$183,000,000	–	100	Property development
Baoding Maoye Department Store Co., Ltd. (保定茂業百貨有限公司) **	PRC/Mainland China 20 September 2010	RMB5,000,000	–	100	Operation of a department store
Huaian Maoye Property Co., Ltd. (淮安茂業置業有限公司) **	PRC/Mainland China 30 September 2010	RMB206,000,000	–	100	Property development
Shandong Zibo Sugar Wine Co., Ltd. ("Zibo Sugar Wine") (山東省淄博糖酒站股份有限公司) **	PRC/Mainland China 7 January 1999	RMB143,887,180	–	80	Operation of a department store
Baoding Lingchuang Land and Real Estate Development Co., Ltd. ("Baoding Lingchuang") (保定領創房地產開發有限公司) **	PRC/Mainland China 18 December 2006	RMB25,000,000	–	100	Property development
Huaian Maoye Shopping Centre Co., Ltd. (淮安茂業購物中心有限公司) **	PRC/Mainland China 1 November 2010	HKD38,000,000	–	100	#
Linyi Maoye Department Store Co., Ltd. (臨沂茂業百貨有限公司) **	PRC/Mainland China 3 November 2010	RMB5,000,000	–	100	#

23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Taizhou Maoye Property Co., Ltd. (泰州茂業置業有限公司) **	PRC/Mainland China 8 November 2010	HK$608,000,000	–	100	#
Chengshang Group Co., Ltd. ("Chengshang") (成商集團股份有限公司) *	PRC/Mainland China 31 December 1993	RMB365,666,447	–	66.78	Investment holding and operation of department stores
Chengdu Renmin Automobiles Co., Ltd. (成都人民車業有限責任公司) **	PRC/Mainland China 18 March 1998	RMB48,000,000	–	62.61	Investment holding
Chengdu People's Department Store (Group) Nanchong Chuanbei Co., Ltd. (成都人民商場(集團)南充川北有限公司) **	PRC/Mainland China 20 November 2001	RMB20,000,000	–	66.78	Operation of a department store
Chengdu People's Department Store (Group) Chunnan Co., Ltd. (成都人民商場(集團春南)有限公司) **	PRC/Mainland China 9 March 1998	RMB26,000,000	–	66.78	Property leasing
Chengdu People's Department Store (Group) Luzhou Chuannan Co., Ltd. (成都人民商場(集團)瀘州川南限責任公司) **	PRC/Mainland China 26 August 2003	RMB3,000,000	–	66.78	Operation of a department store
E'mei Shan Chengshang Phoenix Co., Ltd. (峨嵋山成商鳳凰湖有限公司) **	PRC/Mainland China 11 March 1997	RMB33,730,000	–	53.42	Operation of a hotel and provision of ancillary services
Chengdu People's Department Store (Group) Mianyang Co., Ltd. ("Chengshang Mianyang") (成都人民商場(集團)綿陽有限公司) "**	PRC/Mainland China 13 September 2007	RMB5,000,000	–	66.78	Operation of a department store

Notes to Financial Statements

31 December 2010

23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chengshang Group Nanchong Commercial Co., Ltd. (成商集團南充商業有限公司) **	PRC/Mainland China 11 April 2008	RMB5,000, 000	–	66.78	Operation of a department store
Chengshang Group Chengdu People's Department Store Co., Ltd. (成商集團成都人民商場有限公司) **	PRC/Mainland China 21 August 2009	RMB20,000, 000	–	66.78	Investment holding and operation of department stores
Chengdu Chengshang Estate Co., Ltd. (成都成商地產有限公司) **	PRC/Mainland China 15 July 2008	RMB8,000,000	–	66.78	#
Qinhuangdao Bohai Logistics Holding Corporation Ltd. ("Bohai Logistics") (秦皇島渤海物流控股股份有限公司) @	PRC/Mainland China 16 May 1997	RMB338,707,568	–	29.90	Investment holding and operation of department stores
Qinhuangdao Jinyuan Housing Decoration Market Co., Ltd. (秦皇島金原傢俱裝飾城有限公司) **	PRC/Mainland China 20 November 2003	RMB1,000,000	–	29.90	Property leasing
Qinhuangdao Hualian Jinyuan Supermarket Co., Ltd. (秦皇島華聯商城金原超市有限公司) .**	PRC/Mainland China 26 June 2001	RMB10,000,000	–	29.90	Operation of a supermarket
Qinhuangdao Hualian Jinyuan Property Management Co., Ltd. (秦皇島華聯商城金原物業服務有限公司) **	PRC/Mainland China 26 June 2001	RMB5,000,000	–	29.90	Property leasing
Qinhuangdao Hualian Jinyuan Property Service Co., Ltd. (秦皇島華聯商城金原經營服務有限公司) **	PRC/Mainland China 24 June 2001	RMB1,000,000	–	29.90	Property management
Anhui Guorun Investment and Development Co., Ltd. (安徽國潤投資發展有限公司) **	PRC/Mainland China 4 October 1998	RMB294,330,000	–	29.85	Investment holding and property development

23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chuzhou Guorun Investment and Development Co., Ltd. (滁州國潤投資發展有限公司) **	PRC/Mainland China 25 April 2003	RMB70,000,000	–	29.70	Property development
Wuhu Guorun Investment and Development Co., Ltd. (蕪湖國潤投資發展有限公司) **	PRC/Mainland China 16 May 2002	RMB110,000,000	–	29.70	Property development
Huainan Guorun Bohai Logistics Co., Ltd. (淮南國潤渤海物流有限公司) **	PRC/Mainland China 26 March 2002	RMB31,600,000	–	29.77	Property development

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

@ A subsidiary with its A shares listed on the Shenzhen Stock Exchange in the PRC.

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

The companies have not yet commenced operation.

During the year, the Group has acquired a 90% equity interest in Wuxi Yibai (note 41(i)) and the entire equity interest in Baoding Lingchuang (note 41(ii)) from independent third parties.

On 30 June 2010, 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. Further details of this acquisition are included in note 42(i) to the financial statements.

During the year, the Group has acquired an 80% equity interest in Zibo Sugar Wine from independent third parties. Further details of this acquisition are included in note 42(ii) to the financial statements.

On 12 January 2010, the Group disposed of the entire equity interest in Chengshang Motor to independent third parties (note 43).

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

24. INVESTMENTS IN ASSOCIATES

	Group 2010 RMB'000	Group 2009 RMB'000
Share of net assets	**11,904**	13,437

The Group's balances with its associates as at 31 December 2010 and 2009 are disclosed in note 46(b).

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

Company name	Place and date of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest attributable to the Group Direct %	Percentage of ownership interest attributable to the Group Indirect %	Principal activities
Guangyuan Lizhou New Century Broadcasting Network Co., Ltd. ("Guangyuan New Century") (廣元市利州區新世紀廣電網絡有限公司)	PRC/Mainland China 12 July 2000	RMB4,500,000	–	20.32	Construction and maintenance of a television network
Leshan Shawan New Century Broadcasting Network Construction Co., Ltd. ("Leshan Shawan New Century") (樂山市沙灣新世紀廣播電視網絡建設有限公司)	PRC/Mainland China 7 September 2000	RMB6,000,000	–	20.32	Construction and maintenance of a television network
Ya'an New Century Broadcasting Network Co., Ltd. ("Ya'an New Century") (雅安新世紀廣播電視信息網絡有限責任公司)	PRC/Mainland China 20 April 2000	RMB10,000,000	–	13.27*	Construction and maintenance of a television network

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

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

24. INVESTMENTS IN ASSOCIATES (continued)

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

Name of associate	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) RMB'000
Year ended 31 December 2010				
Ya'an New Century	**9,223**	**4,535**	**1,450**	**(1,317)**
Guangyuan New Century	**8,445**	**5,858**	**2,901**	**109**
Leshan Shawan New Century	**5,345**	**716**	**2,498**	**159**
	23,013	**11,109**	**6,849**	**(1,049)**
Year ended 31 December 2009				
Ya'an New Century	9,790	3,458	3,454	458
Guangyuan New Century	7,792	5,304	2,204	208
Leshan Shawan New Century	6,027	1,410	2,294	163
	23,609	10,172	7,952	829

25. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group 2010 RMB'000	2009 RMB'000
Listed equity investments, at fair value		
Shanghai	**269,616**	203,111
Shenzhen	**242,587**	1,019,523
	512,203	1,222,634
Unlisted equity investments, at cost	**129,080**	115,080
	641,283	1,337,714
Provision for impairment	**(5,885)**	(5,885)
	635,398	1,331,829

During the year, the gross gain in respect of the Group's available-for-sale equity investments recognised in other comprehensive income amounted to RMB82,915,000 (2009: RMB276,200,000).

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

25. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (continued)

The unlisted equity investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for these 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.

26. OTHER ASSET

	Group	
	2010	2009
	RMB'000	RMB'000
Unlisted equity investment	**2,458**	2,458

On 31 December 2010, Chengdu People's Department Store (Group) Yibin Daguan Building Department Store Co., Ltd. （成都人民商場（集團）宜賓大觀樓商場有限責任公司）was in liquidation. The Group accounted for its investment in it amounting to RMB2,458,000 as other asset as at 31 December 2010 (2009: RMB2,458,000).

27. DEFERRED TAX

Movements in deferred tax assets are as follows:

Group	Provisions and accruals	Impairment of trade and other receivables	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	11,773	14,464	2,116	28,353
Deferred tax credited/(charged) to the consolidated income statement during the year (note 13)	(896)	(80)	7,565	6,589
Reclassification as held for sale	(26)	(20)	(447)	(493)
At 31 December 2009	10,851	14,364	9,234	34,449
Acquisition of subsidiaries	710	8,558	5,726	14,994
Deferred tax credited/(charged) to the consolidated income statement during the year (note 13)	3,196	424	8,584	12,204
At 31 December 2010	**14,757**	**23,346**	**23,544**	**61,647**

27. DEFERRED TAX (continued)

The Group had tax losses of approximately RMB109,563,000 as at 31 December 2010 (31 December 2009: RMB65,883,000), that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of approximately RMB15,387,000 as at 31 December 2010 (31 December 2009: RMB25,685,000) as they have arisen in subsidiaries that have been loss-making for some time and there is insufficient convincing evidence that sufficient taxable profits will be available to allow the utilisation of the carryforward of tax losses before they expire in five years.

Movements in deferred tax liabilities are as follows:

	Fair value adjustment arising from acquisition of subsidiaries	Revaluation of available-for-sale equity investments	Amortisation of pre-paid land lease prepayments	Withholding taxes	Capitalisation of borrowing costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	104,026	19,386	3,341	7,089	–	133,842
Acquisition of subsidiaries	69,766	–	–	–	–	69,766
Deferred tax debited to equity during the year	–	91,024	–	–	–	91,024
Deferred tax charged/(credited) to the consolidated income statement during the year (note 13)	(6,366)	–	3,395	6,898	–	3,927
At 31 December 2009	167,426	110,410	6,736	13,987	–	298,559
Acquisition of subsidiaries	154,768	–	–	–	–	154,768
Deferred tax credited to equity during the year	–	(35,740)	–	–	–	(35,740)
Deferred tax charged/(credited) to the consolidated income statement during the year (note 13)	(6,411)	–	1,785	(1,254)	1,372	(4,508)
At 31 December 2010	**315,783**	**74,670**	**8,521**	**12,733**	**1,372**	**413,079**

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

At 31 December 2010, there was no significant unrecognised deferred tax liability (2009: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates.

Notes to Financial Statements

31 December 2010

28. INVENTORIES

	Group	
	2010	2009
	RMB'000	RMB'000
Merchandise for resale	**172,591**	107,984
Provision against slow-moving inventories	**(6,172)**	(7,270)
	166,419	100,714

Movements in the provision for against slow-moving inventories are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**7,270**	11,286
Provision reversed during the year (note 10)	**(678)**	(3,519)
Reclassification to held for sale	**—**	(104)
Amount written off during the year	**(420)**	(393)
At 31 December	**6,172**	7,270

29. PROPERTIES UNDER DEVELOPMENT

		Group	
		2010	2009
	Notes	**RMB'000**	RMB'000
Land lease prepayments, at cost			
At beginning of year		**—**	—
Additions		**685,523**	—
Acquisition of a subsidiary	42	**134,854**	—
Transfer from land lease prepayments	20	**60,389**	—
Transfer to completed properties held for sale		**(5,028)**	—
At 31 December		**875,738**	—
Development expenditure, at cost			
At beginning of year		**—**	—
Additions		**167,021**	—
Acquisition of a subsidiary	42	**172,979**	—
Transfer to completed properties held for sale		**(38,176)**	—
At 31 December		**301,824**	—
		1,177,562	—

The Group's properties under development are held under a medium term lease and are situated in Mainland China.

Details of the Group's properties under development pledged to secure the Group's interest-bearing bank loans are set out in note 36(e).

The Group is in the process of applying for the land use right certificates for land lease prepayments included in properties under development with an aggregate carrying amount of approximately RMB540,342,000 as at 31 December 2010.

Notes to Financial Statements

31 December 2010

30. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	RMB'000	RMB'000
Listed equity investments	**11,271**	39,168

31. TRADE RECEIVABLES

The Group's revenue from the direct sales of merchandise are mainly on a cash basis. The credit terms offered to customers of the Group's other businesses are generally three months to one year.

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within 60 days	**10,206**	353
61 to 90 days	**129**	6
91 to 180 days	**12**	57
181 to 270 days	**731**	3
271 to 360 days	**4,716**	75
Over 360 days	**4,496**	7,285
	20,290	7,779
Impairment of trade receivables	**(4,496)**	(7,511)
	15,794	268

The balance of trade receivables mainly relate to sales of properties and other businesses.

31. TRADE RECEIVABLES (continued)

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

	Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**7,511**	7,657
Impairment losses recognised/ (reversed) during the year (note 10)	**(1,042)**	15
Reclassification to held for sale	**–**	(81)
Amount written off during the year	**(1,973)**	(80)
At 31 December	**4,496**	7,511

Included in the above provision for impairment of trade receivables as at 31 December 2010 is a provision for individually impaired trade receivables of approximately RMB4,496,000 (31 December 2009: RMB7,511,000) with a gross carrying amount before provision of approximately RMB4,496,000 (31 December 2009: RMB7,511,000). The individually impaired trade receivables relate to customers that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

		Neither	Past due but not impaired				
		past due	61 to	91 to	181 to	271 to	Over
	Total	nor impaired	90 days	180 days	270 days	360 days	360 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010	**15,794**	**15,794**	**–**	**–**	**–**	**–**	**–**
31 December 2009	268	268	–	–	–	–	–

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

32. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**1,115,458**	696,169	**—**	—
Current assets				
Prepayments	**187,908**	203,813	**16**	400
Other receivables	**231,271**	199,995	**—**	—
	419,179	403,808	**16**	400
Impairment of other receivables	**(16,401)**	(17,452)	**—**	—
	402,778	386,356	**16**	400

Included in the Group's prepayments and other receivables under current assets as at 31 December 2010 are prepayments for operating lease rental expenses of nil (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.

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

	Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**17,452**	37,190
Acquisition of a subsidiary	**6,641**	458
Impairment losses recognised/(reversed) during the year (note 10)	**42**	(523)
Amount written off during the year	**(7,734)**	(19,673)
At 31 December	**16,401**	17,452

Included in the above provision for impairment of other receivables as at 31 December 2010 is a provision for individually impaired other receivables of approximately RMB16,401,000 (31 December 2009: RMB17,452,000) with a gross carrying amount of approximately RMB16,401,000 (31 December 2009: RMB17,452,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

33. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2010	2009	**2010**	2009
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**1,024,073**	457,001	**4,804**	3,970
Time deposits		**1,350**	12,902	**—**	—
		1,025,423	469,903	**4,804**	3,970
Less: Pledged time deposits for bills payable	34	**(1,350)**	(12,902)	**—**	—
Cash and cash equivalents		**1,024,073**	457,001	**4,804**	3,970

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**970,542**	456,585	**—**	—
Hong Kong dollar	**53,137**	13,295	**4,804**	3,970
United States dollar	**394**	23	**—**	—
	1,024,073	469,903	**4,804**	3,970

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.

Notes to Financial Statements

31 December 2010

34. TRADE AND BILLS PAYABLES

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within 90 days	**1,392,576**	767,737
91 to 180 days	**176,837**	63,064
181 to 360 days	**48,377**	30,489
Over 360 days	**70,583**	71,753
	1,688,373	933,043

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

The Group's bills payable amounting to RMB4,500,000 as at 31 December 2010 (31 December 2009: RMB29,040,000) were secured by the Group's investment properties and land lease prepayments with net carrying amounts of approximately RMB10,173,000 (31 December 2009: RMB11,034,000) and RMB20,755,000 (31 December 2009: RMB24,287,000), respectively, and the Group's time deposits amounting to RMB1,350,000 (31 December 2009: RMB12,902,000).

35. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income	**720,496**	289,571	**—**	—
Deposits received	**134,330**	107,180	**—**	—
Accrued operating lease rental expenses	**56,728**	52,936	**—**	—
Accrued utilities	**12,789**	9,795	**—**	—
Accrued liabilities	**18,182**	19,819	**204**	4,814
Accrued staff costs	**40,383**	30,235	**231**	5
Provision for coupon liabilities	**20,244**	17,203	**—**	—
Value-added tax and other tax payables	**(129,494)**	(22,888)	**—**	—
Other payables	**737,711**	246,587	**—**	—
	1,611,369	750,438	**435**	4,819

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

36. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group	2010 Effective interest rate (%)	2010 Maturity	2010 RMB'000	2009 Effective interest rate (%)	2009 Maturity	2009 RMB'000
Current						
Interest-bearing bank loans – secured	**5.00-9.47**	**2011**	**189,000**	5.31 – 5.84	2010	71,000
Current portion of long term interest-bearing bank loans – secured	**5.13-6.40, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate**	**2011**	**662,024**	5.13 - 5.94	2010	92,667
			851,024			163,667
Non-current						
Long term interest-bearing bank loans – secured	**5.13-6.40, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate**	**2011-2019**	**1,564,776**	5.13 - 5.94	2011-2019	1,268,300
Convertible bonds(note 37)	**6.51**	**2013-2015**	**860,441**	—	—	—
			2,425,217			1,268,300
			3,276,241			1,431,967

Company	2010 Effective interest rate (%)	2010 Maturity	2010 RMB'000	2009 Effective interest rate (%)	2009 Maturity	2009 RMB'000
Non-current						
Convertible bonds (note 37)	**6.51**	**2013-2015**	**860,441**	—	—	—

Notes to Financial Statements

31 December 2010

36. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**851,024**	163,667	**—**	—
In the second year	**372,023**	107,801	**—**	—
In the third to fifth years, inclusive	**614,197**	486,459	**—**	—
Beyond five years	**578,556**	674,040	**—**	—
	2,415,800	1,431,967	**—**	—
Analysed into:				
Convertible bonds:				
Within one year	**—**	—	**—**	—
In the second year	**—**	—	**—**	—
In the third to fifth years, inclusive	**860,441**	—	**860,441**	—
Beyond five years	**—**	—	**—**	—
	860,441	—	**860,441**	—

36. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB656,470,000 (31 December 2009: RMB350,895,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB336,640,000 (31 December 2009: RMB68,589,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB1,182,250,000 (31 December 2009: RMB1,005,062,000);

(d) certain completed properties held for sale of the Group with a net carrying amount of approximately RMB182,460,000 (31 December 2009: Nil); and

(e) certain properties under development of the Group with a net carrying amount of approximately RMB14,410,000 (31 December 2009: Nil).

In addition, certain related parties have guaranteed certain of the Group's bank loans up to RMB1,720,176,000 (2009: RMB1,080,000,000) as at the end of the reporting period.

The Group had the following undrawn banking facilities:

	Group	
	2010	2009
	RMB'000	RMB'000
Floating rate	**606,880**	1,194,000

On 24 January 2011, the Group was granted banking facilities by a bank amounting to RMB200 million for a period of 12 months. Additionally, on 28 January 2011, the Group was granted banking facilities by another bank amounting to RMB150 million for a period of 12 months.

37. CONVERTIBLE BONDS

On 13 October 2010, the Company issued convertible bonds with a nominal value of HK$1,165,000,000. There was no movement in the number of these convertible bonds during the year. The convertible bonds are listed on Singapore Stock Exchange Securities Trading Limited.

Pursuant to the bond subscription agreement, the convertible bonds are:

(a) convertible at the option of the bondholders into ordinary shares on or after 23 November 2010 up to and including 3 October 2015, on the basis of one ordinary share with nominal value of HK$0.1 each at an initial conversion price of HK$4.212, subject to adjustments in certain events;

(b) redeemable at the option of the bondholders at 100% of its principal amount together with interest accrued and unpaid to such date on 13 October 2013;

(c) redeemable at the option of the Company at any time after 13 October 2013 and prior to 13 October 2015 in whole, but not in part, of the convertible bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption, provided that the closing price of the Company's shares for any 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date on which notice of such redemption is published, was at least 130% of the prevailing conversion price; and

(d) redeemable at the option of the Company at any time prior to 13 October 2015 in whole, but not in part, of the convertible bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption provided that prior to the date of notice of such redemption at least 90% in principal amount of the convertible bonds originally issued has already been converted, redeemed or purchased and cancelled.

Unless previously redeemed, converted or purchased or cancelled, any convertible bonds not converted will be redeemed at 100% of their principal amount on 13 October 2015, together with accrued but unpaid interest. The bonds carry interest at a rate of 3% per annum, which is payable half-yearly in arrears on 13 April and 13 October.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity. The convertible bonds issued during the year have been split as to the liability and equity components, as follows:

	2010 **RMB'000**	2009 RMB'000
Nominal value of convertible bonds issued during the year	**1,001,434**	—
Equity component*	**(122,175)**	—
Direct transaction costs attributable to the liability component	**(21,947)**	—
Liability component at the issuance date	**857,312**	—
Interest expense (note 12)	**12,010**	—
Exchange realignment	**(8,881)**	—
Liability component at 31 December (note 36)	**860,441**	—

* The direct transaction costs attributable to the equity component of the bonds amounted to RMB3,050,000.

38. ISSUED CAPITAL

	2010 HK$'000	2009 HK$'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

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

39. 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 exceed 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.

Notes to Financial Statements

31 December 2010

39. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within seven 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 grant of the share options.

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 grant 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.

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

	Exercise price HK$ per share	**Number of options**
At 1 January 2010		—
Granted during the period	2.810	126,308,000
Forfeited	2.810	(768,000)
At 31 December 2010		125,540,000

39. SHARE OPTION SCHEME (continued)

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
41,428,200	2.810	1st trading date to 30th trading date after the publication date of the 2010 annual report
41,428,200	2.810	1st trading date to 30th trading date after the publication date of the 2011 annual report
42,683,600	2.810	1st trading date to 30th trading date after the publication date of the 2012 annual report
125,540,000		

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

(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.

39. SHARE OPTION SCHEME (continued)

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$45,594,000, equivalent to RMB39,469,000, during the year ended 31 December 2010.

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 125,540,000 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 125,540,000 additional ordinary shares of the Company and additional share capital of HK$12,554,000 and share premium of HK$340,213,400 (before issue expenses).

At the date of approval of these financial statements, the Company had 125,540,000 share options outstanding under the Scheme, which represented approximately 2.4% of the Company's shares in issue as at that date.

40. RESERVES

(a) Group

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

The contributed surplus of the Group represents the difference of RMB77,000, being the excess of the nominal value of the shares and contributed surplus of the subsidiaries acquired pursuant to the reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in 2008 over the nominal value of the Company's shares issued in exchange therefor.

40. RESERVES (continued)

(b) Company

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

	Notes	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Share option reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2008		1,875,369	–	–	152,671	(54,003)	(280,668)	99,658	1,793,027
Total comprehensive income/(loss) for the year		–	–	–	–	190	(10,326)	–	(10,136)
Final 2008 dividends declared		–	–	–	–	–	–	(99,658)	(99,658)
Interim 2009 dividend	16	–	–	–	–	–	(72,476)	–	(72,476)
Proposed final dividend	16	–	–	–	–	–	(67,800)	67,800	–
As at 31 December 2009		1,875,369	–	–	152,671	(53,813)	(431,270)	67,800	1,610,757
Total comprehensive loss or the year		–	–	–	–	(61,064)	(54,741)	–	(115,805)
Final 2009 dividends declared		–	–	–	–	–	–	(67,800)	(67,800)
Equity-settled share option arrangement	39	–	–	39,469	–	–	–	–	39,469
Issue of convertible bonds	37	–	119,125	–	–	–	–	–	119,125
Interim 2010 dividend	16	–	–	–	–	–	(81,027)	–	(81,027)
As at 31 December 2010		**1,875,369**	**119,125**	**39,469**	**152,671**	**(114,877)**	**(567,038)**	**–**	**1,504,719**

Notes to Financial Statements

31 December 2010

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Acquisition of a 90% equity interest in Wuxi Yibai

On 10 March 2010, the Group acquired a 90% equity interest in Wuxi Yibai from Jiangsu Wuxi First Department Store Limited Labour Union（江蘇無錫第一百貨（集團）有限公司工會）, 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, they do not give rise to goodwill.

	Note	**10 March 2010** **RMB'000**
Assets and liabilities of a subsidiary acquired:		
Land lease prepayments	20	**375,000**
Cash and cash equivalents		**519**
Interest-bearing bank loans		**(140,000)**
Deposits received, accruals and other payables		**(34,019)**
Non-controlling interests		**(20,150)**
		181,350
Satisfied by:		
Cash		**181,350**

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(ii) Acquisition of the entire interest in Baoding Lingchuang

On 3 November 2010, the Group acquired the entire equity interest in Baoding Lingchuang from various independent third parties for a cash consideration of RMB86,576,000. As the assets acquired do not constitute a business, they do not give rise to goodwill.

	Notes	3 November 2010 RMB'000
Assets and liabilities of a subsidiary acquired:		
Property, plant and equipment	18	**212**
Land lease prepayments	20	**125,144**
Prepayments and other receivables		**508**
Cash and cash equivalents		**136**
Deposits received, accruals and other payables		**(39,424)**
		86,576
Satisfied by:		
Cash		**86,576**

42. BUSINESS COMBINATION

(i) Acquisition of a 29.9% equity interest in Bohai Logistics

On 30 June 2010, 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, Hebei, the PRC. The acquisition was made as part of the Group's strategy to expand its store network in the eastern and northern China.

The Group has elected to measure the non-controlling interest in Bohai Logistics at the non-controlling interest's proportionate share of Bohai Logistics' identifiable net assets.

42. BUSINESS COMBINATION (continued)

(i) Acquisition of a 29.9% equity interest in Bohai Logistics (continued)

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	18	194,493	193,668
Investment properties	19	154,047	145,381
Land lease prepayments	20	506,318	189,439
Other intangible assets	22	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	29	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)	—
Non-controlling interests		(5,137)	(5,754)
		791,111	491,705
Non-controlling interests on acquisition		(554,599)	
Total identifiable net assets at fair value		236,512	
Goodwill on acquisition	21	343,712	
Satisfied by:			
Fair value of the shares in Bohai Logistics at the acquisition date		580,224	

42. BUSINESS COMBINATION (continued)

(i) Acquisition of a 29.9% equity interest in Bohai Logistics (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB37,033,000 and RMB64,688,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB48,855,000 and RMB71,329,000, respectively, of which trade receivables and other receivables of RMB11,822,000 and RMB6,641,000, respectively, are expected to be uncollectible.

The Group incurred transaction costs of RMB400,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated income statement.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	—
Cash and bank balances acquired	118,670
Net inflow of cash and cash equivalents included in cash flows from investing activities	118,670
Transaction costs of the acquisition included in cash flows from operating activities	(400)
	118,270

Since its acquisition, Bohai Logistics has contributed RMB150,544,000 to the Group's revenue and RMB9,452,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB2,487,563,000 and RMB640,610,000, respectively, based on the management accounts provided by Bohai Logistics.

42. BUSINESS COMBINATION (continued)

(ii) Acquisition of an 80% equity interest in Zibo Sugar Wine

On 13 October 2010, the Group acquired an 80% equity interest in Zibo Sugar Wine for a cash consideration of RMB284,440,000. Zibo Sugar Wine principally engages in the operation of a department store in Zibo, Shangdong, the PRC. The acquisition was made as part of the Group's strategy to expand its store network in eastern and northern China. The purchase consideration for the acquisition was in the form of cash, with an aggregate amount of RMB150,800,000 paid on and before the acquisition date and the remaining RMB64,480,000 and RMB69,160,000 to be paid by instalments in October 2011 and October 2012, respectively.

The Group has elected to measure the non-controlling interest in Zibo Sugar Wine at the non-controlling interest's proportionate share of Zibo Sugar Wine's identifiable net assets.

The fair values of the identifiable assets and liabilities of Zibo Sugar Wine as at the date of acquisition 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	18	362,354	85,638
Land lease prepayments	20	74,009	5,782
Interest-bearing bank loans		(130,000)	(130,000)
Deferred tax liabilities		(86,236)	—
		220,127	(38,580)
Non-controlling interests on acquisition		(44,025)	
		176,102	
Goodwill on acquisition	21	97,341	
Satisfied by:			
Cash		150,800	
Fair value of consideration payable		122,643	
		273,443	

42. BUSINESS COMBINATION (continued)

(ii) Acquisition of an 80% equity interest in Zibo Sugar Wine (continued)

The Group incurred transaction costs of RMB106,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated income statement.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(150,800)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	(150,800)
Transaction costs of the acquisition included in cash flows from operating activities	(106)
	(150,906)

Since its acquisition, Zibo Sugar Wine has contributed RMB26,168,000 to the Group's turnover and RMB1,395,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB2,439,543,000 and RMB625,933,000, respectively, based on the management accounts provided by Zibo Sugar Wine.

Notes to Financial Statements

31 December 2010

43. 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	15	**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**

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 19) and subleases its leased assets under operating lease arrangements, with leases negotiated for terms ranging from 1 to 15 years.

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

Group	**2010** **RMB'000**	2009 RMB'000
Within one year	**105,328**	116,388
In the second to fifth years, inclusive	**115,741**	81,531
After five years	**83,333**	22,781
	304,402	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:

Group	**2010** **RMB'000**	2009 RMB'000
Within one year	**198,797**	104,929
In the second to fifth years, inclusive	**771,228**	398,977
After five years	**546,943**	385,527
	1,516,968	889,433

Notes to Financial Statements

31 December 2010

45. COMMITMENTS

In addition to the operating lease commitments as set out in note 44(b) above, the Group had the following capital commitments:

Group	2010 RMB'000	2009 RMB'000
Contracted, but not provided for, in respect of land and buildings	**1,339,936**	671,206

In addition, on 19 November 2010, Zhongzhao Investment entered into an agreement with Zibo Dongtai Group Co., Ltd. ("Dongtai Group")（淄博東泰集團有限公司）to acquire an 80% equity interest in Zibo Dongtai Shangsha Co., Ltd. ("Dongtai Shangsha")（淄東泰商廈有限公司）for a cash consideration of RMB405,558,000. As at 31 December 2010, an aggregate cash consideration of RMB81,110,000 was paid to Dongtai Group for the acquisition (note 50 (i)).

46. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2010 RMB'000	2009 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye (Group) Co., Ltd.("Shenzhen Maoye Group")（深圳茂業（集團）股份有限公司）(i) & (iv)	**22,082**	22,082
Zhong Zhao Investment (Group) Limited（中兆投資（集團）有限公司）(i) & (iv)	**8,538**	8,538
Shenzhen Orient Times (i) & (iv)	**56,189**	56,939
Shenzhen Chongde Real Estate Co., Ltd.（深圳市崇德地產有限公司）(i) & (iv)	**424**	424
Shenzhen Maoye Property Business Co., Ltd.（深圳茂業物業經營有限公司）(i) & (iv)	**6,304**	6,304
Chongqing Maoye Real Estate Co., Ltd.（重慶茂業地產有限公司）(i) & (iv)	**19,152**	19,197
Shenzhen Friendship Trading Centre Co., Ltd. ("Shenzhen Friendship")（深圳友誼貿易中心有限公司）(iii) & (iv)& (v)	**22,000**	—
Changzhou Taifu Real Estate Development Co., Ltd.（常州泰富房地產開發有限公司）(i) & (iv)	**7,172**	—
Shenyang Maoye Property Development Co., Ltd.（瀋陽茂業置業有限公司）(i) & (iv)	**1,962**	—
	143,823	113,484

46. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) (continued)

	2010 **RMB'000**	2009 RMB'000
(1) Recurring transactions (continued)		
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) & (vi)	**—**	11
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (vi)	**3,589**	2,961
	3,589	2,972
(2) Non-recurring transactions		
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i) & (vii)	**500,000**	—
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (vii)	**1,600,000**	1,900,000
	2,100,000	1,900,000

(i) They are fellow subsidiaries of the Company.

(ii) They are directors of the Company.

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

(iv) The operating lease rental expenses charged by the fellow subsidiaries of the Company and Shenzhen Friendship were determined based on the underlying contracts as agreed between the Group and the fellow subsidiaries of the Company or Shenzhen Friendship.

(v) According to the terms of the lease arrangement, Shenzhen Friendship shall compensate any loss incurred by the department store operated by the Group at the leased property during each of the first two years of the lease. The department store operated by the Group at the leased property recorded a loss of RMB6,686,000 for the period ended 31 December 2010. Accordingly, an amount of RMB6,686,000 was recoverable from Shenzhen Friendship in accordance with the terms of the lease.

(vi) 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.

(vii) Certain of the Group's bank loans were guaranteed by a fellow subsidiary of the Company, Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally.

46. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) (continued)

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

(viii) 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 an agreement to further extend the time to complete the acquisition to a future date to be decided by the parties.

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

	2010	2009
	RMB'000	RMB'000
Due from related parties		
Due from associates	**1,346**	767
Due from fellow subsidiaries	**1,887**	2,972
Due from a company significantly influenced by a director of the Company	**6,686**	—
	9,919	3,739
Due to related parties		
Due to associates	**—**	210
Due to fellow subsidiaries	**4,249**	2,127
	4,249	2,337

Included in the balances due from fellow subsidiaries and a company significantly influenced by a director of the Company as at 31 December 2010 was an aggregate amount of approximately RMB8,573,000 (31 December 2009: 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.

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

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

46. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management

	2010	2009
	RMB'000	RMB'000
Salaries and allowances	**6,141**	4,730
Bonuses	**—**	—
Equity-settled share option	**2,869**	—
Retirement benefits	**189**	84
	9,199	4,814

Further details of directors' remuneration are included in note 8.

The related party transactions in respect of items 46a(1) and 46a(2) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements

31 December 2010

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 **Group**

Financial assets

	Financial assets at fair value through profit or loss					
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Investments in associates	–	–	–	11,904	–	11,904
Available-for-sale investments	–	–	–	–	635,398	635,398
Other asset	–	–	–	2,458	–	2,458
Trade receivables	–	–	–	15,794	–	15,794
Financial assets included in prepayments, deposits and other receivables	–	–	–	214,870	–	214,870
Equity investments at fair value through profit or loss	–	11,271	–	–	–	11,271
Due from related parties	–	–	–	9,919	–	9,919
Pledged deposits	–	–	–	1,350	–	1,350
Cash and cash equivalents	–	–	–	1,024,073	–	1,024,073
	–	11,271	–	1,280,368	635,398	1,927,037

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,688,373
Financial liabilities included in other payables and accruals	943,395
Due to related parties	4,249
Convertible bonds	860,441
Interest-bearing bank and other borrowings	2,415,800
	5,912,258

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

2009 Group

Financial assets

	Financial assets at fair value through profit or loss					
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Investments in associates	—	—	—	13,437	—	13,437
Available-for-sale investments	—	—	—	—	1,331,829	1,331,829
Other asset	—	—	—	2,458	—	2,458
Trade receivables	—	—	—	268	—	268
Financial assets included in prepayments, deposits and other receivables	—	—	—	182,543	—	182,543
Equity investments at fair value through profit or loss	—	39,168	—	—	—	39,168
Due from related partiests	—	—	—	3,739	—	3,739
Pledged deposits	—	—	—	12,902	—	12,902
Cash and cash equivalents	—	—	—	457,001	—	457,001
	—	39,168	—	672,348	1,331,829	2,043,345

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	933,043
Financial liabilities included in other payables and accruals	246,587
Due to related parties	2,337
Interest-bearing bank and other borrowings	1,431,967
	2,613,934

Notes to Financial Statements

31 December 2010

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows (continued):

Company

Financial assets

	2010 Loans and receivables RMB'000	2009 Loans and receivables RMB'000
Investments in subsidiaries	**143,788**	143,788
Prepayments and other receivables	**16**	400
Due from related parties	**2,696,139**	1,949,604
Cash and cash equivalents	**4,804**	3,970
	2,844,747	2,097,762

Financial liabilities

	2010 Financial liabilities at Amortised cost RMB'000	2009 Financial liabilities at amortised cost RMB'000
Other payables and accruals	**435**	4,819
Due to subsidiaries	**17,565**	20,599
Convertible bonds	**860,441**	—
	878,441	25,418

48. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments – listed equity investments	**512,203**	1,222,634	**512,203**	1,222,634
Trade receivables	**15,794**	268	**15,794**	268
Financial assets included in prepayments, deposits and other receivables	**214,870**	182,543	**214,870**	182,543
Equity investments at fair value through profit or loss	**11,271**	39,168	**11,271**	39,168
Due from related parties	**9,919**	3,739	**10,351**	3,739
Pledged deposits	**1,350**	12,902	**1,350**	12,902
Cash and cash equivalents	**1,024,073**	457,001	**1,024,073**	457,001
	1,789,480	1,918,255	**1,789,480**	1,918,255
Financial liabilities				
Trade and bills payables	**1,688,373**	933,043	**1,688,373**	933,043
Financial liabilities included in other payables and accruals	**943,395**	246,587	**943,395**	246,587
Due to related parties	**4,249**	2,337	**4,249**	2,337
Convertible bonds	**860,441**	—	**860,441**	—
Interest-bearing bank and other borrowings	**2,415,800**	1,431,967	**2,415,800**	1,431,967
	5,912,258	2,613,934	**5,912,258**	2,613,934

48. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Investments in subsidiaries	**143,788**	143,788	**143,788**	143,788
Prepayments and other receivables	**16**	400	**16**	400
Due from related parties	**2,696,139**	1,949,604	**2,696,139**	1,949,604
Cash and cash equivalents	**4,804**	3,970	**4,804**	3,970
	2,844,747	2,097,762	**2,844,747**	2,097,762
Other payables and accruals	**435**	4,819	**435**	4,819
Due to subsidiaries	**17,565**	20,599	**17,565**	20,599
Convertible bonds	**860,441**	—	**860,441**	—
	878,441	25,418	**878,441**	25,418

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Trade receivables, financial assets included in prepayments, deposits and other receivables, due from related parties, pledged deposits, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated using an equivalent market interest rate for a similar convertible bond.

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

48. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

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

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

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

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

Assets measured at fair value

Group

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:				
Trading securities	**11,271**	**—**	**—**	**11,271**
Available-for-sale equity investments:				
Equity shares	**512,203**	**—**	**—**	**512,203**
	523,474	**—**	**—**	**523,474**

As at 31 December 2009

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

During the year ended 31 December 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.

Notes to Financial Statements

31 December 2010

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 36 above.

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

Group	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
31 December 2010			
RMB	**100**	**(43,601)**	**—**
RMB	**(100)**	**43,601**	**—**
31 December 2009			
RMB	100	(43,173)	—
RMB	(100)	43,173	—

* Excluding retained earnings

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

Credit risk

The Group's sales of merchandise and automobiles are mainly on a cash basis. For credit sales, the group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 31 and 32 above.

Liquidity risk

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

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	31 December 2010			
Group	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	1,688,373	—	1,688,373
Deposits received, accruals and other payables	—	943,395	—	943,395
Due to related parties	4,249	—	—	4,249
Convertible bonds	—	34,950	1,304,800	1,339,750
Interest-bearing bank and other borrowings	—	1,000,058	1,941,747	2,941,805
	4,249	3,666,776	3,246,547	6,917,572

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group	31 December 2009 On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	—	933,043	—	933,043
Deposits received, accruals and other payables	—	246,587	—	246,587
Due to related parties	2,337	—	—	2,337
Interest-bearing bank and other borrowings	—	239,404	1,524,615	1,764,019
	2,337	1,419,034	1,524,615	2,945,986

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Company	**31 December 2010 On demand RMB'000**	**Less than 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Convertible bonds	**—**	**—**	**860,441**	**860,441**
Other payables and accruals	**435**	**—**	**—**	**435**
Due to subsidiaries	**17,565**	**—**	**—**	**17,565**
	18,000	**—**	**860,441**	**878,441**

Company	31 December 2009 On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Other payables and accruals	4,819	—	—	4,819
Due to subsidiaries	20,599	—	—	20,599
	25,418	—	—	25,418

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank loans less cash and cash equivalents and pledged deposits. Capital includes convertible bonds and equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2010 and 2009 were as follows:

Group

	2010	2009
	RMB'000	RMB'000
Interest-bearing bank loans	**2,415,800**	1,431,967
Less: Cash and cash equivalents and pledged deposits	**(1,025,423)**	(469,903)
	1,390,337	962,064
Net debt	**1,390,337**	962,064
Convertible bonds, the liability component	**860,441**	—
Equity attributable to owners of the parent	**3,899,584**	3,417,326
Adjusted capital	**4,760,025**	3,417,326
Capital and net debt	**6,150,362**	4,379,390
Gearing ratio	**23%**	22%

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as available-for-sale equity investments (note 25) and equity investments at fair value through profit or loss (note 30). The Group's listed equity investments are listed on the Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

Group	**31 December 2010**	**Year ended 31 December 2010 High/low**	31 December 2009	Year ended 31 December 2009 High/low
Shenzhen – A Share Index	**1,351**	**1,454/985**	1,261	1,296/600
Shanghai – A Share Index	**2,940**	**3,468/2432**	3,437	3,644/1,956

The following table demonstrates the sensitivity to every 5% change in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at 31 December 2010 and 2009.

Group	**Increase/ decrease in profit before tax RMB'000**	**Increase/ decrease in equity* RMB'000**
31 December 2010		
Equity investments listed in:		
Shenzhen - available-for-sale	**—**	**12,839**
- at fair value through profit or loss	**1**	**—**
Shanghai - available-for-sale	**—**	**11,552**
- at fair value through profit or loss	**488**	**—**
31 December 2009		
Equity investments listed in:		
Shenzhen - available-for-sale	—	9,636
- at fair value through profit or loss	1	—
Shanghai - available-for-sale	—	48,585
- at fair value through profit or loss	1,855	—

* Excluding retained earnings

50. EVENTS AFTER THE REPORTING PERIOD

(i) On 19 November 2010, Zhongzhao Investment entered into an agreement with Zibo Dongtai Group Co., Ltd. (淄博東泰集團有限公司) to acquire an 80% equity interest in Zibo Dongtai Shangsha Co., Ltd. ("Dongtai Shangsha") (淄博東泰商廈有限公司) for a cash consideration of RMB405,558,000. Dongtai Shangsha is engaged in the operation of department stores in Zibo City, Shandong Province, the PRC. The transaction was completed on 27 January 2011. The Group plans to measure the non-controlling interest at the non-controlling interest's proportionate share of Dongtai Shangsha's identifiable net assets.

Because the acquisition of Dongtai Shangsha was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

(ii) On 23 December 2010, Maoye China successfully bid for a 70% equity interest in Yangzhou Yangzi River Department Store Co., Ltd. ("Yangzi River Department Store") (揚州市揚子江百貨有限責任公司) in a public auction and then entered into an agreement with Yangzhou Commercial Company (揚州商業大廈) and Yangzhou Yangzi River Investment Development Group (揚州市揚子江投資發展集團有限公司), who are independent third parties, pursuant to which Maoye China has agreed to purchase a 70% equity interest in Yangzi River Department Store for a cash consideration of RMB174,463,940. Yangzi River Department Store is engaged in the operation of a department store in Yangzhou City, Jiangsu Province, the PRC. The transaction was completed on 1 January 2011. The Group plans to measure the non-controlling interest at the non-controlling interest's proportionate share of Yangzi River Department Store's identifiable net assets.

Because the acquisition of Yangzi River Department Store was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

(iii) On 24 January 2011, the Group was granted banking facilities by a bank amounting to RMB200 million for a period of 12 months. Additionally, on 28 January 2011, the Group was granted banking facilities by another bank amounting to RMB150 million for a period of 12 months.

51. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 15). In addition, the comparative operating segment information has been restated to reflect the newly reportable segment, property development, as a separate segment.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 1 March 2011.

Corporate Information

DIRECTORS

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

Independent Non-executive Directors
Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

REGISTERED OFFICE

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COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Pao Ping Wing *(Chairman)*
Mr. Chow Chan Lum
Ms. Wang Fuqin

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Ms. Wang Fuqin
Mr. Wang Bin

AUTHORIZED REPRESENTATIVES PURSUANT TO THE HONG KONG COMPANIES ORDINANCE

Mr. Wang Bin
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
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PRINCIPAL BANKERS

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

COMPANY WEBSITE

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STOCK CODE

848

茂業國際控股有限公司
MAOYE INTERNATIONAL HOLDINGS LIMITED