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 2011

MOI

Contents

Corporate Profile

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

The Group is 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 in the PRC, 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 37 stores in 18 cities across the nation with total gross floor area of approximately 1,123,453 square metres, of which self-owned properties accounted for 63.8% 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; Linyi, Heze and Zibo in Shandong Province; Qinhuangdao and Baoding in Hebei Province; Shenyang in Liaoning Province and Taiyuan in 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[1]	7	11	11	8	37
Gross Floor Area (sq.m.)	235,523	261,906	369,862	256,162	1,123,453

Note: 1. Chengdu Qingjiang Store has ceased operation in February 2012.

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

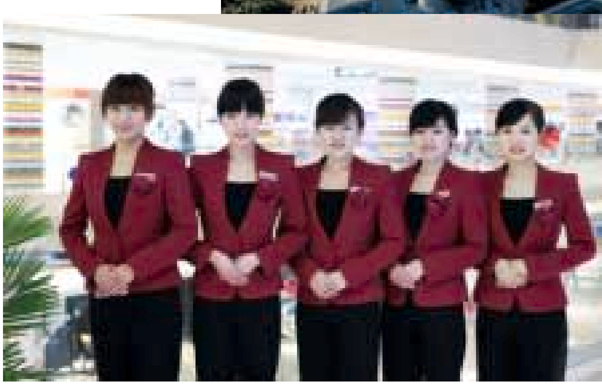
Shareholders who have chosen to receive the corporate communications of the Company (the "Corporate Communications") in either the English version or the Chinese version may request for a copy in the other language. The annual report in the requested language will be sent free of charge by the Company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



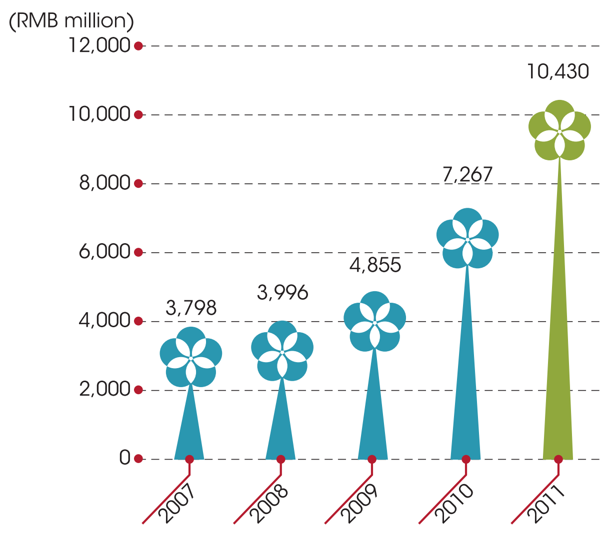
Financial Highlights

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

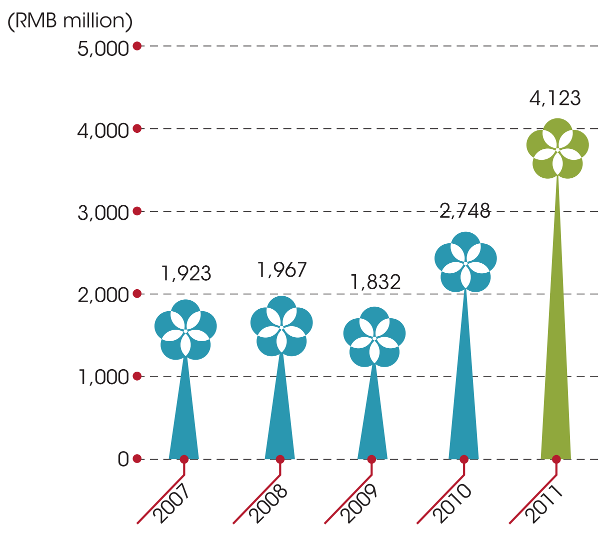
OPERATING RESULTS

	For the years ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total sales proceeds[1]	**10,429,863**	7,266,687	4,854,737	3,995,748	3,797,578
Total operating revenue[2]	**4,123,332**	2,748,350	1,832,071	1,967,435	1,922,939
Operating profit	**1,206,063**	917,441	702,749	740,478	643,222
Profit for the year	**734,889**	624,086	504,170	543,318	444,088
Profit attributable to:					
– Owners of the parent	**640,312**	576,597	470,107	520,969	416,999
– Non-controlling interests	**94,577**	47,489	34,063	22,349	27,089
Basic earnings per share (RMB)[3]	**0.12**	0.11	0.09	0.11	0.10
Total dividend per share for the year (HK cents)	**5.9**	1.8	3.1	5.5	N/A
– interim	**—**	1.8	1.6	3.3	N/A
– final	**5.9**	—	1.5	2.2	N/A

Total sales proceeds



Total operating revenue



Financial Highlights

HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**15,384,553**	12,048,938	7,247,614	5,500,861	3,597,158
Total liabilities	**8,639,435**	7,108,387	3,492,027	2,359,756	3,135,672
Total equity	**6,745,118**	4,940,551	3,755,587	3,141,105	461,486
– Attributable to owners of the parent	**5,452,796**	3,899,584	3,417,326	2,843,246	200,758
– Minority interests	**1,292,322**	1,040,967	338,261	297,859	260,728

Notes:

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

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

3. The calculation of basic earnings per share for the year ended 31 December 2011 is based on the net profit attributable to owners of the parent of approximately RMB640,312,000 and the weighted average of 5,327,091,307 ordinary shares in issue.

   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 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 this years.

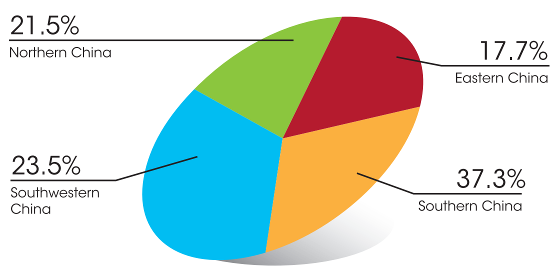
Retail Network

	Store (City)	Years into operation[1]	Gross floor area (sq. m.)	Property ownership
1	Shenzhen Dongmen	15.1	47,436	Owned
2	Shenzhen Outlet[4]	12.5	23,078	Leased[2]
3	Zhuhai Xiangzhou	10.4	23,715	Leased[2]
4	Shenzhen Huaqiangbei	8.5	59,787	Leased[2]
5	Chongqing Jiangbei	7.5	53,542	Leased[2]
6	Shenzhen Shennan	5.8	10,507	Leased[2]
7	Chengdu Yanshikou	6.8	53,873	Owned
8	Chengdu Beizhan	6.8	7,204	Owned
9	Chengdu Wuhou	6.8	16,000	Leased[3]
10	Nanchong Wuxing	6.8	25,994	Owned
11	Chengdu Wenjiang	6.8	8,422	Leased[3]
12	Luzhou Baita	6.8	15,115	Leased[3]
13	Mianyang Linyuan	4.2	21,731	Owned
14	Nanchong Mofanjie	3.5	24,035	Owned
15	Mianyang Xingda	3.5	27,617	Owned
16	Qinhuangdao Jindu	3.5	46,610	Owned
17	Taiyuan Liuxiang	3.3	30,616	Owned
18	Shenzhen Nanshan	2.5	45,000	Owned
19	Chengdu Longquanyi	2.5	8,373	Leased[3]
20	Taizhou First Department Store	2.4	40,358	Owned
21	Changzhou Wujin	2.2	22,500	Leased[2]
22	Shenzhen Friendship	1.9	26,000	Leased[2]
23	Qinhuangdao Hualian	1.8	10,355	Owned
24	Qinhuangdao Shangcheng	1.8	26,696	Owned
25	Qinhuangdao Jinyuan	1.8	10,470	Owned
26	Qinhuangdao Xiandai	1.8	36,897	Leased[3]
27	Zibo Jindi Shopping Plaza	1.4	51,266	Owned
28	Shenyang Jinlang	1.3	70,000	Leased[2]
29	Hebei Baoding Store	1.3	21,831	Owned
30	Yangzhou Wenchang	1.2	21,485	Owned
31	Zibo Dongtai Shopping Plaza	1.1	36,791	Owned
32	Zibo Dongtai building	1.1	21,229	Owned
33	Zibo Taikerong	1.1	25,337	Owned
34	Zibo Dongtai	1.1	6,800	Leased[3]
35	Chengshang Heze	1.0	29,246	Owned
36	Shandong Linyi	0.4	44,500	Owned
37	Wuxi Qingyang	4.3	70,350	Managed store

Notes:

1. Years into operation is up to the publication date of this annual report, and the acquired stores were calculated from the date of acquisition.
2. Leased from the connected parties.
3. Leased from independent third parties.
4. Name changed from Shenzhen Heping Store in 2010.

TOTAL SALES PROCEEDS IN 2011 BY REGIONS (EXCLUDING MANAGED STORES)



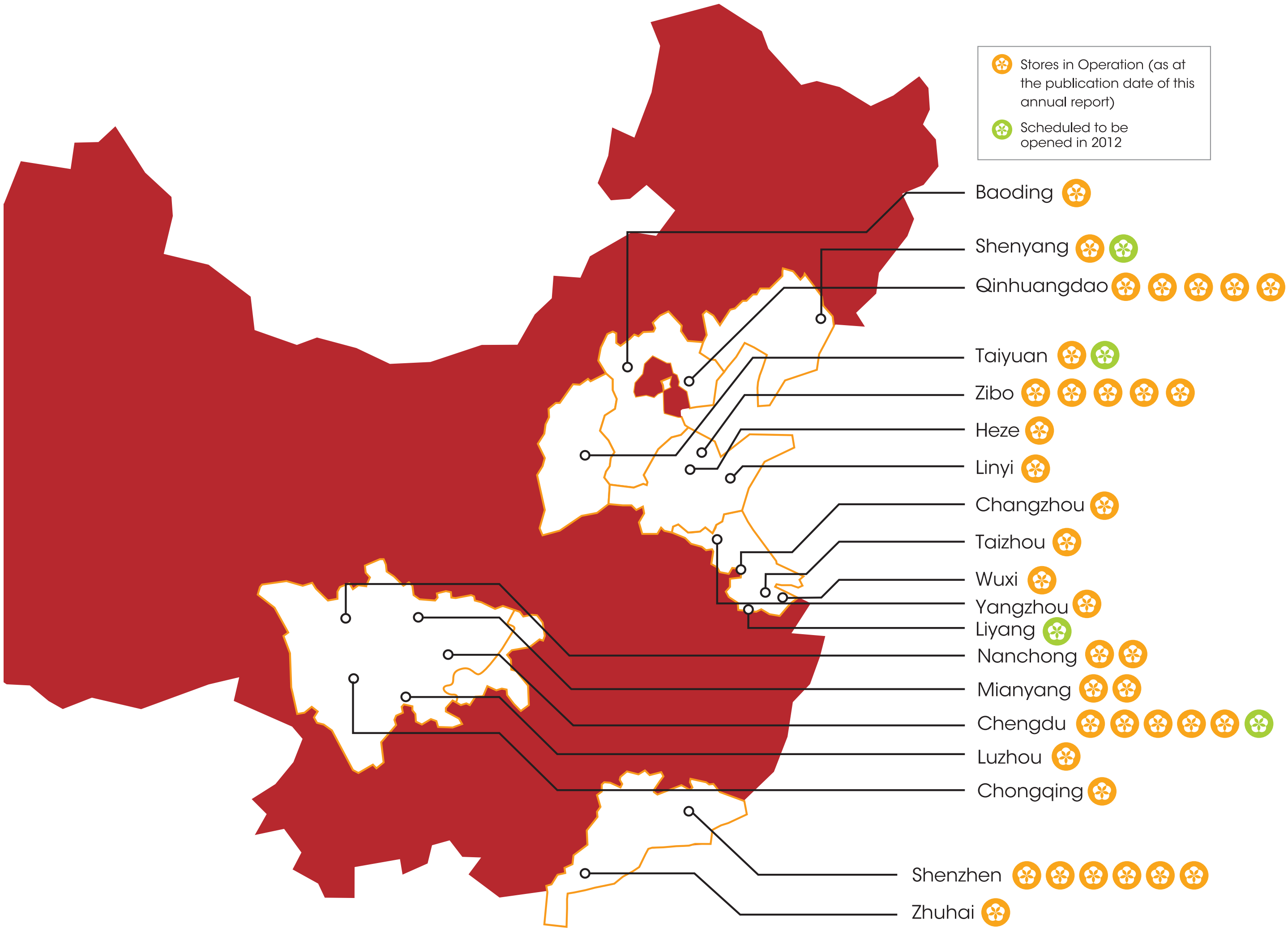
Retail Network


Baoding


Jinzhou


Huaian


Taizhou



Chairman's Statement

OPERATION REVIEW

In 2011, although the retail industry of the PRC encountered complicated challenges and difficulties, the retail market maintained steady growth and contributed 52% to China the GDP growth as a result of the national policies of boosting domestic demands and stimulating consumption. Sales of the Group recorded rapid growth in the first half of 2011, but slowed down in the second half due to macro-economic factors and the effect of a relatively warmer winter. Nevertheless, with the joint efforts of our management and all employees and the strong support from our suppliers, the business of the Group maintained its growing momentum and the sales proceeds increased to RMB10.4 billion, representing an increase of 43.5% as compared with the corresponding period last year. The Board of Directors resolved to pay a dividend of HK 5.9 cents per share. The Group will endeavour to adopt a stable dividend distribution policy under normal circumstances.

As part of the strategy of major developments, the Group continued to establish medium to high-end department stores in affluent regions and regions with rapid economic growth in the PRC. Currently, the Group has established its strategic presence in four key regions which include Southern China and Guangdong, which are the most economically developed regions in the PRC, Sichuan Province, which is most densely populated region, and Chongqing, a city with high economic output in Southwestern China, Jiangsu and Shandong Provinces in Eastern China which rank among the top three provinces in China in terms of GDP, and Bohai Rim region which is the major economic development zone targeted by the central government in the next ten years, as well as Shenyang and Taiyuan, which are capitals of provinces with strong financial position in Northern China.

In 2011, the Group upgraded its major stores and opened three new stores. The Group acquired a parcel of land in Baotou in Inner Mongolia and leased premises in Liyang in Jiangsu for establishment of a department store for further expansion of sales networks. In May 2011, the Group raised approximately HK$1.04 billion to expand its store network through the placing of 273 million shares.

The year 2011 marked the 15th anniversary of the Group. During the year, the Group further strengthened reforms of its organization and management system. Management and operation efficiency of the Group were improved by the implementation of various effective measures.

OUTLOOK

Due to the slow recovery of global economy and the spread of European debt crisis, 2012 will be the most uncertain and unpredictable year since the financial turmoil in 2008. Changes in macro- and micro-economic environment will have adverse impacts on the industry and the lagging effect of such factors will pose challenges to the development of the Company.

Chairman's Statement

According to the "Twelfth Five-year Plan", among the three major drivers of economic growth, namely consumption, investment and export, the Chinese government has placed greatest emphasis on consumption. Consumption has become the major development momentum in the next few years, providing much support to the development of retail industry. It is expected that the average annual GDP growth will reach 7% during the Twelfth Five-year period. The aggregate volume of retail sales of China is expected to reach RMB32,000 billion in 2015, doubling that of 2010, and is expected to exceed RMB60,000 billion in 2020. In addition, change in social structure will further stimulate the growth of rigid demand during the Twelfth Five-year period. We believe that the retail industry will grow rapidly with the support of government policies and the increase in consumption during the Twelfth Five-year period, and is expected to prosper in next decade. In 2020, China is expected to become the largest consumption market in the world.

The Group will continue to expand in the four key regions of China by integrating resources in each region, with the aim to excel and become the leading player in the regions. In the coming three to five years, the Group will open two or more flagship stores in each region with annual sales revenue per store exceeding RMB 1 billion. In addition, Shenyang Tiexi Store, Jiangsu Liyang Store, Wuxi Maoye Complex (無錫茂業天地), Yanshikou Phase II Store, Taiyuan Qinxianjie Store, Zibo Jindi Store, Baoding Yanzhao International Centre project (保定燕趙國際中心項目), Wuxi Yibai Store and Chengdu Southern Centre will commence operations in the coming few years, which will contribute to stronger growth of the Group.

The Group will accelerate expansion in all regions through various means such as acquisition, self-construction and leasing, and continue to enhance the brand value of Maoye. In the future, the Group will focus on: (1) setting up a designated department responsible for resources integration and cultural consolidation following mergers and acquisitions; (2) integrating resources to fully leverage the brand value of Maoye, exploring new profit stream and identifying new acquisition targets; (3) seizing the opportunity to develop e-commerce business by building an online sales e-platform; and (4) improving management standard to cultivate a good corporate culture.

Looking ahead, the Group will further refine its development directions and advance its corporate transformation by leveraging on its 16-year experience, in order to achieve our target of becoming the leading department store enterprise in China.

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

23 February 2012

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2011, China's economy faced severe challenges due to the worsening European sovereign debt crisis. Although China recorded a growth of 9.2% in GDP, the inflation rate remained high, exports were affected by the appreciation of RMB and the real estate market was also stagnant.

In the face of complicated international and domestic economic conditions, the PRC government proactively adopted aggressive fiscal policies and prudent monetary policies. In addition, China enhanced macroeconomic regulation and control and implemented measures to stimulate domestic demand to maintain steady growth in its economy. The consumer market performed well with the support of these measures.

According to National Bureau of Statistics of China, total retail sales of consumer goods in 2011 increased by 17.1% over the same period last year. Retail sales contributed to 51.6% to China's GDP growth and amounted to 4.74 percentage point of the increase in GDP in 2011. Favorable factors such as steady increase of salaries, upward adjustment of the individual income tax threshold, acceleration in urbanization and continuous growth of the middle class were also growth factors of the consumer market.

OPERATION REVIEW

In 2011, the Group adopted a series of effective measures to improve its sales result. Our retail stores were classified and managed accordingly. Sales targets and operation costs of individual stores were closely monitored and innovative sales methods were introduced to boost sales.

In 2011, the Group recorded sales of RMB10,429.9 million for 2011, an increase of 43.5% as compared to last year. The same-store sales growth (SSSG) of concessionaire sales amounted to 19.7%. Profit attributable to owners of the parent was RMB640.3 million, reporting an increase of 11.1% as compared to last year.

The Group continued with its strategy of prudent operation and aggressive growth with further expansion of its store network. In 2011, the Group carried out appropriate adjustments and upgrading of major stores including Shenzhen Huaqiangbei Store, Dongmen Store, Chongqing Jiangbei Store and Taizhou First Department Store; and successively established new stores including the Yangzhou Wenchang Store, Shandong Heze Store and Shandong Linyi Store. The Group acquired a parcel of land in Baotou in Inner Mongolia for the development of a shopping mall and leased premises in Liyang in Jiangsu for establishment of a department store for further expansion of sales networks.

In May 2011, the Group raised approximately HK$1.04 billion to expand its store network through the placing of 273.0 million shares.

Management Discussion and Analysis

The year 2011 marked the 15th anniversary of the Group. Making the occasion and building on past successes, the Group strengthened reforms of its organization framework and management system. In 2011, the head office of the Group tuned down its management role and strengthened its servicing role to support the development of regional centers and retail stores so as to generate synergy and improve resources allocation across regions. The Group established regional centres in Southern China and Eastern China to implement a three-tier management system, which emphasizes on "streamlining head office, strengthening regional centers and enhancing retail stores". The Group had reviewed and revised the standard procedures for the establishment of new stores, operation of stores and acquisition projects to improve operation and management efficiency.

Performance of major stores[1]

	Store Name	Proceeds of Concessionaire (RMB'000)	Same Store Sales Growth %	Years Opened (Years)	Gross floor area (sq. m.)	Operating Area (sq. m.)	Ticket Per Sale (RMB)
1	Shenzhen Huaqiangbei	1,765,232	11.5%	8.4	59,787	45,677	707
2	Shenzhen Dongmen	870,995	14.5%	15.0	47,436	33,680	643
3	Shenzhen Nanshan	387,889	52.8%	2.5	45,000	37,215	921
4	Shenzhen Outlet[2]	175,039	35.8%	12.4	23,078	17,309	385
5	Zhuhai Xiangzhou	296,351	33.1%	10.3	23,715	17,549	362
6	Chengdu Yanshikou	630,282	16.1%	6.7	53,873	40,674	603
7	Chongqing Jiangbei	564,525	25.2%	7.4	53,542	36,276	506
8	Taizhou First Department	573,792	27.5%	2.4	40,358	28,795	866
9	Taiyuan Liuxiang	414,688	20.1%	3.2	30,616	22,105	554
10	Qinhuangdao Jindu	286,806	28.3%	3.5	46,610	33,606	405
11	Mianyang Xingda	282,994	19.9%	4.1	27,617	19,884	566
12	Mianyang Linyuan	73,445	22.8%	4.1	21,731	13,780	339
13	Nanchong Wuxing	269,776	18.6%	6.7	25,994	19,530	531
14	Nanchong Mofanjie	29,918	18.0%	3.5	24,035	21,124	331

Notes:

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

2. Shenzhen Heping Store was renamed as Shenzhen Outlet Store in 2010.

MARKET PERFORMANCE

Southern China

The Southern China region remained the Group's biggest profit contributor with a number of mature stores. In 2011, the performance of the region increased steadily. Concessionaire sales recorded a SSSG of 18.3%. Total sales in Southern China accounted for 37.3% of the total sales of the Group.

Shenzhen Huaqiangbei Store, the flagship store of the Group, celebrated its eighth anniversary in 2011. The store recorded a SSSG of 11.5% for its concessionaire sales. Through various innovative marketing efforts, the gross profit margin of the store increased during the promotion period. The gross sales proceeds and profit per employee has also improved. Sales to VIPs also accounted for a higher proportion of the total sales.

Management Discussion and Analysis

Shenzhen Dongmen Store, the first store of the Group, launched a 68-hour promotion sale again in 2011 and boosted cash sales to a record high of RMB150 million. In 2011, the store recorded a SSSG of 14.5% from its concessionaire sales.

Shenzhen Outlet Store (formerly known as Shenzhen Heping Store) is the first outlet department store in Shenzhen. The store offers a variety of brands, of which more than 50% are first tier-national brands in China. In 2011, the store recorded a SSSG of 35.8% from its concessionaire sales, demonstrating the tremendous success of the outlet model. The Group will continue to adjust the product mix and upgrade its brand portfolio by replacing second-tier national brands with first-tier international brands with the aim of enriching customers' shopping experience with products of higher price - performance ratio.

Shenzhen Nanshan Store, the Group's third-generation boutique department store (第三代精品百貨店), has been proactively exploring innovative marketing channels. In 2011, the store adjusted its brand combination to include approximately 300 brands, and recorded a SSSG of 52.8% from its concessionaire sales as a result of its high-end brands and superior shopping environment.

Southwestern China

The Group continued to implement the dual-brand development strategy of "Maoye Department Store" and "People's Department Store" in Southwestern China, devising marketing strategies to suit different customer groups in line with the positioning of different brands and their respective features. In 2011, total sales in Southwestern China accounted for 23.5% of total sales of the Group and sales from concessionaire sales recorded a SSSG of 19.1%.

In 2011, despite the adverse impact of road works and the construction of Yanshikou Phase II Project, Yanshikou Store recorded a SSSG of 16.1% from concessionaire sales. Following the scheduled completion of Yanshikou Phase II by the end of 2012 it will be connected with Yanshikou Phase I. By then, the store will further consolidate its market position and influence in the business district of Yanshikou.

Chongqing Jiangbei Store is another flagship store of the Group in Southwestern China. The increase in sales of gold and jewellery, the main merchandise of the store, further contributed to faster growth of the total sales of the store. In 2011, Jiangbei Store recorded a SSSG of 25.2% from its concessionaire sales.

Mianyang Linyuan Store, Mianyang Xingda Store, Nanchong Wuxing Store and Nanchong Mofanjie Store, the four stores acquired by the Group in Sichuan in 2008, have become major contributors of the Group with strong sales. The four stores recorded SSSG of 22.8%, 19.9%, 18.6% and 18.0% from concessionaire sales in 2011 respectively.

Eastern China

The Eastern China region is the Group's key strategic development area. In 2011, the Group opened two new stores, namely Shandong Heze Store and Shandong Linyi Store, in this region. At present, the Group is operating and managing 11 stores in the Eastern China region. The Group also plans to open new stores in other areas including Huaian. In 2011, total sales generated by the Eastern China region accounted for 17.7% of total sales of the Group and sales from concessionaire sales recorded a SSSG of 27.5%.

Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store") has achieved outstanding performance since it was acquired and has achieved new heights in 2011. The store has been transformed into the Group's flagship store in the Eastern China region. In 2011, Taizhou First Department Store recorded a SSSG of 27.5% from its concessionaire sales.

Management Discussion and Analysis

Northern China

The Northern China region is also a key development region of the Group. At present, the Group successfully operates eight department stores in Northern China. In 2011, total sales generated in the Northern China region accounted for 21.5% of total sales of the Group and sales from concessionaire recorded a SSSG of 23.3%.

The year 2011 was the 2nd anniversary of Taiyuan Liuxiang Store. After upgrading and improvement, the store has become a well developed major store of the Group.

Since successfully obtaining the effective control of Qinhuangdao Bohai Logistics Holding Corporation Ltd. ("Bohai Logistics", a company listed on the Shenzhen Stock Exchange, stock code: 000889), the Group has actively reallocated various resources in the Northern China region and transferred its advanced management concepts and strong new store integration capabilities to Bohai Logistics to renew Bohai Logistics in various areas such as management, operation and finance.

Since Qinhuangdao Jindu Store operated under the custody of Bohai Logistics, resources were integrated effectively and economic benefits were generated. The Jindu Store recorded a SSSG of 28.3% of concessionaire sales, and net profit of Bohai Logistics increased by 130.0% in 2011.

THE OPENING OF NEW STORES AND NETWORK EXPANSION

In May 2011, the Yangzhou Wenchang Store (acquired in January 2011) was officially re-launched. Located in the core business circle of Yangzhou City of Jiangsu Province, the store covers an aggregate gross floor area of 21,485 square metres and will generate synergies that will further enhance the Group's market position and influence in the Yangtze River Delta and the economic circle in the Eastern China region.

In March 2011, Chengshang Group Co., Ltd (成商集團股份有限公司) ("Chengshang Group", a subsidiary of the Company listed on the Shanghai Stock Exchange, stock code: 600828) acquired 90% equity interests in Heze Huihe Commercial Centre Co., Ltd. in Shandong (荷澤惠和商業中心有限公司) ("Heze Huihe") at a total consideration of RMB134.1 million. Heze Huihe owns Huihe Commercial Plaza (惠和商業廣場), the gross floor area of approximately 29,426 square metres. It is the first shopping mall in Heze City and is located in the main business circle in the city.

Since its acquisition, Zibo Dongtai Building Co., Ltd. (淄博東泰商廈有限公司) ("Dongtai Shangsha"), which owns four stores comprising Dongtai Shopping Plaza (東泰廣場店), Dongtai Building (東泰商廈店), Taikerong Store (泰客榮店) and Dongtai Shangcheng Store (東泰商城店), the Group continued to upgrade the stores and adjust the merchandise mix. Dongtai Shangsha has integrated with the Group within a short period.

In October 2011, the Group opened its seventh store in Shandong Province, namely, the Shandong Linyi Store. With a gross floor area of 44,500 square metres, the store is the third generation department store of the Company.

On 13 December 2011, the Group successfully acquired 70% of the interests in a company holding a parcel of land with an area of 32,469 square metres in Baotou City of Inner Mongolia at a total consideration of RMB350 million. The Group planned to construct and operate commercial properties such as department stores and shopping malls on the subject land.

On 14 December 2011, the Group leased five storeys of a commercial building in the core commercial area of Liyang City of Jiangsu Province, the gross floor area of which is approximately 24,312 square metres, for operating a department store. The market position of the Group in Eastern China region was further reinforced.

Management Discussion and Analysis

PROPERTY DEVELOPMENT

As at the date of this annual report, the Group had operated and managed 37 stores across 18 cities in China, including Shenzhen and Zhuhai in Guangdong Province; Chengdu, Nanchong, Luzhou, Minyang and Qingjiang in Sichuan Province; Chongqing; Wuxi, Taizhou, Yangzhou, and Changzhou in Jiangsu Province; Zibo and Linyi in Shandong Province; Qinhuangdao and Baoding in Hebei Province; Shenyang in Liaoning Province and Taiyuan in Shanxi Province. Among the total gross floor area of 1.123 million square metres, self-owned areas accounted for 63.8% (excluding the gross floor area for managed stores), areas leased from connected parties accounted for 27.0%, while areas leased from independent third parties accounted for 9.2%. In 2012, the Group will set up new stores including Shenyang Tiexi Store, Taiyuan Qinxianjie Store, Jiangsu Liyang Store and Yanshikou Phase II Store. Zibo Jindi Shopping Plaza will re-open after its redevelopment. Furthermore, the Group has projects under development in Taiyuan of Shanxi Province, Jinzhou of Liaoning Province, Baoding of Hebei Province, and Huaian, Wuxi and Taizhou of Jiangsu Province.

OUTLOOK

With the restructuring of China's economy, consumption has become a major driver of economic growth. According to the "Twelfth Five-year Plan" and the documents of the Ministry of Commerce of the People's Republic of China, the aggregate volume of retail sales of China is expected to reach RMB32,000 billion in 2015, doubling that of 2010. Aggregate retail sales are expected to exceed RMB60,000 billion in 2020. In addition, changes in social structure will further stimulate the growth of rigid demand. Firstly, with the GDP per capita in China reaching US$4,000, China has entered into the critical stage of the transition to a high-income country. Secondly, the consumer groups of the post-80s and post-90s generation have stronger consumption inclinations than older generations, and have become the major force in the growth of discretionary spending in the department store industry.

The Group believes that the retail industry will continue to grow rapidly with the support of government policies and the increase in consumption, and is expected to prosper in the coming decade.

Looking ahead, the Group will focus on maintaining the growth of developed stores and enhancing the profitability of new stores. We will continue to enhance the monitoring and analysis of operation indicators. In order to reduce operating costs effectively, the Group will also strengthen its expenditures control and reduce the management cost. Moreover, the Group will introduce well-known, exclusive brands of high-quality and outstanding sales performance. By improving the human resources management, the performance management system will be optimized. Furthermore, the Group will strive to nurture its middle and senior management talents by broadening their business horizons and enhancing their professionalism.

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 2011, total sales proceeds of the Group increased to RMB10,429.9 million, representing an increase of 43.5% as compared to the same period in 2010.

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**8,992,880**	6,471,245
Revenue from direct sales	**1,436,983**	795,442
Total Sales Proceeds	**10,429,863**	7,266,687

Among the total sales proceeds of the Group in the year of 2011, total sales proceeds derived from concessionaire sales accounted for 86.2% and those derived from direct sales accounted for 13.8%.

Same-store sales proceeds from concessionaire sales increased to RMB6,996.2 million, representing an increase of 19.7% as compared to the same period in 2010, of which total same-store sales proceeds from concessionaire sales in Southern China region increased by 18.3%, total same-store sales proceeds from concessionaire sales in Southwestern region increased by 19.1%, total same-store sales proceeds from concessionaire sales in Northern region increased by 23.3% and total same-store sales proceeds from concessionaire sales in Eastern region increased by 27.5%.

For the year ended 31 December 2011, the Group's commission rate from concessionaire sales was 16.9%, representing a decrease of 0.6% as compared to the same period in 2010. 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 increase in the sales proportion of brands with 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 and boost the sales of brands with higher commission rate to ensure steady growth in sales and commissions simultaneously.

Total sales proceeds in the year of 2011 comprised sales of apparel 43.4% (2010: 46.0%), cosmetics and jewelry 20.2% (2010: 19.7%), shoes and leather goods 12.9% (2010: 13.4%) and others such as children's wear and toys, household and electronic appliances, etc. 23.5% (2010: 20.9%). The percentage attributable to each product category to total sales proceeds was similar to that of the year of 2010.

For the year ended 31 December 2011, revenue of the continued operations of the Group amounted to RMB3,357.0 million, representing an increase of 52.8% as compared with RMB2,197.3 million for the same period in 2010. The commissions from concessionaire sales and revenue from direct sales increased by RMB382.9 million and RMB641.5 million, respectively.

Management Discussion and Analysis

Other Income (excluding the other income from a discontinued operation)

For the year ended 31 December 2011, other income of the Group amounted to RMB766.3 million, representing an increase of 39.0% as compared with RMB551.1 million for the same period of last year. This was primarily resulted from the increase of other income attributable to the increase in sales proceeds of concessionaire sales.

Cost of Sales (excluding the cost of sales of a discontinued operation)

For the year ended 31 December 2011, cost of sales of the Group amounted to RMB1,335.1 million, representing an increase of 78.7% as compared with RMB747.1 million for the same period of last year. This was primarily due to the growth of direct sales business by 80.7% as compared to the same period in 2010 as a result of the new acquisitions.

Employee Expenses (excluding the employee expenses of a discontinued operation)

For the year ended 31 December 2011, employee expenses of the Group amounted to RMB375.5 million, representing an increase of 52.9% as compared with RMB245.6 million for the same period in 2010. The increase was primarily attributable to the inclusion of staff costs for the new stores opened in 2011. Staff costs for the new stores and newly acquired companies increased by RMB128.7 million, and same-store staff costs increased by RMB34.6 million, which represents an increase of 24.5% as compared with the same period in 2010. In addition, since the results performance in 2011 did not fulfil the exercise conditions of share options, the share option expenses in 2011 decreased by RMB33.4 million as compared to 2010. Employee expenses as percentage of total sales proceeds in 2011 increased to 3.6% as compared with 3.4% for the year of 2010.

Depreciation and Amortisation (excluding the depreciation and amortisation of a discontinued operation)

For the year ended 31 December 2011, depreciation and amortisation of the Group amounted to RMB326.2 million, representing an increase of 54.5% as compared with RMB211.1 million for the same period in 2010. The increase was primarily due to the depreciation of properties acquired and self-constructed for the new stores in 2011. The depreciation of properties acquired and self-constructed for the new stores increased by RMB119.9 million. The depreciation and amortisation as percentage of total sales proceeds in 2011 increased to 3.1% from 2.9% in 2010.

Operating Lease Rental Expenses (excluding the operating lease rental expenses of a discontinued operation)

For the year ended 31 December 2011, operating lease rental expenses of the Group amounted to RMB216.2 million, representing an increase of 25.1% as compared with RMB172.8 million for the same period of last year. This was primarily due to the increase in rental expenses in 2011 from the new stores and newly acquired companies. The operating lease rental expenses as percentage of total sales proceeds in the year of 2011 decreased to 2.1% from 2.4% in 2010.

Other Operating Expenses (excluding the operating expenses of a discontinued operation)

For the year ended 31 December 2011, other operating expenses of the Group amounted to RMB772.1 million, representing an increase of 58.1% as compared with RMB488.4 million for the same period of last year. This was primarily due to the effect of the new stores and newly acquired companies in 2011. Other operating expenses of new stores increased by RMB126.3 million, while other operating expenses of same-stores increased by RMB96.5 million due to the increase of sales. Other operating expenses of other non-store companies increased by RMB60.9 million. Other operating expenses as percentage of total sales proceeds in 2011 increased to 7.4% from 6.7% in 2010.

Management Discussion and Analysis

Other Gains (excluding the other gains of a discontinued operation)

For the year ended 31 December 2011, other gains of the Group amounted to RMB107.9 million, representing an increase of 214.9% as compared with RMB34.3 million in the same period in 2010. This was primarily due to (i) the share of 80% of the loss of Jinlang Store in Shenyang by Shenyang Maoye Property Company Limited ("Maoye Property", a connected party of the Company), subject to an annual cap of RMB38.0 million, according to the Joint Operation Agreement in relation to the Jinlang Store entered into between Shenyang Maoye Department Store Limited (a wholly-owned subsidiary of the Group) and Maoye Property on 15 July 2011, details of which were set out in the announcement of the Company dated 15 July 2011, (ii) gains of RMB21.0 million from the joint operation project for the year and (iii) other revenue increased by RMB14.6 million as a result of the asset disposals during the period.

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

For the year ended 31 December 2011, operating profit of the Group amounted to RMB1,206.1 million, representing an increase of 31.5% as compared to RMB917.4 million for the same period in 2010. 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 2010.

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

For the year ended 31 December 2011, finance costs of the Group amounted to RMB188.8 million, representing an increase of 65.9% as compared to RMB113.8 million for the same period in 2010. This was primarily due to the increase in average balance of loans as compared to the same period of last year and taking into account the interest on convertible bonds issued by the Group in October 2010.

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

For the year ended 31 December 2011, income tax expense of the Group was RMB282.9 million, representing an increase of 43.0% as compared to RMB197.8 million for the same period last year. During the year ended 31 December 2011, the effective tax rate applicable to the Group was 27.8% (for the 12 months ended 31 December 2010: 24.6%), which was because the share option expenses and financial costs associated to the convertible bonds issued by overseas companies could not offset the domestic enterprise income tax and the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions increased from 22.0% in 2010 to 24.0% in 2011.

Management Discussion and Analysis

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the year ended 31 Decmber 2011:

— Profit attributable to owners of the parent increased to RMB640.3 million, representing an increase of 11.1%, while without taking into account the effect of the discontinued operation in the same period last year, profit attributable to owners of the parent increased by 13.2%.

— Without taking into account the effect of share option expenses and non-operating gains and losses, profit attributable to owners of the parent increased by 8.7% to RMB636.2 million, and while also without taking into account the effect of the discontinued operation, such profit attributable to owners of the parent increased by 10.8%.

Among them, the results of the operation of department stores segment are as follows: Profit attributable to owners of the parent increased to RMB735.1 million, representing an increase of 22.5%, compared with RMB600.3 million in the same period last year; While without taking into account the effect of share option expenses and non-operating gains and losses, profit attributable to owners of the parent increased to RMB733.5 million, representing an increase of 19.7%, compared with RMB612.5 million in the same period last year.

Detailed analysis is as follows:

	Year ended 31 December		
	2011 RMB'000	2010 RMB'000	Growth rate
Profit attributable to owners of the parent	640,312	576,597	11.1%
Adjustment items:			
1. Without taking into account non-operating gains and losses*	(10,186)	(30,994)	
2. Without taking into account share option expenses	6,069	39,469	
Profit attributable to owners of the parent after adjustment	636,195	585,072	8.7%
Without taking into account the effect of the discontinued operation in the same period last year			
Profit attributable to owners of the parent	640,312	565,508	13.2%
Adjustment items:			
1. Without taking into account non-operating gains and losses*	(10,186)	(30,994)	
2. Without taking into account share option expenses	6,069	39,469	
Profit attributable to owners of the parent after adjustment	636,195	573,983	10.8%
Results of the department stores segment			
Profit attributable to owners of the parent	735,138	600,264	22.5%
Adjustment items:			
1. Without taking into account non-operating gains and losses*	(7,600)	(26,205)	
2. Without taking into account share option expenses	5,912	38,449	
Profit attributable to owners of the parent after adjustment	733,450	612,508	19.7%

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

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2011, the Group's cash and cash equivalents amounted to RMB1,425.8 million, which increased by RMB401.7 million as compared to RMB1,024.1 million as at 31 December 2010. The main cash inflow and cash outflow are set out as follows:

(1) net cash inflow of RMB807.6 million arising from operating activities;

(2) net cash outflow arising from investing activities amounted to RMB1,631.6 million, mainly including payments for properties and equipment amounting to RMB666.8 million, prepayment and purchase of land lease prepayment amounting to RMB571.3 million, and repayment of debts amounting to RMB220.4 million in relation to subsidiaries acquired; and purchase of available-for-sale equity investments amounting to RMB163.7 million.

(3) net cash inflow of RMB1,217.7 million from financing activities for reasons such as the placement of share and the increase in bank loans.

As at 31 December 2011, total bank loans of the Group were RMB3,128.7 million (31 December 2010: RMB2,415.8 million), of which RMB1,486.0 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 20.0% as at 31 December 2010 to 20.3% as at 31 December 2011. Details relating to the borrowing of the Group are set out in note 36 to the financial statements of the annual report.

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 the PRC as at 31 December 2011, 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. (瀋陽商業城股份有限公司)	10.24%	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 RMB198.9 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 annual 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)	:	1,037,955,520
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 annual report	:	under construction as at the date of this annual report
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 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 2011, the Group's interest-bearing bank loans amounting to RMB3,128.7 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 RMB505.0 million, RMB128.9 million, RMB1,209.6 million, RMB498.0 million and RMB206.7 million, respectively.

As at 31 December 2011, the Group's bills payables amounting to RMB5.1 million were secured by the Group's deposits amounting to RMB1.53 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 year under review, the Group recorded a net loss from foreign currency of approximately RMB9.0 million.

For the year ended 31 December 2011, 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.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Mao Ru (黃茂如), aged 46, is the founder of the Group and has been the Chairman, Executive Director, Chief Executive Officer and the Chairman of the Nomination Committee of the Company. 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 Co., Ltd. (成商集團股份有限公司，"Chengshang Group"), a company listed on the Shanghai Stock Exchange (stock code: 600828), since July 2005 and resigned on 9 February 2009.

Mr. Zhong Pengyi (鍾鵬翼), aged 56, 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 Trade Center Company Limited (友誼城貿易中心有限公司) 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 and deputy officer of the expert committee of China's Urban Commercial Planning Management Association (中國城市商業規劃管理聯合會專家委員會). 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 41, is an Executive Director, the 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 on 9 February 2009. She has also been appointed as a director of 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) since December 2009 and as the Chairman of Bohai Logistics on 6 April 2010.

Mr. Wang Bin (王斌), aged 45, is an Executive Director and the Chief Financial Officer of the Company. He is also a director of various companies in the Group. He joined the Group in 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 worked for China Merchants Group (招商局集團) 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. Mr. Wang has been appointed as a director of Chengshang Group 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 61, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination 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 the precedent partner of Wong Brothers & Co., Certified Public Accountants. Mr. Chow obtained a Bachelor of Business Administration degree from The Chinese University of Hong Kong in 1974 and received a Postgraduate Diploma in Accountancy from the University of Strathclyde in Glasgow, United Kingdom in 1975. He has been qualified as a Scottish Chartered Accountant since 1979, and was awarded a Postgraduate Diploma in China Law by the Research Institute of University of East Asia (now known as the University of Macau) in 1987. Mr. Chow is a member of the Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance and had served on a number of committees of the Hong Kong Institute of Certified Public Accountants, including as 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 64, is an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination 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 60, 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 consultation company providing corporate finance services. 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 as well as private banking.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Hou Yin-Yao (侯英堯), aged 64, is the Vice President of Operation of the Company and is mainly responsible for the management of front office matters of the Group, including the departments of purchasing, operation and expansion. Mr. Hou has over 30 years of experience in planning and operational management in the general merchandise retailing industry. He joined the Group in September 2009. Prior to joining the Group, Mr. Hou held senior management positions, such as general manager, for various department stores both in mainland China and Taiwan, including Changchun Saide Shopping Centre in China (長春賽德購物中心) as general manager, Jushuixuan Shopping Centre in Taiwan (台灣掬水軒購物中心) as general manager, Changchun Charter Department Store (長春卓展時代廣場百貨) as general manager and Pacific Construction Co. Ltd. in Taiwan (台灣台北太平洋建設集團) as special assistant to the president. Mr. Hou graduated from National Chengchi University in Taiwan and obtained a master's degree in business management.

Ms. Gan Ling (甘玲), aged 37, 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. Chen Zheyuan (陳哲元), aged 40, joined the Group in June 2010 and is the vice general manager of the Company. He is primarily responsible for the administration affairs of office and back office and information management. Prior to joining the Group, Mr. Chen was the administrator of office of the general manager and head of party committee propaganda department of The Fourth Construction., Ltd. of China National Chemical Engineering. He was also the administrator of office of the president and chief executive officer of Renrenle Commercial Group Co., Ltd. and the administrative and human resources director of Wangang Logistics Group. Mr. Chen is an economist and senior business operator. He participated in MBA training courses for managers of Maoye Department Store organized by Shanghai Jiao Tong University and acquires deep knowledge in retailing and management. Mr. Chen is the representative of Luohu, Shenzhen in the sixth session of National People's Congress.

Mr. Shang Minghuai (尚明懷), aged 41, was appointed as the general manager of human resources management centre of the Company on 19 September 2011. Mr. Shang has 17 years of experience in human resources. He was the general manager of human resources department of China Gas Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00384). Mr. Shang obtained his master's degree in Business Administration from Research Institute of Tsinghua University – University of Wales. He was awarded "The National May 1 Labour Medal" in 1999.

COMPANY SECRETARY

Ms. Soon Yuk Tai (孫玉蒂), aged 45, 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 a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Apart from the Company, Ms. Soon has been providing professional secretarial services to a number of listed companies.

Corporate Governance Report

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2011.

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 2011 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, *Vice President of Administration*
Mr. Wang Bin, *Chief Financial Officer*

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

Nomination Committee*

Mr. Huang Mao Ru, *Chairman*
Mr. Chow Chan Lum
Mr. Pao Ping Wing

* Set up on 23 February 2012

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.

During the year ended 31 December 2011, 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 are engaged on a service contract/letter of appointment with the Company for a term of three years commencing from 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 during the year ended 31 December 2011. In addition, the Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process as necessary.

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

In accordance with the Articles of Association, Mr. Zhong Pengyi, Ms. Wang Fuqin and Mr. Pao Ping Wing shall retire and, being eligible, offer themselves for re-election at the forthcoming 2012 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 2011, the Board, through its meeting held on 28 February 2011 with the presence of all the 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 2011 annual general meeting of the Company; and
- Assessment of the independence of all the independent non-executive directors 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 2011 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	14/14
Mr. Zhong Pengyi	12/14
Ms. Wang Fuqin	14/14
Mr. Wang Bin	12/14
Independent Non-executive Directors	
Mr. Chow Chan Lum	13/14
Mr. Pao Ping Wing	14/14
Mr. Leung Hon Chuen	12/14

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 2011 to the date of this annual report.

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.

Corporate Governance Report

B. BOARD COMMITTEES

As at 31 December 2011, 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 2011 are set out in note 8 to the financial statements contained in this annual report.

During the year ended 31 December 2011, the Remuneration Committee has performed the following major tasks:

- Review and discuss the remuneration policy of the Group and the remuneration packages of directors of the Company;
- Review and recommendation of the terms of the directors' service contracts and letters of appointment; and
- Review and discuss the share option matters of the Company.

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

Name of Remuneration Committee Member	Attendance/ Number of Meetings
Mr. Pao Ping Wing *(Chairman)*	2/2
Mr. Chow Chan Lum	2/2
Ms. Wang Fuqin	2/2

Corporate Governance Report

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.

During the year ended 31 December 2011, 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 2010;
- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2010, 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 2011 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 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

Corporate Governance Report

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 2011.

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

D. INTERNAL CONTROLS

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

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

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2011 is set out in the section headed "Independent Auditors' Report" in this annual report.

For the year ended 31 December 2011, the auditors of the Company received approximately RMB3,880,000 for audit services.

Corporate Governance Report

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 head office at 36/F, Tower A, World Finance Centre, 4003 Shennan East Road, Shenzhen, The People's Republic of China. Enquiries are dealt with in an informative and timely manner.

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

The 2011 annual general meeting of the Company was held on 21 April 2011, the notice of which was sent to shareholders no less than 20 clear business days before the meeting.

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 2011.

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 2011 is set out in the consolidated income statement on page 49.

PROPOSED FINAL DIVIDEND

The Board recommended the cash payment of a final dividend of 5.9 HK cents per share of the Company for the year ended 31 December 2011 (the "**Proposed Final Dividend**") (2010: Nil), which will be paid out of profits and/or share premium of the Company, to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Monday, 16 April 2012, subject to the Shareholders' approval at the 2012 annual general meeting of the Company to be held on Thursday, 5 April 2012 (the "**2012 AGM**"). It is expected that the Proposed Final Dividend will be paid on Monday, 23 April 2012.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the 2012 AGM

The register of members of the Company will be closed from Monday, 2 April 2012 to Thursday, 5 April 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2012 AGM, unregistered holders of shares of the Company should ensure that all 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 no later than 4:30 p.m. on Friday, 30 March 2012.

(ii) For determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from Friday, 13 April 2012 to Monday, 16 April 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all 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 no later than 4:30 p.m. on Thursday, 12 April 2012.

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 53 and note 40 to the financial statements. The reserves are calculated in accordance with generally accepted accounting principles.

Directors' Report

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 2011 amounted to RMB3,128.7 million, net gearing ratio* was 37.8% (2010:45.6%) details of which are set out in note 36 to the financial statements.

*Net gearing ratio = net debt/equity = (bank loan + convertible bonds - cash and cash equivalents)/equity

DONATIONS

Donations made by the Group during the year amounted to RMB665,504.

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

Pursuant to Article 87 of the Articles of Association, Mr. Zhong Pengyi, Ms. Wang Fuqin and Mr. Pao Ping Wing, the existing directors of the Company, will retire from office by rotation at the 2012 AGM and, being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2012 AGM 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.

Directors' Report

PENSION SCHEMES

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

The Group's contributions to retirement benefit schemes charged to the consolidated income statement for the year ended 31 December 2011 were RMB31.7 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 44 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' Report

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

As at 31 December 2011, 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)	77.95%
	Beneficial owner	50,000,000	0.93%
		4,250,000,000	78.88%
Mr. Zhong Pengyi	Beneficial owner	198,000	0.004%
Ms. Wang Fuqin	Beneficial owner	792,000	0.01%

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

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

Name of director	Capacity	Number of underlying shares in respect of share options granted*	Approximate percentage of the Company's issued share capital
Mr. Zhong Pengyi	Beneficial owner	402,000	0.01%
Ms. Wang Fuqin	Beneficial owner	1,608,000	0.03%
Mr. Wang Bin	Beneficial owner	480,000	0.01%
Mr. Chow Chan Lum	Beneficial owner	402,000	0.01%
Mr. Pao Ping Wing	Beneficial owner	402,000	0.01%
Mr. Leung Hon Chuen	Beneficial owner	402,000	0.01%

* Lapsed share options (Mr. Zhong Pengyi: 198,000; Ms. Wang Fuqin: 792,000; Mr. Wang Bin: 225,000; Mr. Chow Chan Lum: 198,000; Mr. Pao Ping Wing: 198,000 and Mr. Leung Hon Chuen: 198,000) were reported subsequent to the financial year end.

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.

Directors' Report

(3) Long position in the shares of associated corporations

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

Name of director	Capacity	Number of ordinary shares interested	Percentage of the issued share capital in such associated corporation
Mr. Huang Mao Ru	Interest of controlled corporation	2 (Note)	100%

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

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

Name of director	Capacity	Number of ordinary shares interested	Percentage of the issued share capital in such associated corporation
Mr. Huang Mao Ru	Beneficial owner	100	100%

Save as disclosed above, as at 31 December 2011, 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.

Directors' Report

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

As at 31 December 2011, 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))	78.88%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	77.95%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	77.95%

Notes:

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

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

Save as disclosed above, as at 31 December 2011, 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.

Directors' Report

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 2011 are as follows:

Category	Date of grant	Exercise period	Exercise price *(HK$ per share)*	As at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	As at 31 December 2011
Director									
Mr. Zhong Pengyi	11 Jun 2010	A	2.81	198,000	–	(198,000)	–	–	–
	11 Jun 2010	B	2.81	198,000	–	–	–	(198,000)	–
	11 Jun 2010	C	2.81	204,000	–	–	–	–	204,000
				600,000	–	(198,000)	–	(198,000)	204,000
Ms. Wang Fuqin	11 Jun 2010	A	2.81	792,000	–	(792,000)	–	–	–
	11 Jun 2010	B	2.81	792,000	–	–	–	(792,000)	–
	11 Jun 2010	C	2.81	816,000	–	–	–	–	816,000
				2,400,000	–	(792,000)	–	(792,000)	816,000
Mr. Wang Bin	30 Dec 2010	A	3.43	270,000	–	(270,000)	–	–	–
	30 Dec 2010	B	3.43	225,000	–	–	–	(225,000)	–
	30 Dec 2010	C	3.43	255,000	–	–	–	–	255,000
				750,000	–	(270,000)	–	(225,000)	255,000
Mr. Chow Chan Lum	11 Jun 2010	A	2.81	198,000	–	(198,000)	–	–	–
	11 Jun 2010	B	2.81	198,000	–	–	–	(198,000)	–
	11 Jun 2010	C	2.81	204,000	–	–	–	–	204,000
				600,000	–	(198,000)	–	(198,000)	204,000
Mr. Pao Ping Wing	11 Jun 2010	A	2.81	198,000	–	(198,000)	–	–	–
	11 Jun 2010	B	2.81	198,000	–	–	–	(198,000)	–
	11 Jun 2010	C	2.81	204,000	–	–	–	–	204,000
				600,000	–	(198,000)	–	(198,000)	204,000
Mr. Leung Hon Chuen	11 Jun 2010	A	2.81	198,000	–	(198,000)	–	–	–
	11 Jun 2010	B	2.81	198,000	–	–	–	(198,000)	–
	11 Jun 2010	C	2.81	204,000	–	–	–	–	204,000
				600,000	–	(198,000)	–	(198,000)	204,000
				5,550,000	–	(1,854,000)	–	(1,809,000)	1,887,000

Directors' Report

Category	Date of grant	Exercise period	Exercise price (HK$ per share)	As at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	As at 31 December 2011
Employees in aggregate	11 Jun 2010	A	2.81	35,092,200	–	(34,045,000)	(1,047,200)	–	–
	11 Jun 2010	B	2.81	35,092,200	–	–	–	(35,092,200)	–
	11 Jun 2010	C	2.81	36,155,600	–	–	–	(5,684,600)	30,471,000
	30 Dec 2010	A	3.43	1,693,000	–	(1,693,000)	–	–	–
	30 Dec 2010	B	3.43	1,673,000	–	–	–	(1,673,000)	–
	30 Dec 2010	C	3.43	1,734,000	–	–	–	–	1,734,000
				111,440,000	–	(35,738,000)	(1,047,200)	(42,449,800)	32,205,000
Others in aggregate	11 Jun 2010	A	2.81	4,752,000	–	(4,752,000)	–	–	–
	11 Jun 2010	B	2.81	4,752,000	–	–	–	(4,752,000)	–
	11 Jun 2010	C	2.81	4,896,000	–	–	–	(831,000)	4,065,000
	30 Dec 2010	A	3.43	139,000	–	(139,000)	–	–	–
	30 Dec 2010	B	3.43	139,000	–	–	–	(139,000)	–
	30 Dec 2010	C	3.43	142,000	–	–	–	–	142,000
				14,820,000	–	(4,891,000)	–	(5,722,000)	4,207,000
Total				131,810,000	–	(42,483,000)	(1,047,200)	(49,980,800)	38,299,000

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 prices of the shares of the Company immediately before the date of grant on 11 June 2010 and 30 December 2010 were HK$2.73 and HK$3.44, respectively. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$3.66.

No share options have been cancelled during the year ended 31 December 2011. Further details relating to the Scheme and share options granted thereunder are set out in note 39 to the financial statements.

CONVERTIBLE BONDS

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

Directors' Report

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

On 20 May 2011, Maoye Department Store Investment Limited, the controlling shareholder of the Company, agreed to (i) place 273,000,000 shares of the Company to independent investors at a price of HK$3.81 per share (the "Placing") and (ii) subscribe for 273,000,000 new shares of the Company at a price equal to the said placing price (the "Subscription"). The aggregate nominal value of the Placing shares is HK$27,300,000. The purpose of the transaction is to enlarge the public float of the shares of the Company, and the Company believes that it will also enhance trading liquidity of its shares. The Company raised approximately HK$1.04 billion through the Placing. The net proceeds are intended to be used for store network expansion. The new shares issued in the Subscription, when fully paid, will rank pari passu with the existing shares. The Placing and the Subscription were completed on 31 May 2011. Details of the transaction are set out in the announcements of the Company dated 22 May 2011 and 2 June 2011.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2011, the Group had a total of approximately 8,824 employees. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of individual employees. The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme are set under the heading "Share Option Scheme" and note 39 to the financial statements.

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

The Company repurchased a total of 67,325,000 shares on the Stock Exchange during the year ended 31 December 2011. Such shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares.

Details of the repurchase are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share Highest *HK$*	Lowest *HK$*	Aggregate consideration *HK$'000*
December 2011	67,325,000	1.70	1.52	109,659

Except as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

The purchase of the Company's shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per share and earnings per share of the Group.

Directors' Report

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 Chongqing Jiefangbei Maoye Department Store Co., Ltd. (重慶解放碑茂業百貨有限公司) ("Chongqing Jiefangbei Store") and Chongqing Xin Long Da Real Estate Development Company Limited (重慶鑫隆達房地產開發有限公司) ("Xin Long Da"), (ii) obtain all necessary consents and approvals for the transfer of the interest of the Controlling Shareholder Group in Chongqing Jiefangbei Store and Wuxi Maoye Department Store Company Limited (無錫茂業百貨有限公司) and Wuxi Maoye Baifu Supermarket Company Limited (無錫茂業百福超級市場有限公司) (the latter two collectively known as "Maoye Wuxi Store") to the Group, and (iii) obtain all necessary consents and approvals for the transfer of the Controlling Shareholder Group's interest in Guiyang Friendship Group Holdings Company Limited (貴陽友誼(集團)股份有限公司) ("Guiyang Friendship Group"), to serve a notice on the Group within ten business days of any of the issues in clauses (i) through (iii) above having been resolved, and to use his/its best endeavour to transfer the interest in Chongqing Jiefangbei Store, Maoye Wuxi Store and Guiyang Friendship Group to the Group as soon as practicable once the relevant issues impeding such transfer have been resolved. The Controlling Shareholder Group has further undertaken to keep the Company informed every six months from the Listing Date as regards the progress on the matters described above.

Since the Supreme People's Court has adjudged that the leasing agreement entered into between Chongqing Jiefangbei Store and Xin Long Da was valid and binding, the litigation between Chongqing Jiefangbei Store and Xin Long Da has been resolved. However, the Group is still considering as to whether to acquire the interests of the Controlling Shareholder Group in the Chongqing Jiefangbei Store and Maoye Wuxi Store. As the existing Master Management Agreement has expired on 4 May 2011, the Company entered into the new Master Management Agreement (the "New Master Management Agreement") with Maoye Holdings Limited on 10 June 2011 to govern the terms upon which the Group will provide store management services to the Controlling Shareholder Group with respect to the Chongqing Jiefangbei Store, Maoye Wuxi Store and/or department stores owned by the Controlling Shareholder Group in order to avoid conflict of interests between the Group and the Controlling Shareholder Group. The New Master Management Agreement has a term of three years with retrospective effect from 5 May 2011. As Chongqing Jiefangbei Store has ceased operation since February 2011, the Group will not manage Chongqing Jiefangbei Store thereafter. Approval from the relevant government departments has not been obtained in relation to the Group's application for transfer of interest in Guiyang Friendship Group.

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:

Directors' Report

(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.

Joint Development Agreement

On 22 November 2011, Shenzhen Maoye Shangsha Co., Ltd. ("Maoye Shangsha"), a wholly owned subsidiary of the Company, entered into an agreement with Shenzhen Maoye (Group) Company Limited ("SZ Maoye Group", wholly owned by Mr. Huang Mao Ru ("Mr. Huang"), the controlling shareholder and a director of the Company) (the "Joint Development Agreement"), pursuant to which Maoye Shangsha agreed to grant to SZ Maoye Group an amount not exceeding RMB250,000,000 which will be used for the development of the commercial property located at San Jiao Bei, Shapingba District, Chongqing (the "Commercial Property"). SZ Maoye Group will pay to Maoye Shangsha a fund provision fee which is equivalent to 15% of the funding outstanding per annum as consideration for the provision of the funding. It was agreed that SZ Maoye Group will complete the development and construction of and obtain the relevant completion assessment approval for the Commercial Property on or before 22 November 2014. Upon completion of the development of the Commercial Property, SZ Maoye Group agreed to grant the following pre-emptive rights to Maoye Shangsha:

(i) a pre-emptive right to purchase an area not exceeding 50,000 square metres in the Commercial Property for the operation of a department store at the price of RMB9,000 per square metre (the "Right of First Purchase"); and

(ii) a pre-emptive right to lease an area not exceeding 50,000 square metres of the Commercial Property at the rental of RMB30 to RMB60 per square metre for a period of not exceeding 10 years (the "Right of First Lease") with a lease-free period of two years.

If the Right of First Purchase and/or the Right of First Lease are not exercised within 30 days from the issuance date of the pre-sales permit (預售許可證) in respect of the Commercial Property, such rights are deemed to be lapsed.

Maoye Shangsha and SZ Maoye Group entered into a supplemental agreement on 2 March 2012 to extend the time of completion of the Joint Development Agreement. Pursuant to the supplemental agreement, it was agreed that the payment obligation of the funding by Maoye Shangsha to SZ Maoye Group shall extend from 30 days from the date of the Joint Development Agreement to one year from the date of the Joint Development Agreement (i.e. before 21 November 2012).

The independent non-executive director of the Company has reviewed and confirmed that the above connected transaction was fair and reasonable, and was conducted in accordance with normal commercial terms in the interest of the Company and the shareholders as a whole.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS

Master Leasing Agreement

According to a master leasing agreement (the "Master Leasing Agreement") entered into between Maoye Holdings Limited, a company wholly owned by Mr. Huang, and the Company on 18 May 2009, the Company agreed to continue leasing certain premises from the Controlling Shareholders Group for the operation of department stores pursuant to the respective terms of the relevant leasing agreement entered into between the members of the Group and the members of Controlling Shareholder Group.

According to the Master Leasing Agreement, the Group paid leasing fees of RMB143.1 million (2010: RMB143.8 million) for the year ended 31 December 2011.

Joint Operation Agreement

On 15 July 2011, Shenyang Maoye Department Store Limited ("Shenyang Maoye"), a wholly-owned subsidiary of the Company, entered into a joint operation agreement (the "Joint Operation Agreement") with Shenyang Maoye Property Company Limited ("Maoye Property"), a subsidiary indirectly and wholly owned by Mr. Huang, to govern the terms of joint operation in relation to the Jinlang Store. The Joint Operation Agreement has a term of three years with retrospective effect from 1 January 2011, which may be renewed for another two years upon expiry of the initial term by either party giving written notice to the other party, subject to compliance by the Company of the requirements under the Listing Rules. Pursuant to the Joint Operation Agreement, if Shenyang Maoye suffers a loss during the period from 1 January 2011 to 31 December 2013 in its operation in the Jinlang Store based on audited financial data, Maoye Property will pay to Shenyang Maoye an amount equivalent to 80% of the loss before tax to Shenyang Maoye, limited to the maximum amount of RMB38,000,000 per year. If Shenyang Maoye generates profit during such period in its operation in the Jinlang Store based on audited financial data, Maoye Property is entitled to receive an amount equivalent to 20% of such profit before tax, limited to the maximum amount of RMB10,000,000 per year.

According to the Joint Operation Agreement, Shenyang Maoye received RMB38.0 million from Maoye Property for the year ended 31 December 2011.

Master Management Agreement

As the original Master Management Agreement (details of which are set out in the Prospectus of the Company) has expired on 4 May 2011 and the Company expects to continue the continuing connected transactions thereafter, the Company entered into the New Master Management Agreement with Maoye Holdings Limited, a company wholly owned by Mr. Huang, on 10 June 2011 to govern the terms upon which the Group will provide store management services to the Controlling Shareholder Group with respect to the Maoye Wuxi Store and/or such other department stores owned by the Controlling Shareholder Group for the next three years. The New Master Management Agreement has a term of three years with retrospective effect from 5 May 2011. The service scope and service charge stipulated in the New Master Management Agreement are the same as those stipulated in the original Master Management Agreement.

Directors' Report

According to the original Master Management Agreement and the New Master Management Agreement, the management fee income of the Group amounted to approximately RMB4.0 million (2010: RMB3.6 million) for the year ended 31 December 2011.

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 2011, a total development cost of RMB42.4 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.

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 2011, the leasing expense borne by the Group under the above leasing agreement was RMB29.6 million (2010: RMB22 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 RMB2,347,000 for the period ended 31 December 2011. Accordingly, an amount of RMB2,347,000 (2010: RMB6,686,000) was recoverable from Shenzhen Friendship in accordance with the terms of the lease.

Directors' Report

The independent non-executive directors of the Company had reviewed and confirmed that 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 mentioned in the previous announcements of the Company dated 9 June 2009, 8 April 2010, 13 June 2011 and 15 July 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, save as disclosed below, none of the Directors or their respective associates had any business or interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group mainly engages in retail business, for the year ended 31 December 2011, 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 2011, 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 2011 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.

EVENTS AFTER THE REPORTING PERIOD

On 15 February 2012, the Group through its wholly owned subsidiary Shenzhen Maoye Shangsha Company Limited ("Maoye Shangsha") issued the first tranche of the short-term financing notes (the "Notes") with an aggregate principal amount of RMB800.0 million in the national inter-bank market in the PRC. The term of the first tranche of the Note is from 16 February 2012 to 16 February 2013, which sums to 366 days. The interest rate of the Note is 6.14% per annum.

Directors' Report

On 16 February 2012, the Group through its wholly-owned subsidiary Maoye Shangsha has successfully bid for a parcel of land (the "Target Land") with a total site area of approximately 13,452.5 square metres for a total consideration of RMB650.0 million in a public asset auction. The Target Land is located at a prime location within the commercial circle of Fuzi Temple in Nanjing city. The Company plans to operate a commercial project (i.e., construction and operation of department stores) on the Target Land.

AUDITORS

Ernst & Young, the Company's auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2012 AGM to re-appoint Ernst & Young as auditors of the Company.

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

23 February 2012

Independent Auditors' Report

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 49 to 155, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

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 2011, 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
23 February 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	**2011 RMB'000**	2010 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**3,357,024**	2,197,282
Other income	6	**766,308**	551,068
Total operating revenue		**4,123,332**	2,748,350
Cost of sales	7	**(1,335,146)**	(747,147)
Employee expenses	8	**(375,494)**	(245,640)
Depreciation and amortisation		**(326,202)**	(211,107)
Operating lease rental expenses	9	**(216,236)**	(172,829)
Other operating expenses	10	**(772,064)**	(488,437)
Other gains	11	**107,873**	34,251
Operating profit		**1,206,063**	917,441
Finance costs	12	**(188,793)**	(113,780)
Share of profits of associates		**498**	1,659
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**1,017,768**	805,320
Income tax expense	13	**(282,879)**	(197,840)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**734,889**	607,480
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	15	**–**	16,606
PROFIT FOR THE YEAR		**734,889**	624,086
Attributable to:			
Owners of the parent	14	**640,312**	576,597
Non-controlling interests		**94,577**	47,489
		734,889	624,086
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	17		
Basic			
- For profit for the year		**RMB12.0 cents**	RMB11.2 cents
- For profit from continuing operations		**RMB12.0 cents**	RMB11.0 cents
Diluted			
- For profit for the year		**RMB12.0 cents**	RMB11.2 cents
- For profit from continuing operations		**RMB12.0 cents**	RMB11.0 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 2011

	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR	**734,889**	624,086
OTHER COMPREHENSIVE INCOME		
Available-for-sale equity investments:		
Changes in fair value	**31,553**	108,908
Income tax effect	**(9,251)**	(25,993)
	22,302	82,915
Exchange differences on translation of foreign operations	**29,195**	(1,822)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**51,497**	81,093
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**786,386**	705,179
Attributable to:		
Owners of the parent	**691,809**	657,690
Non-controlling interests	**94,577**	47,489
	786,386	705,179

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,646,710**	2,437,213
Investment properties	19	**428,221**	292,199
Land lease prepayments	20	**3,963,985**	3,657,010
Goodwill	21	**641,680**	537,050
Other intangible assets	22	**6,823**	4,148
Investments in associates	24	**12,260**	11,904
Available-for-sale equity investments	25	**782,205**	635,398
Other asset	26	**2,458**	2,458
Prepayments	32	**1,102,725**	1,115,458
Deferred tax assets	27	**83,907**	61,647
Total non-current assets		**10,670,974**	8,754,485
CURRENT ASSETS			
Inventories	28	**281,977**	166,419
Completed properties held for sale		**524,734**	485,287
Properties under development	29	**1,791,198**	1,177,562
Equity investments at fair value through profit or loss	30	**8,674**	11,271
Trade receivables	31	**47,912**	15,794
Prepayments, deposits and other receivables	32	**587,945**	402,778
Due from related parties	44(b)	**43,772**	9,919
Pledged deposits	33	**1,530**	1,350
Cash and cash equivalents	33	**1,425,837**	1,024,073
Total current assets		**4,713,579**	3,294,453
CURRENT LIABILITIES			
Trade and bills payables	34	**1,953,827**	1,688,373
Deposits received, accruals and other payables	35	**1,972,429**	1,611,369
Interest-bearing bank loans and other borrowings	36	**1,485,973**	851,024
Due to related parties	44(b)	**31,486**	4,249
Income tax payable		**111,253**	115,076
Total current liabilities		**5,554,968**	4,270,091

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NET CURRENT LIABILITIES		**(841,389)**	(975,638)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,829,585**	7,778,847
NON-CURRENT LIABILITIES			
Convertible bonds	37	**844,363**	860,441
Interest-bearing bank loans and other borrowings	36	**1,642,698**	1,564,776
Deferred tax liabilities	27	**597,406**	413,079
Total non-current liabilities		**3,084,467**	2,838,296
Net assets		**6,745,118**	4,940,551
EQUITY			
Equity attributable to owners of the parent			
Issued capital	38	**481,988**	461,587
Equity component of convertible bonds	37	**119,125**	119,125
Reserves	40(a)	**4,595,558**	3,318,872
Proposed final dividend	16	**256,125**	—
		5,452,796	3,899,584
Non-controlling interests		**1,292,322**	1,040,967
Total equity		**6,745,118**	4,940,551

Huang Mao Ru
Director

Wang Bin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	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 (note 38)	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000 (note 40)	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 2011	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
Profit for the year	–	–	–	–	–	–	–	–	–	640,312	–	640,312	94,577	734,889
Other comprehensive income for the year:														
Changes in fair value of available -for-sale investments, net of tax	–	–	–	–	–	–	–	22,302	–	–	–	22,302	–	22,302
Exchanges differences on translation of foreign operations	–	–	–	–	–	–	–	–	29,195	–	–	29,195	–	29,195
Total comprehensive income for the year	–	–	–	–	–	–	–	22,302	29,195	640,312	-	691,809	94,577	786,386
Acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	160,423	160,423
Disposal of available-for-sale equity investment	–	–	–	–	–	–	–	(6,767)	–	–	–	(6,767)	–	(6,767)
Profit appropriated to reserve	–	–	–	–	–	–	91,906	–	–	(91,906)	–	–	–	–
Equity-settled share option arrangement (note 39)	–	–	6,069	–	–	–	–	–	–	–	–	6,069	–	6,069
Issue of shares (note 38)	26,336	963,422	(20,040)	–	–	–	–	–	–	–	–	969,718	–	969,718
Repurchase and cancellation of shares (note 38)	(5,935)	(83,334)	–	–	5,935	–	–	–	–	(5,935)	–	(89,269)	–	(89,269)
Share issue expenses (note 38)	–	(18,348)	–	–	–	–	–	–	–	–	–	(18,348)	–	(18,348)
Proposed final 2011 dividend	–	(21,181)	–	–	–	–	–	–	–	(234,944)	256,125	–	–	–
Dividend paid by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(3,645)	(3,645)
At 31 December 2011	481,988	2,715,928 *	25,498 *	119,125	5,935 *	77 *	284,411 *	248,570 *	(27,917)*	1,343,056 *	256,125	5,452,796	1,292,322	6,745,118

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000 (note 39)	Equity component of convertible bonds RMB'000	Contributed surplus RMB'000 (note 40)	Statutory surplus reserve RMB'000 (note 40)	Available-for-sale equity investment revaluation reserve RMB'000 (note 40)	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	–	–	–	–	–	–	–	–	–	–	–	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	–	–	–	119,125	–	–	–	–	–	–	119,125	–	119,125
Final 2009 dividend declared	–	–	–	–	–	–	–	–	–	(67,800)	(67,800)	–	(67,800)
Equity-settled share option arrangement	–	–	39,469	–	–	–	–	–	–	–	39,469	–	39,469
Interim 2010 dividend	–	–	–	–	–	–	–	–	(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

* These reserve accounts comprise the consolidated reserves of RMB4,595,558,000 (2010: RMB3,318,872,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**1,017,768**	805,320
From a discontinued operation		**—**	22,153
Adjustments for:			
Interest income	6	**(8,072)**	(7,500)
Depreciation and amortisation		**326,202**	211,627
Impairment/(reversal of impairment) of trade receivables	10	**1,309**	(1,042)
Impairment/(reversal of impairment) of inventories	10	**21**	(678)
Impairment/(reversal of impairment) of other receivables	10	**(123)**	42
Gain on deemed disposal of an investment in an associate	11	**—**	(7,273)
Loss on disposal of items of property, plant and equipment	11	**659**	1,314
Gain on disposal of land lease prepayments	11	**(10,232)**	(3,162)
Gain on disposal of a subsidiary	15	**—**	(22,188)
Gain on disposal of investment properties	11	**(3,358)**	(1,261)
Fair value loss on equity investments at fair value through profit or loss	11	**2,585**	2,105
Loss/(gain) on disposal of equity investments at fair value through profit or loss	11	**432**	(3,368)
Gain on disposal of available-for-sale equity investments	11	**(20,317)**	—
Dividend income from equity investments at fair value through profit or loss	11	**(162)**	(80)
Dividend income from available-for-sale equity investments	11	**(6,326)**	(3,881)
Finance costs	12	**188,793**	113,780
Share of profits and losses of associates		**(498)**	(1,659)
Equity-settled share option expense	39	**6,069**	39,469
		1,494,750	1,143,718
Decrease in completed properties held for sale		**54,124**	28,311
Additions to properties under development		**(603,793)**	(95,111)
increase in inventories		**(5,760)**	(39,970)
Decrease/(increase) in trade receivables		**(28,455)**	22,549
Decrease/(increase) in prepayments and other receivables		**(205,612)**	101,699
Increase in amounts due from related parties		**(6,560)**	(6,180)
Increase in trade and bills payables		**85,806**	508,151
Increase in deposits received, accruals and other payables		**364,735**	160,054
Increase/(decrease) in amounts due to related parties		**(49,121)**	1,912

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash generated from operations		**1,100,114**	1,825,133
Interest received		**8,072**	7,500
PRC tax paid		**(300,606)**	(169,098)
Net cash flows from operating activities		**807,580**	1,663,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**142**	484
Purchases of items of property, plant and equipment		**(666,779)**	(528,733)
Prepayments for items of property, plant and equipment		**(6,507)**	(7,576)
Additions to investment properties		**(86,620)**	(5,692)
Proceeds from disposal of items of property, plant and equipment		**(659)**	3,848
Proceeds from disposal of investment properties		**12,059**	9,858
Proceeds from disposal of an associate		**–**	7,500
Purchase of available-for-sale equity investments		**(163,682)**	(9,000)
Proceeds from disposal of available-for-sale equity investments		**33,208**	208
Purchase of land lease prepayments		**(284,701)**	(479,602)
Prepayment for land lease prepayments		**(286,628)**	(762,950)
Disposal of land lease prepayments		**36,739**	5,615
Purchase of other intangible assets		**(3,837)**	(662)
Purchase of equity investments at fair value through profit or loss		**(13,328)**	(236)
Proceeds from disposal of equity investments at fair value through profit or loss		**12,908**	30,116
Acquisition of subsidiaries		**(220,362)**	(299,401)
Acquisition of a creditor's right		**–**	(20,034)
Prepayments for acquisition of subsidiaries		**–**	(255,574)
Disposal of a subsidiary		**–**	15,232
Dividend income from equity investments at fair value through profit or loss		**162**	80
Dividend income from available-for-sale equity investments		**6,326**	3,881
Net cash flows used in investing activities		**(1,631,559)**	(2,292,638)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	38	**969,618**	—
Share issue expenses	38	**(18,348)**	—
Proceeds from issue of convertible bonds	37	**—**	976,437
New bank loans		**1,642,000**	1,182,108
Repayment of bank loans		**(1,119,529)**	(755,975)
Interest paid		**(162,898)**	(105,501)
Increase in the capital of subsidiaries		**—**	43,350
Final 2009 dividend paid		**—**	(67,800)
Interim dividend paid		**—**	(81,027)
Dividend paid by subsidiaries to non-controlling shareholders		**(3,645)**	(12,044)
Repurchase of shares	38	**(89,269)**	—
Decrease/(increase) in pledged bank deposits		**(180)**	21,552
Net cash flows from financing activities		**1,217,749**	1,201,100
NET INCREASE IN CASH AND CASH EQUIVALENTS		**393,770**	571,997
Effect of foreign exchange rate changes, net		**7,994**	(9,693)
Cash and cash equivalents at beginning of year		**1,024,073**	461,769
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,425,837**	1,024,073
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	33	**1,425,837**	1,024,073
Cash and cash equivalents as stated in the statement of financial position		**1,425,837**	1,024,073

Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	23	**143,788**	143,788
CURRENT ASSETS			
Prepayments and other receivables	32	**54**	16
Due from subsidiaries		**3,362,117**	2,696,139
Cash and cash equivalents	33	**3,663**	4,804
Total current assets		**3,365,834**	2,700,959
CURRENT LIABILITIES			
Other payables and accruals	35	**245**	435
Due to subsidiaries		**12,852**	17,565
Due to related parties		**1,479**	—
Total current liabilities		**14,576**	18,000
NET CURRENT ASSETS		**3,351,258**	2,682,959
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,495,046**	2,826,747
NON-CURRENT LIABILITIES			
Convertible bonds		**844,363**	860,441
Total non-current liabilities		**844,363**	860,441
Net assets		**2,650,683**	1,966,306
EQUITY			
Issued capital	38	**481,988**	461,587
Equity component of convertible bonds	37	**119,125**	119,125
Reserves	40(b)	**1,793,445**	1,385,594
Proposed final dividends	16/40(b)	**256,125**	—
Total equity		**2,650,683**	1,966,306

Huang Mao Ru
Director

Wang Bin
Director

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

Maoye International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands, and the head office and principal place of business of the Company is located at 38/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the operation and management of department stores and property development 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 2011, the Group had net current liabilities of approximately RMB841,389,000. Having taken into account the cash flows from the operations and the current available banking facilities, the directors consider that it is appropriate to prepare the financial statements on a going concern basis notwithstanding the net current liabilities position.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. 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.

Total comprehensive income within a subsidiary is 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.

Notes to Financial Statements

31 December 2011

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 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1, IAS 27 and IFRIC 13 included in Improvements to IFRSs 2010, 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) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions,including the related comparative information, are included in note 44 to the consolidated financial statements.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) Improvements to IFRSs 2010 issued in May 2010 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 financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 Business Combinations: The amendment 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 amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All 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.

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 Consolidated and Separate Financial Statements: The amendment 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.

- IFRIC 13 Customer Loyalty Programmes: The amendment 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 2011

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 Amendments	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflaction and Removal of Fixed Dates for First-time Adopter* [1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures –Transfers of Financial Assets* [1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
IFRS 9	*Financial Instruments* [6]
IFRS 10	*Consolidated Financial Statements* [4]
IFRS 11	*Joint Arrangements* [4]
IFRS 12	*Disclosure of Interests in Other Entities* [4]
IFRS 13	*Fair Value Measurement* [4]
IAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
IAS 32 Amendments	*Presentation –Offsetting financial Assets And Financial Liabilities* [5]
IAS 19 Amendments	*Employee Benefits* [4]
IAS 27 Revised	*Separate Financial Statements* [4]
IAS 28 Revised	*Investments in Associates and Joint Ventures* [4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Notes to Financial Statements

31 December 2011

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

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 November 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 the 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 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

Notes to Financial Statements

31 December 2011

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

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (2011) from 1 January 2013.

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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.

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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 identifiable net 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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person, (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the Group (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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.

Constructions in progress represent properties 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.

Notes to Financial Statements

31 December 2011

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 2011

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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 2011

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

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, in rare circumstances, 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. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

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 finance costs for loans and in other operating expenses for receivables.

Notes to Financial Statements

31 December 2011

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 investments and debt 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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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.

Notes to Financial Statements

31 December 2011

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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 2011

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.

Notes to Financial Statements

31 December 2011

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 plus, in the case of loans and borrowings, plus directly attributable transaction costs.

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

Subsequent measurement

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

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

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

Financial guarantee contracts

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

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.

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.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- when 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 when 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.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

(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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 7.51% 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.

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 arising on settlement or translation of monetary items 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.The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively). 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. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

- *Operating lease commitments - Group as lessor*

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

- *Useful lives of property, plant and equipment*

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

- *Impairment of goodwill*

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

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

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

- *Deferred tax assets*

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

- *Net realisable value of inventories 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.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

- *Recognition of deferred tax liability for withholding taxes*
  Deferred tax liability is recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared.

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, direct sales of merchandise and leasing out of commercial properties for the operation of department stores by third parties;

(b) the property development segment is principally engaged in the development and sale of commercial and residential properties as well as leasing out of commercial properties other than for the operation of department stores; and

(c) the "others" segment comprises, principally, operations of hotels and the provision of ancillary services, the provision of advertising services and the 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 attributable to owners of the parent.

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.

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4. OPERATING SEGMENT INFORMATION

Year ended 31 December 2011

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	3,125,880	222,995	8,149	–	3,357,024
Intersegment revenue	–	20,663	–	(20,663)	–
Other income	749,561	8,480	8,267	–	766,308
Segment cost & expenditure					
Cost of sales	(1,282,221)	(52,640)	(285)	–	(1,335,146)
Employee expenses	(340,689)	(30,306)	(4,499)	–	(375,494)
Depreciation and amortisation	(275,289)	(44,700)	(6,213)	–	(326,202)
Operating lease rental expenses	(222,767)	(11,706)	(100)	18,337	(216,236)
Other operating expenses	(684,373)	(81,657)	(8,360)	2,326	(772,064)
Other gains	88,568	7,516	11,789	–	107,873
Operating profit	1,158,670	38,645	8,748	–	1,206,063
Finance costs	(50,912)	(137,653)	(228)	–	(188,793)
Share of profits and losses of associates	–	–	498	–	498
Segment profit/(loss) before tax from continuing operations	1,107,758	(99,008)	9,018	–	1,017,768
Income tax expense	(288,562)	7,938	(2,255)	–	(282,879)
Segment profit/(loss) for the year from continuing operations	819,196	(91,070)	6,763	–	734,889
Attributable to:					
Owners of the parent	735,138	(97,070)	2,244	–	640,312
Non-controlling interests	84,058	6,000	4,519	–	94,577
	819,196	(91,070)	6,763	–	734,889
Other segment information					
Impairment losses recognised in the income statement	1,191	137	2	–	1,330
Impairment losses reversed in the income statement	(123)	–	–	–	(123)
Investments in associates			12,260	–	12,260
Capital expenditure	1,997,110	659,921	118	–	2,657,149

* 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 2011

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	2,060,822	122,311	14,149	—	2,197,282
Intersegment revenue	—	7,940	—	(7,940)	—
Other income	543,390	3,059	4,619	—	551,068
Segment cost & expenditure					
Cost of sales	(717,967)	(28,311)	(869)	—	(747,147)
Employee expenses	(230,395)	(11,341)	(3,904)	—	(245,640)
Depreciation and amortisation	(200,329)	(9,173)	(1,605)	—	(211,107)
Operating lease rental expenses	(170,828)	(5,926)	(1,898)	5,823	(172,829)
Other operating expenses	(449,659)	(35,123)	(5,772)	2,117	(488,437)
Other gains	40,843	4,145	(10,737)	—	34,251
Operating profit/(loss)	875,877	47,581	(6,017)	—	917,441
Finance costs	(28,117)	(85,322)	(341)	—	(113,780)
Share of profits and losses of associates	—	—	1,659	—	1,659
Segment profit/(loss) before tax from continuing operations	847,760	(37,741)	(4,699)	—	805,320
Income tax expense	(208,123)	8,647	1,636	—	(197,840)
Segment profit/(loss) for the year from continuing operations	639,637	(29,094)	(3,063)	—	607,480
Attributable to:					
Owners of the parent	600,264	(33,569)	(1,187)	—	565,508
Non-controlling interests	39,373	4,475	(1,876)	—	41,972
	639,637	(29,094)	(3,063)	—	607,480
Other segment information					
Impairment losses recognised in the income statement	42	—	—	—	42
Impairment losses reversed in the income statement	(1,720)	—	—	—	(1,720)
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.

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5. REVENUE

	Group	
	2011	2010
	RMB'000	RMB'000
Commissions from concessionaire sales	**1,517,865**	1,135,013
Direct sales	**1,436,983**	795,442
Rental income from the leasing of shop premises	**167,138**	140,133
Management fee income from the operation of department stores	**3,894**	3,589
Rental income from investment properties	**129,312**	66,566
Sale of properties	**93,683**	45,610
Others	**8,149**	10,929
	3,357,024	2,197,282

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

Total sales proceeds from concessionaire sales	**8,992,880**	6,471,245
Commissions from concessionaire sales	**1,517,865**	1,135,013

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

Rental income	**91,110**	74,972
Sublease rental income	**74,553**	64,029
Contingent rental income	**1,475**	1,132
	167,138	140,133

6. OTHER INCOME

	Group	
	2011	2010
	RMB'000	RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**424,746**	313,887
– Promotion income	**180,113**	138,114
– Credit card handling fees	**114,693**	77,810
Interest income	**8,072**	7,500
Others	**38,684**	13,757
	766,308	551,068

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7. COST OF SALES

	Group	
	2011	2010
	RMB'000	RMB'000
Purchases of and changes in inventories	**1,282,221**	717,967
Cost of properties sold	**52,640**	28,311
Others	**285**	869
	1,335,146	747,147

8. EMPLOYEE EXPENSES

		Group	
		2011	2010
	Note	**RMB'000**	RMB'000
Wages and salaries		**323,605**	183,743
Equity-settled share option expense	39	**6,069**	39,469
Retirement benefits		**31,687**	14,850
Other employee benefits		**14,133**	7,578
		375,494	245,640

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

	Group	
	2011	2010
	RMB'000	RMB'000
Fees	**647**	676
Other emoluments:		
Salaries and allowances	**1,630**	2,114
Equity-settled share option expenses	**404**	1,913
Retirement benefits	**32**	68
	2,066	4,095
	2,713	4,771

During the year ended 31 December 2010, 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.

Notes to Financial Statements

31 December 2011

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 2011			
Mr. Pao Ping Wing	**199**	**44**	**243**
Mr. Leung Hon Chuen	**149**	**44**	**193**
Mr. Chow Chan Lum	**299**	**44**	**343**
	647	**132**	**779**
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

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2011 (2010: Nil).

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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 2011					
Executive directors:					
Mr. Huang Mao Ru	**—**	**120**	**—**	**—**	**120**
Mr. Zhong Pengyi*	**—**	**120**	**44**	**—**	**164**
Ms. Wang Fuqin	**—**	**720**	**175**	**16**	**911**
Mr. Wang Bin	**—**	**670**	**53**	**16**	**739**
	—	**1,630**	**272**	**32**	**1,934**
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

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

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

\# Mr. 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 2011 (2010: Nil).

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8. EMPLOYEE EXPENSES (continued)

(c) Five highest paid employees

The five highest paid employees during the year included two (2010: two) directors, details of whose remuneration are set out in note 8(b) above. Details of the remuneration of the remaining three (2010: three) non-director, highest paid employees for the year are as follows:

	2011	2010
	RMB'000	RMB'000
Salaries and allowances	**2,653**	4,027
Equity-settled share option expenses	**462**	1,226
Retirement benefits	**48**	56
	3,163	5,309

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

	2011	2010
Nil to RMB1,000,000	**1**	2
RMB1,000,001 to RMB2,000,000	**2**	—
RMB2,000,001 to RMB4,000,000	**—**	1
	3	3

During the year ended 31 December 2010, 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.

9. OPERATING LEASE RENTAL EXPENSES

	Group	
	2011	2010
	RMB'000	RMB'000
Operating lease rental	**190,542**	152,430
Operating sublease rental	**25,694**	20,399
	216,236	172,829

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10. OTHER OPERATING EXPENSES

		Group	
		2011	2010
	Notes	**RMB'000**	RMB'000
Utility expenses		**191,162**	147,507
Promotion and advertising expenses		**69,722**	45,645
Repair and maintenance expenses		**93,815**	39,530
Entertainment expenses		**18,801**	12,250
Office expenses		**50,124**	33,424
Other tax expenses		**230,219**	138,172
Professional service fees		**13,776**	8,249
Auditors' remuneration		**4,990**	3,917
Bank charges		**64,395**	41,617
Impairment/(reversal of impairment) of inventories	28	**21**	(678)
Impairment/(reversal of impairment) of trade receivables	31	**1,309**	(1,042)
Impairment of other receivables	32	**123**	42
Others		**33,607**	19,804
		772,064	488,437

11. OTHER GAINS

	Group	
	2011	2010
	RMB'000	RMB'000
Loss on disposal of items of property, plant and equipment	**(659)**	(1,314)
Gain on disposal of land lease prepayments	**10,232**	3,162
Gain on disposal of investment properties	**3,358**	1,261
Foreign exchange losses, net	**(9,030)**	(709)
Fair value loss on equity investments at fair value through profit or loss	**(2,585)**	(2,105)
Gain/(loss) on disposal of equity investments at fair value through profit or loss	**(432)**	3,368
Gain on deemed disposal of an investment in an associate	**—**	7,273
Gain on disposal of available-for-sale equity investments	**20,317**	358
Share of loss of a department store operation by a fellow subsidiary (note 44(a)(vii))	**38,000**	—
Dividend income from available-for-sale equity investments	**6,326**	3,881
Dividend income from equity investments at fair value through profit or loss	**162**	80
Others	**42,184**	18,996
	107,873	34,251

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12. FINANCE COSTS

	Group	
	2011	2010
	RMB'000	RMB'000
Interest on bank loans	**178,010**	105,501
Interest on convertible bonds (note 37)	**53,785**	12,010
Total interest expense on financial liabilities not at fair value through profit or loss	**231,795**	117,511
Less: Interest capitalised	**(47,661)**	(5,487)
	184,134	112,024
Other finance costs:		
Increase in discounted amounts of consideration payable	**4,659**	1,756
	188,793	113,780

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 2011 (2010: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2010: 25%) on their respective taxable income, except for certain PRC subsidiaries which are exempted or taxed at a preferential rate of 24%.

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 24% (2010: 22%).

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 RMB10,669,000 is charged to the consolidated income statement for the year ended 31 December 2011 (2010: RMB1,786,000).

Notes to Financial Statements

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13. INCOME TAX (continued)

	Note	Group 2011 RMB'000	Group 2010 RMB'000
Group:			
Current – CIT		**290,257**	184,889
Current – LAT		**10,669**	1,786
Deferred (note 27)		**(18,047)**	16,712
Total tax charge for the year		**282,879**	203,387
Tax charge attributable to continuing operations reported in the consolidated income statement		**282,879**	197,840
Tax charge attributable to a discontinued operation	15	**—**	5,547
Total tax charge for the year		**282,879**	203,387

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 2011 RMB'000	2011 %	Group 2010 RMB'000	2010 %
Profit before tax from continuing operations	**1,017,768**		805,320	
Tax at the statutory tax rate	**254,442**	**25**	201,330	25
Lower tax rates for specific districts or countries	**(5,430)**	**—**	(12,429)	(2)
Income not subject to tax	**(596)**	**—**	(8,527)	1
Expenses not deductible for tax	**2,629**	**—**	2,393	—
Effect of withholding tax at applicable rate on the distributable profits of the Group's PRC subsidiaries	**19,039**	**2**	11,032	1
Tax losses not recognised	**5,557**	**—**	1,748	—
LAT	**10,669**	**1**	1,786	—
Tax effect of LAT	**(2,667)**	**—**	(447)	—
Others	**(764)**	**—**	954	—
Tax charge at the Group's effective tax rate	**282,879**	**28**	197,840	25

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14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of RMB73,820,000 (2010: loss of RMB54,741,000) 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 in the prior year 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:

	2011 **RMB'000**	2010 RMB'000
Revenue	–	1,493
Purchases of and changes in inventories	–	(1,055)
Employee expenses	–	(9)
Depreciation and amortisation	–	(520)
Other operating expenses	–	(77)
Other gains	–	133
Gain of the discontinued operation	–	(35)
Gain on disposal of a subsidiary	–	22,188
Gain before tax from the discontinued operation	–	22,153
Income tax expense	–	(5,547)
Profit for the year from the discontinued operation	–	16,606
Attributable to:		
Owners of the parent	–	11,089
Non-controlling interests	–	5,517
	–	16,606

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15. DISCONTINUED OPERATION (continued)

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

	2011 RMB'000	2010 RMB'000
Operating activities	–	(903)
Investing activities	–	15,232
Net cash inflow	–	14,329
Earnings per share:		
Basic, from the discontinued operation	–	RMB0.2 cents
Diluted, from the discontinued operation	–	RMB0.2 cents

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

	2011	2010
Profit attributable to ordinary equity holders of the parent from the discontinued operation	–	RMB11,089,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 17) used in the basic earnings per share calculation	**5,327,091,307**	5,139,856,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 17)	**5,327,091,307**	5,142,423,606

16. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Interim dividend - Nil (2010: HK1.8 cents) per ordinary share	–	81,027
Proposed final dividend (not recognised as a liability as at 31 December) – HK5.9 cents (2010: Nil) per ordinary share	**256,125**	—
	256,125	81,027

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 2011 attributable to ordinary equity holders of the parent of RMB640,312,000 (2010: RMB576,597,000) and the weighted average number of ordinary shares of 5,327,091,307 in issue during the year (2010: 5,139,856,000).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the impact of the share options outstanding or convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

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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 2011							
At 31 December 2010 and at 1 January 2011:							
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
At 1 January 2011, net of accumulated depreciation and impairment	1,777,537	118,593	11,884	46,986	202,541	279,672	2,437,213
Additions	192,349	3,137	3,465	19,141	8,919	552,636	779,647
Disposals	(70)	(785)	(2,707)	(1,240)	(193)	–	(4,995)
Depreciation provided during the year	(99,203)	(24,206)	(2,422)	(14,091)	(52,284)	–	(192,206)
Acquisition of subsidiaries (notes 41)	541,989	28,995	913	12,885	4,774	42,015	631,571
Transfer to Investment properties (note 19)	(3,169)	–	–	–	–	–	(3,169)
Transfers	9,662	30,256	–	2,618	82,992	(125,528)	–
Exchange realignment	(1,351)	–	–	–	–	–	(1,351)
At 31 December 2011, net of accumulated depreciation and impairment	2,417,744	155,990	11,133	66,299	246,749	748,795	3,646,710
At 31 December 2011:							
Cost	2,870,520	365,130	18,089	219,452	467,340	755,407	4,695,938
Accumulated depreciation and impairment	(452,776)	(209,140)	(6,956)	(153,153)	(220,591)	(6,612)	(1,049,228)
Net carrying amount	2,417,744	155,990	11,133	66,299	246,749	748,795	3,646,710

Notes to Financial Statements

31 December 2011

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Amortisation of land lease payments of approximately RMB31,695,000 during the construction period was capitalised as part of the construction cost of the department stores under construction of the Group, and was included in the above additions.

The Group's land and buildings are held under medium term leases and are situated in Mainland China. Details of the Group's land and buildings pledged to secure the Group's interest-bearing bank loans are set out in note 36.

Certificates of ownership in respect of certain buildings of the Group with a net carrying amount of approximately RMB394,177,000 as at 31 December 2011 (31 December 2010: RMB84,771,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

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	527,635	10,165	6,745	7,394	5,120	–	557,059
Transfer to investment properties	(28,230)	–	–	–	–	(10,888)	(39,118)
Transfers	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

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19. INVESTMENT PROPERTIES

	Notes	2011 RMB'000	2010 RMB'000
		Group	
Cost at 1 January, net of accumulated depreciation		**292,199**	104,103
Acquisition of a subsidiary		**—**	154,047
Additions		**89,789**	9,539
Disposals		**(8,700)**	(5,435)
Transfer from property, plant and equipment	18	**3,169**	39,118
Transfer from property under development	29	**66,718**	—
Depreciation provided during the year		**(14,954)**	(9,173)
At 31 December		**428,221**	292,199
At 31 December:			
Cost		**549,833**	399,698
Accumulated depreciation		**(121,612)**	(107,499)
Net carrying amount		**428,221**	292,199

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 42(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 RMB26,264,000 as at 31 December 2011 (31 December 2010: RMB28,432,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

At 31 December 2011, the fair value of the Group's investment properties was approximately RMB1,443,198,000 (31 December 2010: RMB1,310,678,000), which was based on the valuation by DTZ Debenham Tie Leung Limited ("DTZ"), independent professionally qualified valuers, on an open market, existing use basis.

Notes to Financial Statements

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20. LAND LEASE PREPAYMENTS

	Notes	Group 2011 RMB'000	2010 RMB'000
Carrying amount at 1 January		**3,760,402**	2,364,815
Acquisition of subsidiaries	41	**404,790**	1,080,471
Additions		**273,789**	667,845
Transfer to properties under development	29	**(171,162)**	(60,389)
Transfer from properties under development	29	**1,030**	—
Transfer to completed properties held for sale		**—**	(184,946)
Disposals		**(26,507)**	(5,615)
		4,242,342	3,862,181
Amortisation provided during the year		**(135,878)**	(101,779)
Carrying amount at 31 December		**4,106,464**	3,760,402
Current portion included in prepayments, deposits and other receivables		**(142,479)**	(103,392)
Non-current portion		**3,963,985**	3,657,010

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 RMB118,022,000 as at 31 December 2011.

Included in the amortisation provided during the year is an amount of approximately RMB31,695,000, which was capitalised as part of the construction cost of the department stores under construction of the Group and included in the additions of property, plant and equipment (note 18).

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21. GOODWILL

	Note	Group 2011 RMB'000	Group 2010 RMB'000
At 1 January, net of accumulated impairment		**537,050**	95,997
Acquisition of subsidiaries	41	**104,630**	441,053
At 31 December		**641,680**	537,050
At 31 December:			
Cost		**647,449**	542,819
Accumulated impairment		**(5,769)**	(5,769)
Net carrying amount		**641,680**	537,050

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 2011	**637,167**	**4,513**	**641,680**
At 31 December 2010	532,537	4,513	537,050

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 12% to 17% (2010: 11% to 17%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from nil to 5% (2010: 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.

Key assumptions were used in the value in use calculation of the CGUs for 31 December 2011 and 2010. 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.

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21. GOODWILL (continued)

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% (2010: nil to 5%).

22. OTHER INTANGIBLE ASSETS

Group

	Note	**Computer software**	
		2011	2010
		RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation		**4,148**	3,237
Additions		**3,874**	662
Acquisition of a subsidiary	41	**570**	1,148
Disposal		**(30)**	—
Amortisation provided during the year		**(1,739)**	(899)
At 31 December		**6,823**	4,148
At 31 December:			
Cost		**10,461**	5,144
Accumulated amortisation		**(3,638)**	(996)
Net carrying amount		**6,823**	4,148

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

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23. INVESTMENTS IN SUBSIDIARIES

	Company 2011 RMB'000	2010 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 RMB3,362,117,000 (31 December 2010: RMB2,696,139,000) and RMB12,852,000 (31 December 2010: RMB17,565,000), 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 registration incorporation/ 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. (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

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23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of registration incorporation/ 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. ("Shenzhen Maoye Shangsha") （深圳茂業商廈有限公司）**	PRC/Mainland China 31 January 1996	US$320,000,000	–	100	Investment holding and operation of department stores
Shenzhen Maoye Department Store Shennan Co., Ltd. （深圳市茂業百貨深南有限公司）**	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Heping Maoye Department Store Co., Ltd. （深圳市和平茂業百貨有限公司）**	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. （深圳市茂業百貨華強北有限公司）**	PRC/Mainland China 31 March 2003	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Oriental Times Department Store Co., Ltd. （深圳市茂業東方時代百貨有限公司）**	PRC/Mainland China 8 August 2005	RMB1,200,000	–	100	Operation of a department store
Zhuhai Maoye Department Store Co., Ltd. （珠海市茂業百貨有限公司）**	PRC/Mainland China 24 August 2001	RMB4,800,000	–	100	Operation of a department store
Chongqing Maoye Department Store Co., Ltd. （重慶茂業百貨有限公司）	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
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	RMB245,000,000	–	100	Operation of a department store

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23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of registration incorporation/ and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
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. （瀋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") （深圳市茂業廣告有限公司）**	PRC/Mainland China 25 December 2002	RMB2,000,000	–	100	Provision of advertising services
Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store") （泰州第一百貨商店股份有限公司）**	PRC/Mainland China 20 May 1994	RMB18,950,000	–	97.31	Operation of a department store
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

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23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of registration incorporation/ and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenyang Maoye Department Store Co., Ltd. （瀋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$193,000,000	–	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	Operation of a department store
Taizhou Maoye Property Co., Ltd. （泰州茂業置業有限公司）**	PRC/Mainland China 8 November 2010	HK$838,000,000	–	100	#

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23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of registration incorporation/ and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Hong Kong Maoye Department Store (Yangzhou) Co., Ltd. ("Yangzi River Department Store") （香港茂業百貨（揚州）有限公司）	PRC/Mainland China 16 May 1996	RMB64,643,046	–	70	Operation of a department store
Zibo Dongtai Shangsha Co., Ltd. ("Dongtai Shangsha") （淄博東泰商廈有限公司）**	PRC/Mainland China 25 June 1994	RMB8,180,000	–	80	Operation of department stores and supermarket chain stores
Zibo Dongtai Jianghao Logistics Co., Ltd. （淄博東泰江浩物流有限公司）**	PRC/Mainland China 4 September 2009	RMB1,000,000	–	80	Property leasing
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）春南有陽公司）**	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）瀘州川南有限公司）**	PRC/Mainland China 26 August 2003	RMB3,000,000	–	66.78	Operation of a department store

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23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of registration incorporation/ and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
E'mei Shan Chengshang Phoenix Co., Ltd. (峨眉山成商鳳凰湖有限公司) **	PRC/Mainland China 11 March 1997	RMB33,730,000	–	53.42	Operation of a hotel and provision of ancillary services
Chengdu People's Department Store (Group) Mianyang Co., Ltd. ("Chengshang Mianyang") (成都人民商場（集團）綿陽有限公司) "**	PRC/Mainland China 13 September 2007	RMB5,000,000	–	66.78	Operation of a department store
Chengshang Group Nanchong Commercial Co., Ltd. (成商集團南充商業有限公司) **	PRC/Mainland China 11 April 2008	RMB5,000, 000	–	66.78	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	#
Heze Maoye Department Store Co., Ltd. ("Heze Huihe") (菏澤茂業百貨有限公司)	PRC/Mainland China 29 December 2008	RMB5,000,000	–	60.10	Operation of a department store
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. (秦皇島金原家居裝飾城有限公司) **	PRC/Mainland China 20 November 2003	RMB1,000,000	–	29.90	Property leasing

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23. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of registration incorporation/ and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
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
Qinhuangdao Hualian Jinyuan Property Service Co., Ltd. (秦皇島華聯商城金原商業管理有限公司) **	PRC/Mainland China 14 April 2011	RMB2,000,000	–	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
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

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23. INVESTMENTS IN SUBSIDIARIES (continued)

*	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.

On 1 January 2011, the Group has acquired a 70% equity interest in Yangzi River Department Store from independent third parties. Further details of this acquisition are included in note 41(i) to the financial statements.

On 27 January 2011, the Group has acquired an 80% equity interest in Dongtai Shangsha from independent third parties. Further details of this acquisition are included in note 41(ii) to the financial statements.

On 24 March 2011, the Group has acquired a 90% equity interest in Heze Huihe from independent third parties. Further details of this acquisition are included in note 41(iii) to the financial statements.

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

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24. INVESTMENTS IN ASSOCIATES

	Group 2011 RMB'000	Group 2010 RMB'000
Share of net assets	**12,260**	11,904

The Group's balances with its associates as at 31 December 2011 and 2010 are disclosed in note 44(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.

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24. INVESTMENTS IN ASSOCIATES (continued)

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.

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 2011				
Ya'an New Century	**8,983**	**4,123**	**4,002**	**176**
Guangyuan New Century	**8,608**	**5,845**	**4,032**	**167**
Leshan Shawan New Century	**5,283**	**646**	**2,508**	**155**
	22,874	**10,614**	**10,542**	**498**
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)

25. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2011 RMB'000	2010 RMB'000
Listed equity investments, at fair value		
Shanghai	**225,402**	269,616
Shenzhen	**301,161**	242,587
	526,563	512,203
Unlisted equity investments, at cost	**261,527**	129,080
	788,090	641,283
Provision for impairment	**(5,885)**	(5,885)
	782,205	635,398

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

During the year, the gross gain in respect of the Group's available-for-sale equity investments recognised in other comprehensive income amounted to RMB22,302,000 (2010: RMB82,915,000).

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.

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	
	2011	2010
	RMB'000	RMB'000
Unlisted equity investment	**2,458**	2,458

On 31 December 2011, 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 2011 (2010: RMB2,458,000).

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27. DEFERRED TAX

Movements in deferred tax assets are as follows:

Group	Provisions and accruals RMB'000	Impairment of trade and other receivables RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2010	10,851	14,364	9,234	34,449
Acquisition of subsidiaries	710	8,558	5,726	14,994
Deferred tax credited 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
Acquisition of subsidiaries	—	—	993	993
Deferred tax credited/ (charged) to the consolidated income statement during the year (note 13)	(1,861)	31	23,097	21,267
At 31 December 2011	**12,896**	**23,377**	**47,634**	**83,907**

The Group had tax losses of approximately RMB224,657,000 as at 31 December 2011 (31 December 2010: RMB109,563,000), 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 RMB34,121,000 as at 31 December 2011 (31 December 2010: RMB15,387,000) 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.

Notes to Financial Statements

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27. DEFERRED TAX (continued)

Movements in deferred tax liabilities are as follows:

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Revaluation of available-for-sale equity investments RMB'000	Amortisation of pre-paid land lease prepayments RMB'000	Withholding taxes RMB'000	Capitalisation of borrowing costs RMB'000	Total RMB'000
At 1 January 2010	167,426	110,410	6,736	13,987	–	298,559
Acquisition of subsidiaries	154,768	–	–	–	–	154,768
Deferred tax debited 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
Acquisition of subsidiaries	174,112	–	–	–	–	174,112
Deferred tax credited to equity during the year	–	6,995	–	–	–	6,995
Deferred tax charged/(credited) to the consolidated income statement during the year (note 13)	(19,155)	–	4,174	7,491	10,710	3,220
At 31 December 2011	**470,740**	**81,665**	**12,695**	**20,224**	**12,082**	**597,406**

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. 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 2011, there was no significant unrecognised deferred tax liability (2010: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates.

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28. INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
Merchandise for resale	**288,070**	172,591
Provision against slow-moving inventories	**(6,093)**	(6,172)
	281,977	166,419

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

	Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**6,172**	7,270
Provision recognised/(reversed) during the year (note 10)	**21**	(678)
Amount written off during the year	**(100)**	(420)
At 31 December	**6,093**	6,172

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29. PROPERTIES UNDER DEVELOPMENT

		Group	
		2011	2010
	Notes	**RMB'000**	RMB'000
Land lease prepayments, at cost			
At beginning of year		**875,738**	—
Additions		**124,228**	685,523
Acquisition of a subsidiary		**—**	134,854
Transfer from land lease prepayments	20	**171,162**	60,389
Transfer to land lease prepayments	20	**(1,030)**	—
Transfer to completed properties held for sale		**(9,060)**	(5,028)
At 31 December		**1,161,038**	875,738
Development expenditure, at cost			
At beginning of year		**301,824**	—
Additions		**479,565**	167,021
Acquisition of a subsidiary		**—**	172,979
Transfer to investment properties	19	**(66,718)**	—
Transfer to completed properties held for sale		**(84,511)**	(38,176)
At 31 December		**630,160**	301,824
		1,791,198	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 RMB645,938,000 as at 31 December 2011 (31 December 2010: RMB540,342,000).

30. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	RMB'000	RMB'000
Listed equity investments	**8,674**	11,271

Notes to Financial Statements

31 December 2011

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 sales of properties and other businesses are generally three months to one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within 60 days	**43,303**	10,206
61 to 90 days	**135**	129
91 to 180 days	**2,464**	12
181 to 270 days	**2,109**	731
271 to 360 days	**184**	4,716
Over 360 days	**5,171**	4,496
	53,366	20,290
Impairment of trade receivables	**(5,454)**	(4,496)
	47,912	15,794

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

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

	Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**4,496**	7,511
Impairment losses recognised/(reversed) during the year (note 10)	**1,309**	(1,042)
Amount written off during the year	**(351)**	(1,973)
At 31 December	**5,454**	4,496

Included in the above provision for impairment of trade receivables as at 31 December 2011 is a provision for individually impaired trade receivables of approximately RMB5,454,000 (31 December 2010: RMB4,496,000) with a gross carrying amount before provision of approximately RMB5,454,000(31 December 2010: RMB4,496,000). The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

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

32. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**1,102,725**	1,115,458	**—**	—
Current assets				
Prepayments	**353,039**	187,908	**54**	16
Other receivables	**251,320**	231,271	**—**	—
	604,359	419,179	**54**	16
Impairment of other receivables	**(16,414)**	(16,401)	**—**	—
	587,945	402,778	**54**	16

Included in the Group's prepayments and other receivables under current assets as at 31 December 2011 were prepayments for operating lease rental expenses of RMB129,225,000 covering the period from January to December 2012 (31 December 2010: Nil) and rental deposits of RMB16,027,000 (31 December 2010: 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	
	2011	2010
	RMB'000	RMB'000
At 1 January	**16,401**	17,452
Acquisition of a subsidiary	**—**	6,641
Impairment losses recognised during the year (note 10)	**123**	42
Amount written off during the year	**(110)**	(7,734)
At 31 December	**16,414**	16,401

Included in the above provision for impairment of other receivables as at 31 December 2011 is a provision for individually impaired other receivables of approximately RMB16,414,000 (31 December 2010: RMB16,401,000) with a gross carrying amount of approximately RMB16,414,000 (31 December 2010: RMB16,401,000). 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.

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33. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2011	2010	**2011**	2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**1,297,964**	1,024,073	**3,663**	4,804
Time deposits		**129,403**	1,350	**—**	—
		1,427,367	1,025,423	**3,663**	4,804
Less: Pledged time deposits for bills payable	34	**(1,530)**	(1,350)	**—**	—
Cash and cash equivalents		**1,425,837**	1,024,073	**3,663**	4,804

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,411,509**	971,892	**—**	—
Hong Kong dollar	**14,360**	53,137	**3,467**	4,804
United States dollar	**360**	394	**196**	—
Euro	**1,127**	—	**—**	—
Great Britain pound	**11**	—	**—**	—
	1,427,367	1,025,423	**3,663**	4,804

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.

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to RMB1,411,509,000 (2010: RMB971,892,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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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	
	2011	2010
	RMB'000	RMB'000
Within 90 days	**1,622,517**	1,392,576
91 to 180 days	**133,373**	176,837
181 to 360 days	**156,271**	48,377
Over 360 days	**41,666**	70,583
	1,953,827	1,688,373

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

The Group's bills payable amounting to RMB5,100,000 as at 31 December 2011 (31 December 2010: RMB4,500,000) were secured by the Group's time deposits amounting to RMB1,530,000 (31 December 2010: RMB1,350,000).

35. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income	**1,002,929**	720,496	**—**	—
Deposits received	**176,825**	134,330	**—**	—
Accrued operating lease rental expenses	**82,030**	56,728	**—**	—
Accrued utilities	**16,643**	12,789	**—**	
Accrued liabilities	**23,625**	18,182	**169**	204
Accrued staff costs	**61,318**	40,383	**76**	231
Provision for coupon liabilities	**16,207**	20,244	**—**	—
Value-added tax and other tax payables	**(168,599)**	(129,494)	**—**	—
Other payables	**761,451**	737,711		—
	1,972,429	1,611,369	**245**	435

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

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36. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group	2011			2010		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured	6.48-9.47	2012	975,000	5.00-9.47	2011	189,000
Current portion of long term interest-bearing bank loans – secured	6.11-7.65, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate	2012	510,943	5.13-6.40, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate	2011	662,024
			1,485,973			851,024
Non-current						
Long term interest-bearing bank loans – secured	6.11-7.65, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate	2013-2019	1,642,698	5.13-6.40, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate	2012-2019	1,564,776
Convertible bonds	6.51	2013-2015	844,363	6.51	2013-2015	860,441
			2,487,062			2,425,217
			3,973,033			3,276,241

Company	2011			2010		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Non-current						
Convertible bonds (note 37)	6.51	2013-2015	844,363	6.51	2013-2015	860,441

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**1,485,973**	851,024	**–**	–
In the second year	**316,714**	372,023	**–**	–
In the third to fifth years, inclusive	**769,123**	614,197	**–**	–
Beyond five years	**556,861**	578,556	**–**	–
	3,128,671	2,415,800	**–**	–
Analysed into:				
Convertible bonds:				
Within one year	**–**	–	**–**	–
In the second year	**–**	–	**–**	–
In the third to fifth years, inclusive	**844,363**	860,441	**844,363**	860,441
Beyond five years	**–**	–	**–**	–
	844,363	860,441	**844,363**	860,441

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB505,039,000 (31 December 2010: RMB534,710,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB128,924,000 (31 December 2010: RMB143,310,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB1,209,554,000 (31 December 2010: RMB1,323,030,000);

(d) certain completed properties held for sale of the Group with a net carrying amount of approximately RMB497,964,000 (31 December 2010: RMB182,460,000); and

(e) certain properties under development of the Group with a net carrying amount of approximately RMB206,723,000 (31 December 2010: RMB14,410,000).

In addition, Shenzhen Maoye (Group) Co., Ltd. ("Shenzhen Maoye Group") (深圳茂業(集團)股份有限公司), Mr. Huang Mao Ru and Mrs. Huang Jingzhang (Spouse of Mr. Huang Mao Ru) have guaranteed certain of the Group's bank loans up to RMB1,062,560,000(2010: RMB1,720,176,000) as at the end of the reporting period.

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

The Group had the following undrawn banking facilities:

	Group	
	2011	2010
	RMB'000	RMB'000
Floating rate	**530,570**	606,880

37. CONVERTIBLE BONDS

On 13 October 2010, the Company issued convertible bonds with a principal amount of HK$1,165,000,000. There was no movement in the number of these convertible bonds during the year.

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.

37. CONVERTIBLE BONDS (continued)

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 have been split into the liability and equity components on the date of issuance and the movements of their carrying amounts during the year are as follows:

	Group and Company		
	Liability component RMB'000	Equity component RMB'000	Total RMB'000
Carrying amount at 31 December 2010	860,441	119,125	979,566
Imputed Interest expense (note 12)	53,785	—	53,785
Interest paid	(29,386)	—	(29,386)
Exchange realignment	(40,477)	—	(40,477)
Carrying amount at 31 December 2011	844,363	119,125	963,488

38. ISSUED CAPITAL

	2011 HK$'000	2010 HK$'000
Authorised:		
9,000,000,000 (31 December 2010: 9,000,000,000) ordinary shares of HK$0.10 each	**900,000**	900,000
Issued and fully paid		
5,388,014,000 (31 December 2010: 5,139,856,000) ordinary shares of HK$0.10 each	**538,801**	513,986
Equivalent to RMB'000	**481,988**	461,587

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38. ISSUED CAPITAL (continued)

During the year, the movements in share capital were as follows:

(a) The subscription rights attaching to 42,483,000 share options were exercised at the weighted average subscription price of HK$2.841 per share, resulting in the issue of 42,483,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$120,680,470. An amount of HK$23,302,785 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) On 30 May 2011, 273,000,000 shares were issued through a placing and subscription arrangement at HK$3.81 per share, resulting in the issue of 273,000,000 shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$1,041,307,000.

(c) All ordinary shares repurchased during the year were cancelled during the year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium paid on the repurchases of the ordinary shares, of HK$102,926,890 (equivalent to RMB83,334,175), were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

Details of the repurchases during the year are summarised as follows:

Date of repurchases	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Purchase price paid per share Lowest HK$	Aggregate consideration paid HK$'000	Aggregate consideration paid RMB'000
15 December 2011	26,647,000	1.62	1.52	43,010	35,040
16 December 2011	18,666,000	1.61	1.58	29,881	24,330
19 December 2011	1,969,000	1.63	1.59	3,172	2,580
20 December 2011	4,482,000	1.65	1.62	7,345	5,979
22 December 2011	15,561,000	1.70	1.65	26,251	21,340
	67,325,000			109,659	89,269

Notes to Financial Statements

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38. ISSUED CAPITAL (continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2010, 31 December 2010 and 1 January 2011	5,139,856,000	461,587	1,875,369	2,336,956
Share options exercised (a)	42,483,000	3,577	118,064	121,641
Issue of shares through a placing and subscription arrangement (b)	273,000,000	22,759	845,358	868,117
Repurchase and cancellation of shares (c)	(67,325,000)	(5,935)	(83,334)	(89,269)
Share issue expenses	—	—	(18,348)	(18,348)
At 31 December 2011	**5,388,014,000**	**481,988**	**2,737,109**	**3,219,097**

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

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.

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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.

On 30 December 2010, a total of 6,270,000 share options were granted to 5 eligible participants of the Company at an exercise price of HK$3.43 per share pursuant to the Scheme.

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

	2011		2010	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**2.839**	**131,810,000**	—	—
Granted during the year	**—**	**—**	2.839	132,578,000
Forfeited	**2.810**	**(49,980,800)**	2.810	(768,000)
Exercised during the year	**2.841**	**(42,483,000)**	—	—
Expired during the year	**2.810**	**(1,047,200)**	—	—
At 31 December	**2.844**	**38,299,000**	2.839	131,810,000

The weighted average closing share price at the date of exercise for share options exercised during the year was HK$3.65 per share (Year ended 31 December 2010: No share options were exercised).

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39. SHARE OPTION SCHEME (continued)

The exercise prices and exercise period 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
36,168,000	2.810	1st trading date to 30th trading date after the publication date of the 2012 annual report
2,131,000	3.430	1st trading date to 30th trading date after the publication date of the 2012 annual report
38,299,000		

* The exercise numbers of the share options for the exercise period are dependent on the operating results of the Group. The performance target is that both the Company's total sales proceeds and profit** for the year ended 31 December 2012 are at least 35% higher than the previous financial year.

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

The Group recognised a share option expense of RMB6,069,000 during the year (Year ended 31 December 2010: RMB39,469,000).

The 42,483,000 share options exercised during the year resulted in the issue of 42,483,000 ordinary shares of the Company and new share capital of HK$4,248,300 and share premium of HK$139,734,955 (equivalent to RMB118,064,000) (before issue expenses), as further detailed in note 38 to the financial statements.

At 31 December 2011, the Company had 38,299,000 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 38,299,000 additional ordinary shares of the Company and additional share capital of HK$3,829,900 and share premium of HK$105,111,510 (before issue expenses).

At the date of approval of these financial statements, the Company had 38,299,000 share options outstanding under the Scheme, which represented approximately 0.7% of the Company's shares in issue as at that date.

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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.

(i) Contributed surplus

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.

(ii) Statutory surplus reserve

Pursuant to the relevant PRC laws and regulations, Sino-foreign joint venture companies registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profit after income tax, as determined in accordance with PRC accounting rules and regulations, to the reserve fund, the enterprise expansion fund and the employee bonus and welfare fund. These funds are restricted as to use.

Pursuant to the relevant PRC laws and regulations, wholly-owned foreign enterprises ("WOFEs") registered in the PRC are required to transfer not less than 10% of their profit after tax, as determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP"), to the reserve fund, until the balance of the fund reaches 50% of the registered capital of that company. WOFEs registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profit after income tax to the employee bonus and welfare fund. These funds are restricted as to use.

In accordance with the relevant PRC laws and regulations, PRC domestic companies are required to transfer 10% of their profit after income tax, as determined in accordance with PRC GAAP, to the statutory common reserve, until the balance of the fund reaches 50% of the registered capital of that company. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory common reserve may be used to offset against the accumulated losses, if any.

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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	Capital redemption 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 2010		1,875,369	–	–	–	152,671	(53,813)	(431,270)	67,800	1,610,757
Total comprehensive loss for 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		–	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
Total comprehensive loss for the year		–	–	–	–	–	(109,973)	(73,820)	–	(183,793)
Equity-settled share option arrangement	39	–	–	6,069	–	–	–	–	–	6,069
Issue of shares	38	963,422	–	(20,040)	–	–	–	–	–	943,382
Repurchase and cancellation of shares	38	(83,334)	–	–	5,935	–	–	(5,935)	–	(83,334)
Share issue expenses	38	(18,348)	–	–	–	–	–	–	–	(18,348)
Proposed final dividend		(21,181)	–	–	–	–	–	(234,944)	256,125	–
As at 31 December 2011		**2,715,928**	**119,125**	**25,498**	**5,935**	**152,671**	**(224,850)**	**(881,737)**	**256,125**	**2,168,695**

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41. BUSINESS COMBINATION

(i) Acquisition of a 70% equity interest in Yangzi River Department Store

On 1 January 2011, the Group completed the acquisition of a 70% equity interest in Yangzi River Department Store. Yangzi River Department Store is engaged in the operation of a department store in Yangzhou City, Jiangsu Province, the PRC. The acquisition was made as part of the Group's strategy to expand its store network in eastern China. The purchase consideration for the acquisition was in the form of cash amounting to RMB174,463,940 which was paid before the acquisition date.

The Group has elected to measure the non-controlling interest in Yangzi River Department Store at the non-controlling interest's proportionate share of Yangzi River Department Store's identifiable net assets.

The fair values of the identifiable assets and liabilities of Yangzi River Department Store 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	**101,678**	16,753
Land lease prepayments	20	**143,790**	22,248
Inventories		**691**	691
Prepayments and other receivables		**2,089**	2,089
Deferred tax assets		**993**	993
Cash and cash equivalents		**28,494**	28,494
Trade payables		**(6,927)**	(6,927)
Tax payable		**(522)**	(522)
Deposits received, accruals and other payables		**(3,975)**	(3,975)
Deferred tax liabilities		**(51,617)**	—
		214,694	59,844
Non-controlling interests on acquisition		**(64,409)**	
Total identifiable net assets at fair value		**150,285**	
Goodwill on acquisition	21	**24,179**	
Satisfied by:			
Cash		**174,464**	

Notes to Financial Statements

31 December 2011

41. BUSINESS COMBINATION (continued)

(i) Acquisition of a 70% equity interest in Yangzi River Department Store (continued)

The fair values of the prepayments and other receivables / the gross contractual amounts of prepayments and other receivables as at the date of acquisition amounted to RMB2,089,000.

The Group incurred transaction costs of RMB299,968 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	(174,464)
Cash and bank balances acquired	28,494
Net outflow of cash and cash equivalents included in cash flows from investing activities	(145,970)
Transaction costs of the acquisition included in cash flows from operating activities	(300)
	(146,270)

Since the acquisition, Yangzi River Department Store has contributed RMB9,870,000 to the Group's revenue and loss of RMB12,963,000 to the consolidated profit for the year ended 31 December 2011.

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41. BUSINESS COMBINATION (continued)

(ii) Acquisition of an 80% equity interest in Dongtai Shangsha

On 27 January 2011, the Group completed the acquisition of an 80% equity interest in Dongtai Shangsha. Dongtai Shangsha is engaged in the operation of department stores and supermarket chain stores in Zibo City, Shandong Province, the PRC. The purchase consideration for the acquisition was in the form of cash with an aggregate amount of RMB324,446,000 paid on and before the acquisition date and the remaining RMB76,358,000 to be paid subsequently.

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

The fair values of the identifiable assets and liabilities of Dongtai Shangsha 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	422,031	155,638
Land lease prepayments	20	217,900	30,811
Other intangible assets	22	570	570
Inventories		106,750	106,750
Trade receivables		4,972	4,972
Prepayments and other receivables		82,840	82,840
Due from a related party		82,643	82,643
Cash and cash equivalents		128,580	128,580
Trade payables		(167,320)	(167,320)
Tax payable		(2,244)	(2,244)
Deposits received, accruals and other payables		(163,267)	(163,267)
Interest-bearing bank loans and other borrowings		(190,400)	(190,400)
Deferred tax liabilities		(113,370)	—
		409,685	69,573
Non-controlling interests on acquisition		(81,936)	
Total identifiable net assets at fair value		327,749	
Goodwill on acquisition	21	73,055	
Satisfied by:			
Cash		400,804	

41. BUSINESS COMBINATION (continued)

(ii) Acquisition of an 80% equity interest in Dongtai Shangsha (continued)

The fair values of the trade receivables and prepayments and other receivables / the gross contractual amounts of trade receivables and prepayments and other receivables as at the date of acquisition amounted to RMB4,972,000 and RMB82,840,000, respectively.

The Group incurred transaction costs of RMB554,888 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 paid	(324,446)
Cash and bank balances acquired	128,580
Net outflow of cash and cash equivalents included in cash flows from investing activities	(195,866)
Transaction costs of the acquisition included in cash flows from operating activities	(555)
	(196,421)

Since the acquisition, Dongtai Shangsha has contributed RMB416,841,000 to the Group's revenue and loss of RMB501,000 to the consolidated profit for the year ended 31 December 2011.

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 RMB3,442,486,000 and RMB737,301,000, respectively, based on the management accounts provided by Dongtai Shangsha.

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41. BUSINESS COMBINATION (continued)

(iii) Acquisition of a 90% equity interest in Heze Huihe

On 24 March 2011, the Group, through Chengshang which is 66.78% owned by the Group, completed the acquisition of a 90% equity interest in Heze Huihe. Heze Huihe is principally engaged in the operation of a department store and a supermarket in Heze City, Shandong Province, the PRC. The purchase consideration for the acquisition was in the form of cash with an aggregate amount of RMB100,000,000 paid at the acquisition date and the remaining RMB34,100,000 paid on 9 May 2011.

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

The fair values of the identifiable assets and liabilities of Heze Huihe 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	107,862	78,961
Land lease prepayments	20	43,100	31,285
Inventories		2,378	2,378
Prepayments and other receivables		3,276	3,276
Trade payables		(5,402)	(5,402)
Deposits received, accruals and other payables		(253)	(253)
Deferred tax liabilities		(10,179)	—
		140,782	110,245
Non-controlling interests on acquisition		(14,078)	
Total identifiable net assets at fair value		126,704	
Goodwill on acquisition	21	7,396	
Satisfied by:			
Cash		134,100	

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41. BUSINESS COMBINATION (continued)

(iii) Acquisition of a 90% equity interest in Heze Huihe (continued)

The fair values of the prepayments and other receivables / the gross contractual amounts of prepayments and other receivables as at the date of acquisition amounted to RMB3,276,000.

The Group incurred transaction costs of RMB257,401 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	(134,100)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	(134,100)
Transaction costs of the acquisition included in cash flows from operating activities	(257)
	(134,357)

Since the acquisition, Heze Huihe has contributed RMB35,107,000 to the Group's revenue and loss of RMB5,743,000 to the consolidated profit for the year ended 31 December 2011.

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 RMB3,362,000,000 and RMB735,282,000, respectively, based on the management accounts provided by Heze Huihe.

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42. 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	**2011** RMB'000	2010 RMB'000
Within one year	**132,837**	105,328
In the second to fifth years, inclusive	**213,348**	115,741
After five years	**160,707**	83,333
	506,892	304,402

(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 18 years.

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

Group	**2011** RMB'000	2010 RMB'000
Within one year	**207,777**	198,797
In the second to fifth years, inclusive	**642,649**	771,228
After five years	**441,348**	546,943
	1,291,774	1,516,968

Notes to Financial Statements

31 December 2011

43. COMMITMENTS

In addition to the operating lease commitments as set out in note 42(b) above, the Group had the following capital commitments:

Group	**2011** **RMB'000**	2010 RMB'000
Contracted, but not provided for, in respect of land and buildings	**816,604**	1,339,936

44. 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:

	2011 **RMB'000**	2010 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye Group (i) & (iv)	**22,058**	22,082
Zhong Zhao Investment (Group) Limited (中兆投資（集團）有限公司) (i) & (iv)	**8,569**	8,538
Shenzhen Orient Times (i) & (iv)	**56,189**	56,189
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. (深圳市茂業物業經營有限公司) (i) & (iv)	**6,408**	6,304
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (iv)	**19,239**	19,152
Shenzhen Friendship Trading Centre Co., Ltd. ("Shenzhen Friendship") (深圳友誼貿易中心有限公司) (iii) & (iv)& (v)	**27,260**	22,000
Changzhou Taifu Real Estate Development Co., Ltd. (常州泰富房地產開發有限公司) (i) & (iv)	**6,209**	7,172
Shenyang Maoye Property Development Co., Ltd. ("Maoye Property") (瀋陽茂業置業有限公司) (i) & (iv)	**24,009**	1,962
	170,365	143,823

Notes to Financial Statements

31 December 2011

44. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2011 RMB'000	2010 RMB'000
Management fee income from the operation of a department store:		
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (vi)	**3,957**	3,589
Share of loss of a department store operation by:		
Shenyang Maoye Property (i) & (vii)	**38,000**	—
(2) Non-recurring transactions		
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i) & (viii)	**850,000**	500,000
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (viii)	**1,800,000**	1,600,000
	2,650,000	2,100,000

(i) They are fellow subsidiaries of the Company.

(ii) Mr.Huang Mao Ru is a director 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 RMB2,349,000 for the year ended 31 December 2011. Accordingly, an amount of RMB2,349,000 was recoverable from Shenzhen Friendship in accordance with the terms of the lease.

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

(vii) According to the terms of the joint operation agreement entered into between Shenyang Maoye Department Store Limited ("Shenyang Maoye") (瀋陽茂業百貨有限公司), a subsidiary of the Group, and Maoye Property on 15 July 2011 in relation to a department store operated by Shenyang Maoye, if Shenyang Maoye suffers a loss during the period from 1 January 2011 to 31 December 2013 in the store operation, Maoye Property will pay to Shenyang Maoye an amount equivalent to 80% of the loss before tax of the store operation, limited to the maximum amount of RMB38,000,000 per year. If profit is generated in the store operation during the period, Maoye Property is entitled to receive an amount equivalent to 20% of such profit before tax, limited to the maximum amount of RMB10,000,000 per year.

(viii) 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.

Notes to Financial Statements

31 December 2011

44. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2011 RMB'000	2010 RMB'000
Due from related parties		
Due from associates	**907**	1,346
Due from fellow subsidiaries	**40,518**	1,887
Due from a company significantly influenced by a director of the Company	**2,347**	6,686
	43,772	9,919
Due to related parties		
Due to associates	**151**	—
Due to a non-controlling shareholder of a subsidiary	**19,228**	—
Due to fellow subsidiaries	**11,570**	4,249
Due from a company significantly influenced by a director of the Company	**537**	—
	31,486	4,249

Included in the balances due from related parties and due to related parties as at 31 December 2011 were amounts of approximately RMB42,865,000 (31 December 2010: RMB8,573,000) and RMB12,107,000 (31 December 2010: Nil) respectively which are 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.

Notes to Financial Statements

31 December 2011

44. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management

	2011 RMB'000	2010 RMB'000
Salaries and allowances	**4,283**	6,141
Equity-settled share option	**866**	2,869
Retirement benefits	**80**	189
	5,229	9,199

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

The related party transactions in respect of items 44a(1) and 44a(2) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(d) Commitments with related parties

The Group leases certain of its department stores and office premises from related parties under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 7 years.

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

Group	2011 RMB'000	2010 RMB'000
Within one year	**125,203**	130,388
In the second to fifth years, inclusive	**375,319**	395,651
After five years	**186,604**	299,022
	687,126	825,061

Notes to Financial Statements
31 December 2011

45. 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:

2011

	Group					
	Financial assets at fair value through profit or loss					
Financial assets	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	–	–	–	12,260	–	12,260
Available-for-sale investments	–	–	–	–	782,205	782,205
Other asset	–	–	–	2,458	–	2,458
Trade receivables	–	–	–	47,912	–	47,912
Financial assets included in prepayments, deposits and other receivables	–	–	–	234,909	–	234,909
Equity investments at fair value through profit or loss	–	8,674	–	–	–	8,674
Due from related parties	–	–	–	43,772	–	43,772
Pledged deposits	–	–	–	38,458	–	38,458
Cash and cash equivalents	–	–	–	1,388,909	–	1,388,909
	–	8,674	–	1,768,678	782,205	2,559,557

Financial liabilities	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,953,827
Financial liabilities included in other payables and accruals	1,039,862
Due to related parties	31,486
Convertible bonds	844,363
Interest-bearing bank and other borrowings	2,083,379
	5,952,917

Notes to Financial Statements

31 December 2011

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2010

Financial assets	Group: 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

Notes to Financial Statements

31 December 2011

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets	**Company**	
	2011	2010
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Investments in subsidiaries	**143,788**	143,788
Prepayments and other receivables	**54**	16
Due from related parties	**3,362,117**	2,696,139
Cash and cash equivalents	**3,663**	4,804
	3,509,622	2,844,747

Financial liabilities	**2011**	2010
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Other payables and accruals	**245**	435
Due to subsidiaries	**12,852**	17,565
Convertible bonds	**844,363**	860,441
	857,460	878,441

Notes to Financial Statements

31 December 2011

46. 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**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments				
– listed equity investments	**526,563**	512,203	**526,563**	512,203
Trade receivables	**47,912**	15,794	**47,912**	15,794
Financial assets included in prepayments,				
deposits and other receivables	**234,909**	231,271	**234,909**	214,870
Equity investments at fair value				
through profit or loss	**8,674**	11,271	**8,674**	11,271
Due from related parties	**43,772**	9,919	**43,772**	10,351
Pledged deposits	**38,458**	1,350	**38,458**	1,350
Cash and cash equivalents	**1,388,909**	1,024,073	**1,388,909**	1,024,073
	2,289,197	1,805,881	**2,289,197**	1,789,912
Financial liabilities				
Trade and bills payables	**1,953,827**	1,688,373	**1,953,827**	1,688,373
Financial liabilities included in other				
payables and accruals	**1,039,862**	943,395	**1,039,862**	943,395
Due to related parties	**31,486**	4,249	**31,486**	4,249
Convertible bonds	**844,363**	860,441	**845,681**	860,441
Interest-bearing bank				
and other borrowings	**2,083,379**	2,415,800	**2,083,379**	2,415,800
	5,952,917	5,912,258	**5,954,235**	5,912,258

Notes to Financial Statements

31 December 2011

46. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	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	**54**	16	**54**	16
Due from related parties	**3,362,117**	2,696,139	**3,362,117**	2,696,139
Cash and cash equivalents	**3,663**	4,804	**3,663**	4,804
	3,509,622	2,844,747	**3,509,622**	2,844,747
Other payables and accruals	**245**	435	**245**	435
Due to subsidiaries	**12,852**	17,565	**12,852**	17,565
Convertible bonds	**844,363**	860,441	**845,681**	860,441
	857,460	878,441	**858,778**	878,441

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:

The fair values of 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.

Notes to Financial Statements

31 December 2011

46. 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 2011

	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	**8,674**	**—**	**—**	**8,674**
Available-for-sale equity investments:				
Equity shares	**526,563**	**—**	**—**	**526,563**
	535,237	**—**	**—**	**535,237**

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

During the year ended 31 December 2011, 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.

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47. 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 2011			
RMB	**100**	**(54,360)**	**—**
RMB	**(100)**	**54,360**	**—**
31 December 2010			
RMB	100	(43,601)	—
RMB	(100)	43,601	—

* Excluding retained earnings

Notes to Financial Statements

31 December 2011

47. 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 before tax 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 credit worthy 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.

Notes to Financial Statements

31 December 2011

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 2011			
		Less than		
Group	**On demand**	**1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and bills payables	**—**	**1,953,827**	**—**	**1,953,827**
Deposits received, accruals				
and other payables	**—**	**1,039,862**	**—**	**1,039,862**
Due to related parties	**31,486**	**—**	**—**	**31,486**
Convertible bonds	**—**	**29,739**	**1,080,515**	**1,110,254**
Interest-bearing bank and other borrowings	**—**	**1,654,193**	**2,005,023**	**3,659,216**
	31,486	**4,677,621**	**3,085,538**	**7,794,645**

	31 December 2010			
		Less than		
Group	On demand	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

Notes to Financial Statements

31 December 2011

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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:

	31 December 2011			
Company	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Convertible bonds	**—**	**—**	**841,877**	**841,877**
Other payables and accruals	**245**	**—**	**—**	**245**
Due to subsidiaries	**12,852**	**—**	**—**	**12,852**
	13,097	**—**	**841,877**	**854,974**

	31 December 2010			
Company	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	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

Notes to Financial Statements

31 December 2011

47. 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 2011 and 2010.

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 including 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 2011 and 2010 were as follows:

Group	**2011** **RMB'000**	2010 RMB'000
Interest-bearing bank loans	**3,128,670**	2,415,800
Less: Cash and cash equivalents and pledged deposits	**(1,427,367)**	(1,025,423)
	1,701,303	1,390,377
Net debt	**1,701,303**	1,390,377
Convertible bonds, the liability component	**1,080,511**	860,441
Equity attributable to owners of the parent	**5,452,796**	3,899,584
Adjusted capital	**6,533,307**	4,760,025
Capital and net debt	**8,234,610**	6,150,402
Gearing ratio	**21%**	23%

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.

Notes to Financial Statements

31 December 2011

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

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 2011	Year ended 31 December 2011 High/low	31 December 2010	Year ended 31 December 2010 High/low
Shenzhen – A Share Index	907	1,378/867	1,351	1,454/985
Shanghai – A Share Index	2,304	3,212/2,236	2,940	3,468/2,432

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 2011 and 2010.

Group		Increase/ decrease in profit before tax RMB'000	Increase/ decrease in equity* RMB'000
31 December 2011			
Equity investments listed in:			
Shenzhen	– available-for-sale	**—**	**11,270**
	– at fair value through profit or loss	**0**	**—**
Shanghai	– available-for-sale	**—**	**15,058**
	– at fair value through profit or loss	**389**	**—**
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	—

* Excluding retained earnings

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31 December 2011

48. EVENTS AFTER THE REPORTING PERIOD

(i) On 13 December 2011, Shenzhen Maoye Shangsha entered into an agreement with Baotou Dongzheng Real Estate Development Company Limited ("Baotou Dongzheng") （包頭市東正房地產開發有限公司）and other independent third parties to acquire a 70% equity interest in Baotou Dongzheng Hongyi Real Estate Development Co., Ltd. ("Dongzheng Hongyi") （包頭市東正弘毅房地產開發有限公司）at a cash consideration of RMB293,300,000. In addition, Shenzhen Maoye Shangsha will assume a liability of RMB56,700,000 in connection with a parcel of land which Dongzheng Hongyi owned the right to use according to the terms of the agreement. The Group plans to build and operate a shopping centre on the parcel of land as abovementioned. Up to the date of approval of these financial statements, Shenzhen Maoye Shangsha has paid an amount of RMB150,000,000 out of the consideration of 293,300,000 and the transaction has not been completed yet.

(ii) On 15 February 2012, Shenzhen Maoye Shangsha issued a short-term financing note with an amount of RMB800 million in the National Inter-bank Market in the PRC. The financing note carries a fixed interest rate of 6.14% and matures on 16 February 2013.

(iii) On 16 February 2012, Shenzhen Maoye Shangsha successfully bid for a parcel of land located in Nanjing, Jiangsu Province at a total consideration of RMB650,000,000 in a public asset sale auction from Nanjing Municipal Bureau of Land and Resources. The Group plans to operate department stores on the parcel of land. Up to the date of approval of these financial statements, Shenzhen Maoye Shangsha has paid an amount of RMB325,000,000 out of the consideration of 650,000,000 and the transaction has not been completed yet.

49. COMPARATIVE AMOUNTS

The comparative operating segment information has been restated as the Group changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 February 2012.

Corporate Information

BOARD OF 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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PLACE OF BUSINESS IN HONG KONG

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No.1 Harbour Road, Wanchai, Hong Kong

COMPANY SECRETARY

Ms. Soon Yuk Tai *(FCS, FCIS)*

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

NOMINATION COMMITTEE

Mr. Huang Mao Ru *(Chairman)*
Mr. Chow Chan Lum
Mr. Pao Ping Wing

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 *(FCS, FCIS)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Offshore Incorporations (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.maoye.cn

STOCK CODE

848

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