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

2012
ANNUAL REPORT

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 and property development 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, 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 39 stores in 19 cities across the nation with a total gross floor area of approximately 1.2 million square metres, of which self-owned properties accounted for 64% 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, Luzhou and Mianyang and in Sichuan Province; Chongqing; Wuxi, Taizhou, Yangzhou, Changzhou and Liyang in Jiangsu Province; Zibo, Heze and Linyi 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	7	11	12	9	39
Gross Floor Area (sq.m)	235,523	261,906	394,162	305,762	1,197,353

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

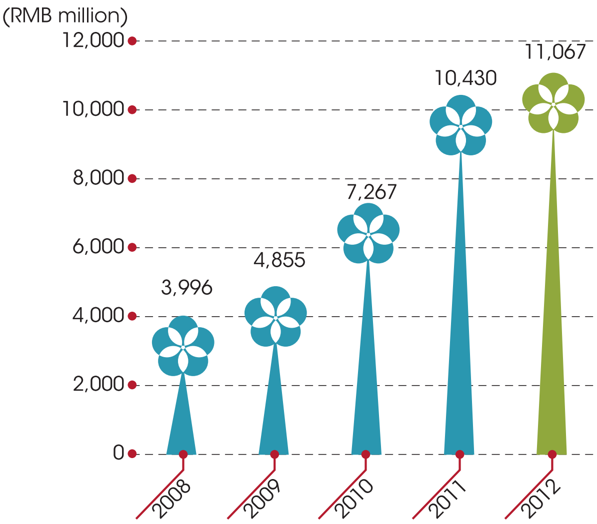
Financial Highlights

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

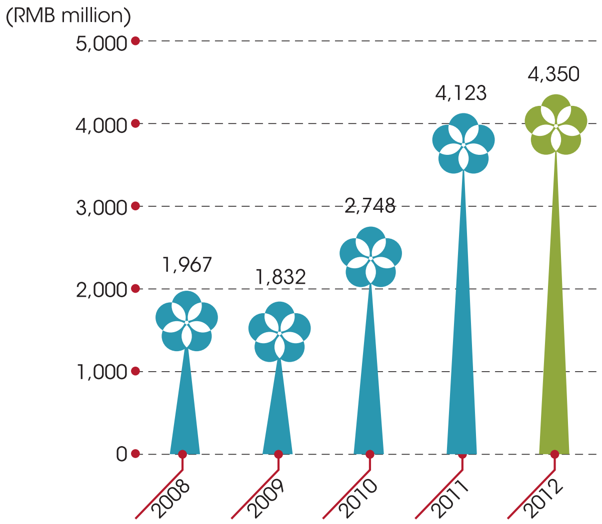
OPERATING RESULTS

	For the years ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total sales proceeds[1]	**11,067,240**	10,429,863	7,266,687	4,854,737	3,995,748
Total operating revenue[2]	**4,349,858**	4,123,332	2,748,350	1,832,071	1,967,435
Operating profit	**1,369,805**	1,206,063	917,441	702,749	740,478
Profit for the year	**898,554**	734,889	624,086	504,170	543,318
Profit attributable to:					
– Owners of the parent	**801,820**	640,312	576,597	470,107	520,969
– Non-controlling interests	**96,734**	94,577	47,489	34,063	22,349
Basic earnings per share (RMB)[3]	**0.149**	0.12	0.11	0.09	0.11
Total dividend per share					
for the year (HK cents)	**5.5**	5.9	1.8	3.1	5.5
– interim	**3.2**	—	1.8	1.6	3.3
– final	**2.3**	5.9	—	1.5	2.2

Total sales proceeds



Total operating revenue



Financial Highlights

HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**18,296,015**	15,384,553	12,048,938	7,247,614	5,500,861
Total liabilities	**11,251,136**	8,639,435	7,108,387	3,492,027	2,359,756
Total equity	**7,044,879**	6,745,118	4,940,551	3,755,587	3,141,105
– Attributable to owners of the parent	**5,670,659**	5,452,796	3,899,584	3,417,326	2,843,246
– Minority interests	**1,374,220**	1,292,322	1,040,967	338,261	297,859

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 2012 is based on the net profit attributable to owners of the parent of approximately RMB801,820,000 and the 5,370,609,411 ordinary shares in issue.

   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 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.

Retail Network

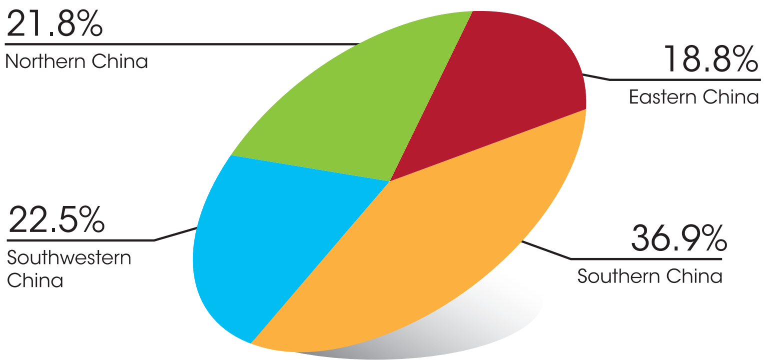
	Store (City)	Operation Period[1]	Gross floor area (sq. m.)	Property ownership
1	Shenzhen Dongmen	15.9	47,436	Owned
2	Shenzhen Outlet[4]	13.3	23,078	Leased[2]
3	Zhuhai Xiangzhou	11.3	23,715	Leased[2]
4	Shenzhen Huaqiangbei	9.4	59,787	Leased[2]
5	Chongqing Jiangbei	8.4	53,542	Leased[2]
6	Shenzhen Shennan	6.6	10,507	Leased[2]
7	Chengdu Yanshikou	7.6	53,873	Owned
8	Chengdu Beizhan	7.6	7,204	Owned
9	Chengdu Wuhou	7.6	16,000	Leased[3]
10	Nanchong Wuxing	7.6	25,994	Owned
11	Chengdu Wenjiang	7.6	8,422	Leased[3]
12	Luzhou Baita	7.6	15,115	Leased[3]
13	Mianyang Linyuan	5.0	21,731	Owned
14	Nanchong Mofanjie	4.4	24,035	Owned
15	Mianyang Xingda	4.4	27,617	Owned
16	Qinhuangdao Jindu	4.4	46,610	Owned
17	Taiyuan Liuxiang	4.1	30,616	Owned
18	Shenzhen Nanshan	3.4	45,000	Owned
19	Chengdu Longquanyi	3.3	8,373	Leased[3]
20	Taizhou First Department Store	3.3	40,358	Owned
21	Changzhou Wujin	3.0	22,500	Leased[2]
22	Shenzhen Friendship	2.7	26,000	Leased[2]
23	Qinhuangdao Hualian	2.6	10,355	Owned
24	Qinhuangdao Shangcheng	2.6	26,696	Owned
25	Qinhuangdao Jinyuan	2.6	10,800	Owned
26	Qinhuangdao Xiandai	2.6	36,897	Leased[3]
27	Zibo Jindi Shopping Plaza	2.3	51,266	Owned
28	Zibo Maoye Shopping Plaza[5]	2.2	36,791	Owned
29	Zibo Maoye Building[6]	2.2	21,229	Owned
30	Zibo Taikerong	2.2	25,337	Owned
31	Zibo Maoye Department Store[7]	2.2	6,800	Leased[3]
32	Shenyang Jinlang	2.1	70,000	Leased[2]
33	Baoding Guomao	2.1	21,831	Owned
34	Jiangsu Yangzhou	2.0	21,485	Owned
35	Heze Huihe	1.8	29,246	Owned
36	Linyi Renmin Plaza	1.3	44,500	Owned
37	Shenyang Tiexi	0.5	49,600	Owned
38	Jiangsu Liyang	0.4	24,300	Leased[3]
39	Wuxi Qingyang	5.3	70,350	Managed store

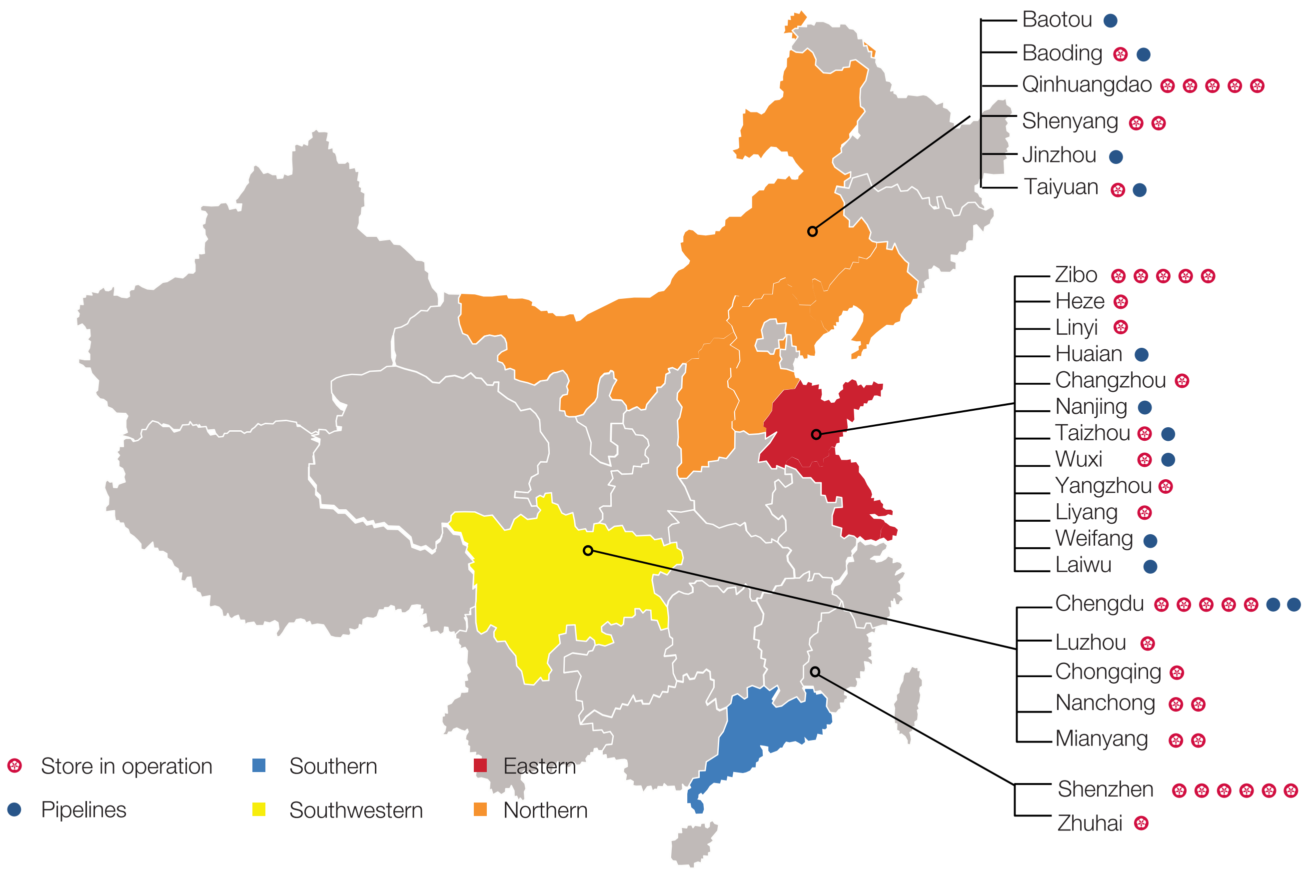
Notes:

1. Operation period was calculated till 31 December 2012.
2. Leased from the connected parties.
3. Leased from independent third parties.
4. Shenzhen Heping Store has been renamed Shenzhen Outlet Store.
5. Zibo Dongtai Shopping Plaza has been renamed Zibo Maoye Shopping Plaza.
6. Zibo Dongtai Building has been renamed Zibo Maoye Building.
7. Zibo Dongtai Store has been renamed Zibo Maoye Department Store.

Retail Network

TOTAL SALES PROCEEDS IN 2012 BY REGIONS (EXCLUDING MANAGED STORES)





Chairman's Statement

INDUSTRY OVERVIEW

In 2012, China's economy encountered severe challenges under the complicated global economic environment. Growth of domestic GDP slowed down to 7.8%, the lowest in the past 13 years. Furthermore, the rapid development of e-commerce inevitably created an impact on the traditional retail industry. Due to the impacts of both the slowing economy and growing e-commerce, China's traditional retail industry displayed an adjustment trend throughout the year.

OPERATION REVIEW

To adapt to market changes, in 2012, the Group continued to strengthen management of operation infrastructure and optimize construction of regional store network nationwide by acquiring three projects in Nanjing, Laiwu, and Weifang and opening a new store each in Jiangsu and Liaoning; strengthened business planning through clear positioning of business models and functional division of the department stores and commencing invitation of investment in high-end projects; and at the same time integrating the Qinhuangdao market.

In 2012, according to changes in the competition landscape of the market and strategic development requirements, the Group actively promoted management restructuring and reforms, and established three major systems, namely general business, general logistics and general financial systems, to form a highly efficient collaboration system. At the same time, the Group further improved operational management by intensifying optimization of asset structure, emphasizing on operation of main businesses and increasing the disposal of non-core assets. At the same time, the Group expanded its funding channels, optimized its debt structure, reduced its financing costs, issued a total of RMB1.6 billion short-term bonds, and obtained a quota for issuance of RMB2.2 billion medium-term bonds.

OUTLOOK

In 2013, we expect that the overall environment of the retail industry will improve. Firstly, it is anticipated that there will be slight recovery in global economy, while both domestic resident's disposable incomes and the Consumer Confidence Index will continue to pick up. In addition, the new urbanization strategy and promotion of domestic demand policy put forth by the new administration will provide a favorable environment for the retail industry in thefuture.

In 2013, the Group will maintain steady development by opening at least two stores, and will continue to seek opportunities for low-cost expansion.

To seize the development opportunities in China's market in the future, the Group will further consolidate system resources, establish a portfolio of business projects represented by Maoye Shopping Centres, Maoye Department Stores and Maoye Outlets etc., and will accelerate the development of existing projects through planning and management. In 2013, the Company will continue to strengthen informatization construction to ensure the progress of our various businesses.

In 2013, the Group will further promote win-win commercial development under broad version and structure.

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

25 February 2013

Management Discussion and Analysis

OPERATION REVIEW

Due to factors such as the fiscal cliff problem in the United States, the debt crisis in Europe and the slowdown of the economy in China, domestic traditional retail industry recorded slow growth in 2012. Despite the complicated business environment, the Group was able to achieve slight growth in sales and a higher growth in operating profit through a series of effective measures and the joint efforts of all staff and business partners of the Group. For the year ended 31 December 2012, the Group's major operation indicators were as follows:

- Total sales proceeds were RMB11,067.2 million, representing an increase of 6.1% compared with the same period last year.
- Total operating revenue was RMB4,349.9 million, representing an increase of 5.5% compared with the same period last year.
- Same-store sales growth of concessionaire sales increased steadily by 3.9% for the year of 2012.

Profit attributable to owners of the parent was RMB801.8 million, representing an increase of 25.2% compared with the same period last year; or an increase of 8.8% compared with the same period last year without taking into account the non-operating item.

Steady development and effective advancement of strategic goals

- In 2012, the Group on the one hand committed itself to improving the operating efficiency of its existing stores and speeding up the cultivation of new stores, and on the other hand continued with steady development by opening two new stores successively and acquiring three parcels of premium land for the expansion of its store network.
- In July 2012, the Group's second store in Shenyang, the Tiexi Store, officially opened. Shenyang Tiexi store was constructed on the land acquired by the Group and has a total gross floor area of approximately 49,600 square metres. It is located in the most prosperous area in the Shenyang Tiexi business district with promising development potential, and surrounded by huge potential customer groups and a thriving business atmosphere.
- In August 2012, the Group's fifth store in Jiangsu Province, the Jiangsu Liyang store, commenced operation. The store is located in the core business district of Liyang City, Jiangsu Province and has a total gross floor area of approximately 24,300 square metres.
- On 16 February 2012, the Group, through its wholly-owned subsidiary, Shenzhen Maoye Shangsha Company Limited ("**Maoye Shangsha**"), successfully bid for a parcel of land with a total site area of approximately 13,453 square metres in a public auction at a total consideration of RMB650.0 million. On 27 February 2012, Maoye Shangsha entered into a Land Use Rights Transfer Agreement to purchase the land. The land is located in a prime location within the business district of Fuzi Temple in Nanjing City, Jiangsu Province. The Company plans to build and operate a department store on the land. The acquisition of the Nanjing Project will further enhance the Group's market position and influence in the Jiangsu Region.
- On 19 October 2012, the Group, through its wholly-owned subsidiary, Maoye Shangsha, successfully bid for a parcel of land with a total site area of approximately 37,907 square metres at Fortune Plaza, Laiwu City, Shandong Province in a public auction at a total consideration of RMB115.0 million. The land is located in the core business district of Laiwu City, Shandong Province, with developed infrastructure, convenient transportation and good business atmosphere.

Management Discussion and Analysis

- On 11 December 2012, the Group, through its wholly-owned subsidiary, Maoye Shangsha, entered into an Equity Transfer Agreement to acquire the target company which owns a parcel of land with a total site area of 51,913 square metres located in the core business district of Weifang City, Shandong Province at a consideration of approximately RMB309.5 million. The Group plans to build an urban complex with a shopping mall as its core on the target land. The two projects in Laiwu and Weifang have linked up with the cities of Linyi and Zibo which the Group had previously established presence to strengthen the construction of the Group's network in the Shandong Province.
- As at 31 December 2012, the Group acquired in aggregate 14,358,702 shares in Dashang Co.,Ltd. ("**Dashang**") (being a company listed on the Shanghai Stock Exchange, stock code: 600694), representing approximately 4.89% of the issued share capital of Dashang as of 31 December 2012, through on-market purchases on the Shanghai Stock Exchange (the "**Transaction**"). The aggregate cost of the Transaction was approximately RMB480.2 million. Dashang is principally engaged in the operation and management of department stores and other areas of retail industry in the PRC. The Group is optimistic towards the prospect of retail industry, and is of the view that the Transaction will bring in long-term benefits to the Group. The Company has further acquired shares in Dashang after the reporting period. As at the date of this annual report, the Company's shareholding in Dashang was approximately 5.0%.

Precise positioning of department stores and creation of a comprehensive business model

In the face of new challenges in 2012, the Group actively adjusted its operational strategies by reclassifying its department stores into three categories, being high-end and stylish; young and creative; and lifestyle, as well as upgrading those stores. It has been planned that Shenzhen Huaqiangbei Store, Chongqing Jiangbei Store and others will be developed into high-end boutique stores.

Forging internal strength and consolidating to enhance operational capacity

During the year, the Group firstly improved the construction of its three-tier management structure (i.e. from headquarters to regions and further to stores). Secondly, adopting a results-oriented approach and comprehensive budget management and delegating authority at different levels, the Group strengthened the proactive involvement of first-line management. Management of operation sites has been strengthened with greater attention to details. Proportion of member sales has increased, and service scope of stored value cards and for members has been extended.

Restructuring and using innovative management to improve operational efficiency

In the light of changes in the competitive environment and the needs of strategic development, the Group actively moved ahead with management restructuring and reforms, and established three major systems, namely general business, general logistics and general financial systems to form a highly effective collaborative mechanism.

Personnel training and talent pool

The Group has throughout attached great importance to human resources planning. Subsequent to the MBA course for store managers in 2011, the Group introduced various other programmes in 2012, including the localization for medium and low-level personnel, high-end training for store managers, rotation system on executive positions and the 'Sunflower Programme' for undergraduates, in order to nurture and develop a multi-talent pool at multi-levels. The Group also implemented effective incentive policies and project reward policies in line with operation indicators.

Management Discussion and Analysis

Asset reorganization of Bohai Logistics

In November 2012, following the Group's successful injection of Qinhuangdao Jindu Store (originally wholly owned by the Group) into Qinhuangdao Bohai Logistics Holding Corporation Ltd. ("**Bohai Logistics**", a subsidiary of the Group listed on the Shenzhen Stock Exchange, stock code: 000889), the Group's shareholding in Bohai Logistics increased from 29.9% to 46.7%. The asset reorganization has resolved the issue of industry competition of the Group in the Bohai Bay region and further consolidated the Group's market position in the Bohai Bay region.

Expanding financing channels and reducing financing costs

In February and July 2012, the Group issued two tranches of short-term financing notes of RMB800 million each with coupon interest rate of 6.14% and 4.29%, respectively.

In late December 2012, the Group obtained the approval from the National Association of Financial Market Institutional Investors for the issuance of medium-term notes of RMB2.2 billion. On 9 January 2013, the Group completed the issuance of the first tranche of the medium-term notes with a principal amount of RMB800 million and a term of 3 years at the interest rate of 5.52% per annum.

The successful issuance of the short-term financing notes and the medium-term notes replenished the operating capital and reduced the financing costs of the Group.

PERFORMANCE OF MAJOR SAME STORES[1]

	Store Name	Proceeds of Concessionaire Sales *(RMB'000)*	Same Store Sales Growth *%*	Operation Period[2] *(years)*	Gross Floor Area *(m^2)*	Ticket Per Sale *(RMB)*
1	Shenzhen Huaqiangbei	1,761,907	-0.2	9.3	59,787	821
2	Shenzhen Dongmen	910,563	4.5	15.9	47,436	819
3	Chengdu Yanshikou	662,127	5.1	7.6	53,873	660
4	Chongqing Jiangbei	600,026	6.3	8.3	53,542	579
5	Taizhou First Department	596,362	3.9	3.3	40,358	888
6	Qinhuangdao Xiandai Shopping Plaza	492,019	10.0	2.6	36,897	584
7	Shenzhen Nanshan	468,645	20.8	3.3	45,000	1,040
8	Qinghuangdao Shangcheng	417,204	-12.6	2.6	26,696	884
9	Taiyuan Liuxiang	412,679	-0.5	4.1	30,616	600
10	Qinhuangdao Jindu	373,836	30.3	4.3	46,610	449
11	Zhuhai Xiangzhou	324,222	9.4	11.2	23,715	400
12	Nanchong Wuxing	287,337	6.5	7.6	25,994	667
13	Mianyang Xingda	285,769	1.0	4.3	27,617	582
14	Shenzhen Outlet[3]	209,611	19.8	13.3	23,078	437

Management Discussion and Analysis

Notes:

1 Major stores are same stores with sales proceeds per annum of over RMB200 million.

2 Operation period was calculated till 31 December 2012.

3 Shenzhen Heping Store has been renamed Shenzhen Outlet Store.

PROPERTY DEVELOPMENT

As at the date of this annual report, the Group operated and managed 39 stores across 19 cities in China, including Shenzhen and Zhuhai in Guangdong Province; Chengdu, Nanchong, Luzhou and Mianyang in Sichuan Province; Chongqing; Wuxi, Taizhou, Yangzhou, Changzhou and Liyang in Jiangsu Province; Zibo, Heze 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 1,200,000 square metres, self-owned areas accounted for 64% (excluding the gross floor area of managed stores), areas leased from connected parties accounted for 25.7%, while areas leased from independent third parties accounted for 10.3%. Save for the above, the Group also has projects under development in Chengdu of Sichuan Province; Taiyuan of Shanxi Province; Jinzhou of Liaoning Province; Baoding of Hebei Province; Weifang and Laiwu of Shandong Province; Nanjing, Huaian, Wuxi and Taizhou of Jiangsu Province; and Baotou of Inner Mongolia.

OUTLOOK

In 2013, the Group will maintain the strategy of steady development, and expects to open two to four new stores. Meanwhile, it will continue to seek opportunities for low-cost expansion.

In response to situations arising, the Group will formulate its development strategy map, business operation map and commercial map. The Group will also implement modular management of the three major systems, namely general business, general logistics and general financial systems, and will implement digital marketing relying on the membership system to refine its membership value management system.

The Group will further enhance the depth and breadth of its overall budget management; strengthen construction of its information systems, adjust the performance appraisal system for all staff, reinforce study of e-commerce, and fully utilize the various concepts and means of e-commerce to effectively interact with and complement the operation of entities.

In the forthcoming year, the Group will, in respect of forging a corporate culture, build a learning and collaborative team that seek consensus while respecting differences, and will shape a theme of love — love for our customers, suppliers and employees so that our customers will make purchases happily, our suppliers will work together with us happily, and our employees will work happily.

Management Discussion and Analysis

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the year ended 31 December 2012, total sales proceeds of the Group increased to RMB11,067.2 million, representing an increase of 6.1% as compared to the same period in 2011.

	For the year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**9,672,014**	8,992,880
Revenue from direct sales	**1,395,226**	1,436,983
Total Sales Proceeds	**11,067,240**	10,429,863

Among the total sales proceeds of the Group in the year of 2012, total sales proceeds derived from concessionaire sales accounted for 87.4% and those derived from direct sales accounted for 12.6%.

The total sales proceeds and same-store sales growth of sales proceeds derived from concessionaire sales of the Group in the four regions are set out as follows:

	Total sales proceeds	**Contribution to the total sales proceeds of the Group**	**Same-store sales growth of sales proceeds derived from concessionaire sales**
	RMB'000	%	%
Southern China	4,080,145	36.9	4.7
South-western China	2,495,303	22.5	4.0
Eastern China	2,075,881	18.8	-5.5
Northern China	2,415,911	21.8	6.0
Total	11,067,240	100	3.9

For the year ended 31 December 2012, same-store sales proceeds from concessionaire sales increased to RMB8,963.3 million, representing an increase of 3.9% compared to the same period in 2011. The Group's commission rates from concessionaire sales was 16.7%, representing a mild decrease of 0.2% compared with 16.9% for the same period in 2011. In 2012, the Group strived to enhance the integration of the stores which were newly acquired and opened, in order to increase the commission rate of the new stores to the level of mature stores as soon as possible. Regarding promotion strategies, the Group gradually lowered the proportion of price marketing and introduced innovative marketing modes. These measures effectively reduced the extent of decrease of commission rate.

Management Discussion and Analysis

Total sales proceeds in the year of 2012 comprised sales of apparel 44.2% (2011: 43.4%), cosmetics and jewelry 20.5% (2011: 20.2%), shoes and leather goods 13.1% (2011: 12.9%) and others such as children's wear and toys, household and electronic appliances, etc. 22.2% (2011: 23.5%). The percentage attributable to each product category to total sales proceeds was similar to that of the year of 2011.

For the year ended 31 December 2012, revenue of the Group amounted to RMB3,542.7 million, representing an increase of 5.5% as compared with RMB3,357.0 million for the same period in 2011. The commissions from concessionaire sales increased by RMB101.4 million and revenue from direct sales decreased by RMB41.8 million. The slow revenue growth was due to economic fluctuations in 2012.

Other Income

For the year ended 31 December 2012, other income of the Group amounted to RMB807.1 million, representing an increase of 5.3% as compared with RMB766.3 million for the same period in 2011. This was primarily due to the increase of interest income and income from suppliers and concessionaires.

Cost of Sales

For the year ended 31 December 2012, cost of sales of the Group amounted to RMB1,444.4 million, representing an increase of 8.2% as compared with RMB1,335.1 million for the same period in 2011. This was primarily due to the increase of cost of properties sold resulted from the increase of property sales of the Group as compared to the same period in 2011.

Employee Expenses

For the year ended 31 December 2012, employee expenses of the Group amounted to RMB369.7 million, representing a decrease of 1.5% as compared with RMB375.5 million for the same period in 2011. The decrease was primarily due to the reversal of share option expenses of RMB25.5 million. Employee expenses as percentage of total sales proceeds in 2012 decreased to 3.3% as compared with 3.6% for the year of 2011.

Depreciation and Amortisation

For the year ended 31 December 2012, depreciation and amortisation of the Group amounted to RMB343.6 million, representing an increase of 5.3% as compared with RMB326.2 million for the same period in 2011. The increase was primarily due to increase of properties depreciation caused by a new self-owned store opened in the second half of 2012 and the upgrading of certain self-owned stores. The depreciation and amortisation as percentage of total sales proceeds in 2012 remained unchanged, as compared with 3.1% for the year of 2011.

Operating Lease Rental Expenses

For the year ended 31 December 2012, operating lease rental expenses of the Group amounted to RMB237.2 million, representing an increase of 9.7% as compared with RMB216.2 million for the same period of last year. This was primarily due to the increase in operating area of properties leased for operation of department stores by the Group in 2012. The operating lease rental expenses as percentage of total sales proceeds in the year of 2012 remained unchanged, as compared with 2.1% for the year of 2011.

Management Discussion and Analysis

Other Operating Expenses

For the year ended 31 December 2012, other operating expenses of the Group amounted to RMB859.5 million, representing an increase of 11.3% as compared with RMB772.1 million for the same period in 2011. This primarily resulted from the following factors:

(1) launch of two new stores in the second half of 2012;

(2) increase of business taxes and surcharges as a result of higher property sales;

(3) increase of professional service fees; and

(4) impairment of other receivables.

The other operating expenses as percentage of total sales proceeds in 2012 increased to 7.8% from 7.4% in 2011.

Other Gains

For the year ended 31 December 2012, other gains of the Group amounted to RMB274.4 million, representing an increase of 154.4% as compared with RMB107.9 million in the same period in 2011. This was primarily due to the investment gain on disposal of shares in Shenzhen International Enterprises Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 000056) in the first half of 2012 by the Group of approximately RMB174.0 million.

Operating Profit

For the year ended 31 December 2012, operating profit of the Group amounted to RMB1,369.8 million, representing an increase of 13.6% as compared to RMB1,206.1 million for the same period in 2011. This was primarily due to the contribution from the increase of total operating revenue of the Group and strong growth in other gains of the Group arising from the disposal of shares in Shenzhen International Enterprises Co., Ltd.

Finance Costs

For the year ended 31 December 2012, finance costs of the Group amounted to RMB132.8 million, representing a decrease of 29.7% as compared to RMB188.8 million for the same period in 2011. This was primarily due to the increase in capitalised interest in 2012 compared to the same period in 2011, which offset more finance costs.

Income Tax Expense

For the year ended 31 December 2012, income tax expense of the Group was RMB338.4 million, representing an increase of 19.6% as compared to RMB282.9 million for the same period last year. This was mainly due to a significant increase of profit before tax of the Group. During the year ended 31 December 2012, the effective tax rate applicable to the Group was 27.4% (for the year ended 31 December 2011: 27.8%).

Management Discussion and Analysis

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the year ended 31 December 2012:

— Profit attributable to owners of the parent increased by 25.2% to RMB801.8 million.

— Without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent increased by 8.8% to RMB668.7 million.

Among them, the results of the operation of department stores segment are as follows: Profit attributable to owners of the parent increased by 20.0% to RMB881.9 million compared with RMB735.1 million for the same period in 2011.

Liquidity and Financial Resources

As at 31 December 2012, the Group's cash and cash equivalents amounted to RMB1,482.5 million, which increased by RMB56.7 million as compared to RMB1,425.8 million as at 31 December 2011. The main cash inflow and cash outflow are set out as follows:

(1) net cash inflow of RMB302.4 million arising from operating activities;

(2) net cash outflow arising from investing activities amounted to RMB1,774.1 million, mainly including payments for properties and equipment amounting to RMB639.8 million, prepayment and purchase of land lease prepayment amounting to RMB792.9 million, and payment of loan to related party amounting to RMB100.0 million; and purchase of available-for-sale equity investments amounting to RMB480.2 million; and

(3) net cash inflow arising from financing activities amounted to RMB1,518.2 million, mainly including (1) inflow resulting from bank loans and other borrowing of RMB4,167.9 million; (2) outflow resulting from repayment of bank loans, interest paid, final dividend for the year of 2011 paid and interim dividend for the six months ended 30 June 2012 paid of RMB1,845.0 million, RMB334.1 million, RMB256.1 million and RMB139.3 million, respectively.

Interest-bearing Loans

Total bank loans, short-term financial notes and convertible bonds of the Group as at 31 December 2012 amounted to RMB6,321.2 million, and the gearing ratio[1] and net gearing ratio[2] were 34.5% and 68.7%, respectively (as at 31 December 2011: 25.8% and 37.8%, respectively).

1 Gearing ratio = total debt/total assets = (bank loans + short-term financial notes + convertible bonds)/total assets

2 Net gearing ratio = net debt/equity = (bank loans + short-term financial notes + convertible bonds-cash equivalents)/equity

Management Discussion and Analysis

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 three companies listed in the PRC as at 31 December 2012, 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)	7.03%	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
Dashang Co., Ltd. (大商股份有限公司)	4.89%[1]	Owns a number of department stores in Northern China	Dalian City, Liaoning Province

1 The Company has further acquired shares in Dashang Co., Ltd. after the reporting period. As at the date of this annual report, the Company's shareholding in Dashang Co., Ltd. was approximately 5.0%.

The total cost of the investments of the Group in the above companies was RMB621.5 million, which was financed by the Group's cash inflow from operations. As at 31 December 2012, the total market value of the shares held by the Group in the three above-mentioned A share and B share listed companies amounted to approximately RMB804.5 million, representing an increase of 29.5% compared with the total cost of investments.

Contingent Liabilities

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

Management Discussion and Analysis

Major Properties

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)	Taizhou East Square Project (property development)
Book value (RMB million)	:	1,482.1	709.2
Address	:	the south of Yong Kang Street (永康街), north of Qin Xian North Street (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	The east of Yanghui Road (揚輝路), Hailing District, Taizhou, Jiangsu Province, PRC
Stage of completion as at the date of this annual report	:	under construction	under construction
Expected completion time	:	some will be completed in 2013	some will be completed in 2014
Site area (sq.m)	:	73,867	212,698
Existing use	:	for sale or lease	for sale or lease
Expected gross floor area (sq.m)	:	approximately 450,000	approximately 1,000,000
Percentage interest in the property held by the Group	:	100%	100%

Pledge of Assets

As at 31 December 2012, the Group's interest-bearing bank loans amounting to RMB5,451.5 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 RMB712.5 million, RMB91.7 million, RMB572.5 million, RMB318.0 million and RMB910.2 million, respectively.

As at 31 December 2012, the Group's bills payables amounted to RMB27.8 million and the Group's time deposits amounted to RMB40.2 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 gain from foreign currency of approximately RMB0.3 million.

For the year ended 31 December 2012, 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 47, is the founder of the Group and the Chairman, Executive Director, Chief Executive Officer and the Chairman of 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 57, is an Executive Director and the Vice Chairman of the Company. He joined the Group in August 2007. Mr. Zhong received a master's degree in business administration from Hong Kong Baptist University in 2003. 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 director of the expert committee of China's Urban Commercial Planing Mangegement 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).

Ms. Wang Fuqin (王福琴), aged 42, is an Executive Director, the Vice President 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 received a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2012. Ms. Wang is responsible for the overall management of the Group's back office, including departments of 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 Bohai Logistics since December 2009 and as the Chairman of Bohai Logistics on 6 April 2010.

Mr. Wang Bin (王斌), aged 46, is an Executive Director, the Vice President 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 finance 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 62, 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 another company listed on the Stock Exchange.

Mr. Pao Ping Wing (浦炳榮), aged 65, 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 Chinese People's Political Consultative Conference Guangzhou Committee. Currently, he is also an independent non-executive director of a number of companies listed on the Stock Exchange.

Mr. Leung Hon Chuen (梁漢全), aged 61, 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 and private banking.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Zhang Daji (張大吉), aged 41, joined the Group in January 2013. He is currently the Vice President of the Company and is mainly responsible for strategic procurement, operational management and hypermarket management. Mr. Zhang has almost 20 years of experience in the retail industry. Prior to joining the Group, he was assistant to the president of Beijing Wangfujing Department Store (Group) Co., Ltd. ("**Wangfujing**", a company listed on the Shanghai Stock Exchange, stock code: 600859) overseeing the general operations of Wangfujing in Yunnan, Guizhou, Sichuan and Chongqing. He was also Consultant General Manager of Hangyang International Center in Nanning. Mr. Zhang graduated from Beijing Institute of Technology, majoring in international trade, and obtained a master of business administration degree from Tsinghua University.

Ms. Gan Ling (甘玲), aged 38, has been appointed as the deputy general manager of the Company, the general manager of Strategic Investment Centre of the Company since 20 October 2010, in charge of the investment and financing as well as the investor relations management of the Company. 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. Ms. Gan 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 41, 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 of the sixth session of National People's Congress.

COMPANY SECRETARY

Ms. Soon Yuk Tai (孫玉蒂), aged 46, 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 of Directors (the "**Board**") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2012.

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 former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**CG Code**") (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 2012, save and except for the deviation from code provisions A.2.1 and A.6.7. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviations are summarized below.

The Board will continue to enhance 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.

THE BOARD OF DIRECTORS

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 enhance 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. 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 on 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

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*
Mr. Wang Bin, *Vice President and 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

None of the members of the Board is related to one another. 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 2012, 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 (representing at least one-third of the Board), with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

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 in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors are independent.

Corporate Governance Report

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.

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 adopted "Directors Nomination Procedures" as written guidelines for providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. 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. Wang Bin, Mr. Chow Chan Lum and Mr. Leung Hon Chuen shall retire and, being eligible, offer themselves for re-election at the forthcoming 2013 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.

Induction and Continuing Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

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.

Under code provision A.6.5, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

Corporate Governance Report

During the year ended 31 December 2012, the Company organized briefings conducted by the Company Secretary for all its directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi, Ms. Wang Fuqin, Mr. Wang Bin, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen, on corporate governance and update on the Listing Rules amendments and provided reading materials on regulatory update to all the directors for their reference and studying. Besides, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen attended other seminars and training sessions arranged by other professional firms/institutions. Directors are requested to provide their records of training they received to the Company Secretary for record.

Board Practices and Conduct of Meetings

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

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

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

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

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (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 2012 to the date of this annual report.

The Company has also established written guidelines no less exacting 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

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination 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 the Stock Exchange's website 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.

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 and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2012, the Audit Committee has performed the following works:

- review of the scope of audit work;
- review and discussion of the annual financial results and report in respect of the year ended 31 December 2011 and interim financial results and report for the six months ended 30 June 2012 and discussion with the management of the accounting principles and practices adopted by the Group;
- discussion and recommendation of the re-appointment of the external auditors;
- review of the internal control, financial reporting and risk management systems of the Group; and
- review of the arrangements for employees to raise concerns about possible improprieties.

The external auditors were invited to attend 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. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2012.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee comprises a total of three members, being two independent non-executive directors, namely, Mr. Pao Ping Wing (Chairman) and Mr. Chow Chan Lum; and one 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 to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; (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.

During the year ended 31 December 2012, the Remuneration Committee has performed the following works:

- review and discussion of the remuneration policy of the Group and the remuneration packages of directors and senior management of the Company; and
- review and discussion of the share option matters of the Company.

Details of the remuneration of each director and the remuneration of the members of the senior management by band for the year ended 31 December 2012 are set out in note 8 to the financial statements.

Nomination Committee

The Nomination Committee was set up on 23 February 2012. It comprises a total of three members, being one executive director, namely, Mr. Huang Mao Ru (Chairman) and two independent non-executive directors, namely, Mr. Chow Chan Lum and Mr. Pao Ping Wing. Accordingly, a majority of the members are independent non-executive directors.

The principal duties of the Nomination Committee are mainly to (i) review the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors; (ii) make recommendations to the Board on the appointment and succession planning of directors; and (iii) assess the independence of independent non-executive directors.

During the year ended 31 December 2012, the Board, through its meeting held on 23 February 2012 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 2012 annual general meeting of the Company; and
- assessment of the independence of all the independent non-executive directors of the Company.

Subsequent to the setting up of the Nomination Committee, no Nomination Committee meeting was held during the year ended 31 December 2012.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Corporate Governance Report

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2012, the Board held ten Board meetings. The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2012 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Mr. Huang Mao Ru	10/10	—	—	—	1/1
Mr. Zhong Pengyi	9/10	—	—	—	1/1
Ms. Wang Fuqin	10/10	—	2/2	—	1/1
Mr. Wang Bin	9/10	—	—	—	1/1
Mr. Chow Chan Lum	9/10	4/6	2/2	—	1/1
Mr. Pao Ping Wing	10/10	5/6	2/2	—	1/1
Mr. Leung Hon Chuen	7/10	5/6	—	—	0/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive directors without the presence of executive directors during the year.

DIRECTORS' RESPONSIBILITIES 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 2012.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

INTERNAL CONTROLS

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, operational, and compliance controls and risk management function.

Corporate Governance Report

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 2012 is set out in the section headed "Independent Auditors' Report" in this annual report.

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services (including review of interim results) for the year ended 31 December 2012 amounted to RMB2,880,000 and RMB1,200,000 respectively.

COMPANY SECRETARY

Ms. Soon Yuk Tai of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Ms. Gan Ling, deputy general manager of the Company.

During the year ended 31 December 2012, Ms. Soon has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

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 38/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. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

Code provision A.6.7 stipulates that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, one of the independent non-executive directors was unable to attend the annual general meeting of the Company held on 5 April 2012 due to his unavoidable business engagement.

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.

Corporate Governance Report

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, pursuant to the Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address:	38/F, Tower A, World Finance Centre, 4003 Shennan East Road, Shenzhen, The People's Republic of China (For the attention of the General Manager of the Investor Relations Department)
Fax:	86-755-2598-1379
Email:	ir848@maoye.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles of Association for further details of their rights.

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 2012.

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 and property development in the PRC. There were no significant changes in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 22 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 46.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of 2.3 HK cents in cash per share for the year ended 31 December 2012 (the "**Proposed Final Dividend**") (2011: 5.9 HK cents), subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 12 April 2013 (the "**2013 AGM**"). The Proposed Final Dividend will be paid in cash on Friday, 26 April 2013 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Friday, 19 April 2013.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the 2013 AGM

The Company's Register of Members will be closed from Wednesday, 10 April 2013 to Friday, 12 April 2013 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2013 AGM, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 9 April 2013.

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

The Company's Register of Members will be closed from Thursday, 18 April 2013 to Friday, 19 April 2013 (both days inclusive), during such 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 all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 April 2013.

Directors' Report

PRE-EMPTIVE RIGHTS

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

FIXED ASSETS

Details of the fixed assets of the Group are set out in note 17 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 50 and note 39 to the financial statements. The reserves are calculated in accordance with generally accepted accounting principles.

SHARE CAPITAL

Movements of the share capital of the Company are set out in note 37 to the financial statements.

INTEREST BEARING BANK LOANS AND OTHER BORROWINGS

Interest bearing bank loans and other borrowings of the Group as at 31 December 2012 amounted to RMB 5,451.5 million, details of which are set out in the heading under "Interest-bearing Loans" above and note 35 to the financial statements.

DONATIONS

Donations made by the Group during the year amounted to RMB158,000 million.

DIRECTORS

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

Executive Directors

Mr. Huang Mao Ru *(Chairman and CEO)*
Mr. Zhong Pengyi *(Vice Chairman)*
Ms. Wang Fuqin *(Vice President)*
Mr. Wang Bin *(Vice President and 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. Wang Bin, Mr. Chow Chan Lum and Mr. Leung Hon Chuen, the existing directors of the Company, will retire from office by rotation at the 2013 AGM and being eligible, will offer themselves for re-election at the said meeting.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2013 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.

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 2012 were RMB40.0 million.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 42 to the financial statements, no director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' EMOLUMENTS

The directors' emoluments are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Details of the directors' emoluments are set out in note 8 to the financial statements.

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 2012, 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)	78.21%
	Beneficial owner	50,000,000	0.93%
		4,250,000,000	79.14%
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.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2012.

(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	204,000	0.004%
Ms. Wang Fuqin	Beneficial owner	816,000	0.015%
Mr. Wang Bin	Beneficial owner	255,000	0.005%
Mr. Chow Chan Lum	Beneficial owner	204,000	0.004%
Mr. Pao Ping Wing	Beneficial owner	204,000	0.004%
Mr. Leung Hon Chuen	Beneficial owner	204,000	0.004%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 31 December 2012.

** Lapsed share options (Mr. Zhong Pengyi: 204,000; Ms. Wang Fuqin: 816,000; Mr. Wang Bin: 255,000; Mr. Chow Chan Lum: 204,000; Mr. Pao Ping Wing: 204,000 and Mr. Leung Hon Chuen: 204,000) 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 38 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.

* The percentage represents the number of ordinary shares divided by the number of Maoye Department Store Investment Limited's issued shares as at 31 December 2012.

(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%

* The percentage represents the number of ordinary shares divided by the number of MOY International Holdings Limited's issued shares as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, 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 IIN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2012, 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))	79.14%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	78.21%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	78.21%

Note:

(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".

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, 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 2012 are as follows:

Category	Date of grant	Exercise price per share *(HK$)*	As at 1 January 2012	Granted during the year	Exercised during the year	Forfeited during the year	As at 31 December 2012
Director							
Mr. Zhong Pengyi	11 Jun 2010	2.81	204,000	—	—	(204,000)	—
Ms. Wang Fuqin	11 Jun 2010	2.81	816,000	—	—	(816,000)	—
Mr. Wang Bin	30 Dec 2010	3.43	255,000	—	—	(255,000)	—
Mr. Chow Chan Lum	11 Jun 2010	2.81	204,000	—	—	(204,000)	—
Mr. Pao Ping Wing	11 Jun 2010	2.81	204,000	—	—	(204,000)	—
Mr. Leung Hon Chuen	11 Jun 2010	2.81	204,000	—	—	(204,000)	—
			1,887,000	—	—	(1,887,000)	—
Employees in aggregate	11 Jun 2010	2.81	30,471,000	—	—	(30,471,000)	—
	30 Dec 2010	3.43	1,734,000	—	—	(1,734,000)	—
	2 May 2012	1.96	—	650,000	—	(650,000)	—
			32,205,000	650,000	—	(32,855,000)	—
Others in aggregate	11 Jun 2010	2.81	4,065,000	—	—	(4,065,000)	—
	30 Dec 2010	3.43	142,000	—	—	(142,000)	—
			4,207,000	—	—	(4,207,000)	—
Total			38,299,000	650,000	—	(38,949,000)	—

Notes:

Exercise period of the share options is from the 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 2 May 2012 was HK$1.85.

On 2 May 2012, a total of 650,000 share options were granted to 2 eligible participants of the Company at an exercise price of HK$1.96 per share pursuant to the Scheme (the "**Relevant Share Options**"). The fair value of the Relevant Share Options was HK$265,500 (HK$0.41 each), equivalent to RMB216,678 as at 2 May 2012.

Directors' Report

The fair value of the Relevant Share Options granted during the year was estimated as at the date of grant (i.e., 2 May 2012) using a binomial model, taking into account the terms and conditions upon which the Relevant Share Options were granted. The following table sets out the inputs to the model used:

Dividend yield (%)	2.26
Expected volatility (%)	68
Historical volatility (%)	68
Risk-free interest rate (%)	0.21
Expected life of options (year)	0.89

No other feature of the Relevant Share Options was incorporated into the measurement of fair value.

The value of the Relevant Share Options is subject to the limitations of the binomial model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

No share options have been cancelled during the year ended 31 December 2012. Further details relating to the Scheme and share options granted thereunder are set out in note 38 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company are set out in note 36 to the financial statements.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2012, the Group had a total of approximately 8,282 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 38 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual 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.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company repurchased a total of 17,933,000 shares on the Stock Exchange during the year ended 31 December 2012. 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	Lowest	Aggregate consideration
		HK$	*HK$*	*HK$'000*
January 2012	17,933,000	1.90	1.59	31,378

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 2012.

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

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

Directors' Report

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 ("**Mr. Huang**"), the effective controller and chairman of the Company, is the 100% ultimate owner of Richon and Maoye China.

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

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

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

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) (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 construction and 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

Directors' Report

as consideration for the provision of the funding. It was agreed that SZ Maoye Group will complete the construction and development 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 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). As at 21 November 2012, Maoye Shangsha has granted to SZ Maoye Group an amount of RMB100,000,000.

The independent non-executive directors of the Company have 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.

CONTINUING CONNECTED TRANSACTIONS

Master Leasing Agreement

According to a master leasing agreement (the "**Original 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 properties 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 Mr. Huang, any of his associates and companies majority-owned or controlled by Mr. Huang and his associates (the "**Controlling Shareholder Group**").

As the Original Master Leasing Agreement has expired since 31 December 2012, and the Company expects to continue the continuing connected transactions thereafter, the Company entered into the new master leasing agreement (the "**New Master Leasing Agreement**") with Maoye Holdings Limited on 28 November 2012, which has a term of three years and will be effective from 1 January 2013. Pursuant to the New Master Leasing Agreement, the maximum aggregate rent and miscellaneous expenses to be payable by the Group to the Controlling Shareholder Group per year is RMB167 million.

According to the Original Master Leasing Agreement, the Group paid leasing fees of approximately RMB147.1 million (2011: RMB143.1 million) for the year ended 31 December 2012.

Directors' Report

Joint Operation Agreement

On 15 July 2011, Shenyang Maoye Department Store Limited ("**Shenyang Maoye**"), a wholly-owned subsidiary of the Group, 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 who is the controlling shareholder and director of the Company, 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 RMB38.0 million 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 RMB10.0 million per year.

According to the Joint Operation Agreement, Shenyang Maoye received RMB38.0 million from Maoye Property for the year ended 31 December 2012.

Master Management Agreement

As the original Master Management Agreement (details of which are set out in the Prospectus) 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 Controlling Shareholder Group with respect to the Maoye Wuxi Store and/or such other department stores owned by the Controlling Shareholder Group. 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. The management services provided by the Group include services in respect of the operation, accounting, administration, advertising and promotion, finance, marketing, human resources, the licence to use the "Maoye Department Store" trademark, computer software, information and technology and other services in relation to the management of department stores as agreed by the parties from time to time. The service fees receivable by the Company under the New Master Management Agreement are the sum of (i) 1.8% of the total sales proceeds of the relevant store under the New Master Management Agreement and (ii) 10% of the profit before tax of the relevant store.

According to the New Master Management Agreement, the management fee income of the Group amounted to approximately RMB3.9 million (2011: RMB4.0 million) for the year ended 31 December 2012.

Master Development Services Agreement

The Master Development Services Agreement entered into between Maoye Holdings Limited and the Company (the "**Two Parties**") on 18 May 2009 (the "**Agreement**") has expired since 31 December 2011. The Two Parties intend not to renew the Agreement, and the Agreement has expired since 31 December 2011.

Directors' Report

Lease of the Friendship City Building in Shenzhen City

On 7 April 2010, 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 RMB33.9 million (including the renovation and upgrading costs of RMB3.6 million 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 2012, the leasing expense borne by the Group under the above leasing agreement was approximately RMB29.1 million (2011: RMB29.6 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 property recorded a loss of RMB1.5 million for the period ended 31 December 2012. Accordingly, an amount of approximately RMB1.5 million (2011: RMB2.3 million) was recoverable from Shenzhen Friendship in accordance with the terms of the lease.

The independent non-executive directors of the Company had reviewed and confirmed that 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, were in accordance with the pricing policies of the Company, and were entered into under respective agreements that regulate such transactions and did not exceed any of the relevant caps as mentioned in the relevant agreements and in the previous announcements of the Company dated 23 November 2011, 15 July 2011, 13 June 2011, 8 April 2010 and 9 June 2009. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, where appropriate, in respect of the above transactions.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2012, save as disclosed below, none of the Directors or their respective associates had any business or interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group mainly engages in retail business, for the year ended 31 December 2012, 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 2012, 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 2012 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

Details of the events after the reporting period are set out in note 46 to the financial statements.

AUDITORS

Ernst & Young, the Company's auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2013 AGM to re-appoint Ernst & Young as auditors of the Company.

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

25 February 2013

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Maoye International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 46 to 139, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012, 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
25 February 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5	**3,542,719**	3,357,024
Other income	6	**807,139**	766,308
Total operating revenue		**4,349,858**	4,123,332
Cost of sales	7	**(1,444,402)**	(1,335,146)
Employee expenses	8	**(369,699)**	(375,494)
Depreciation and amortisation		**(343,603)**	(326,202)
Operating lease rental expenses	9	**(237,245)**	(216,236)
Other operating expenses	10	**(859,531)**	(772,064)
Other gains	11	**274,427**	107,873
Operating profit		**1,369,805**	1,206,063
Finance costs	12	**(132,815)**	(188,793)
Share of profits and losses of associates	23	**(76)**	498
PROFIT BEFORE TAX		**1,236,914**	1,017,768
Income tax expense	13	**(338,360)**	(282,879)
PROFIT FOR THE YEAR		**898,554**	734,889
Attributable to:			
Owners of the parent	14	**801,820**	640,312
Non-controlling interests		**96,734**	94,577
		898,554	734,889
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic			
– For profit for the year		**RMB14.9 cents**	RMB12.0 cents
Diluted			
– For profit for the year		**RMB14.9 cents**	RMB12.0 cents

Details of the dividends payable and proposed for the year are disclosed in note 15 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR	**898,554**	734,889
OTHER COMPREHENSIVE INCOME		
Available-for-sale equity investments:		
Changes in fair value	**(12,400)**	31,553
Income tax effect	**6,694**	(9,251)
	(5,706)	22,302
Exchange differences on translation of foreign operations	**(1,055)**	29,195
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(6,761)**	51,497
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**891,793**	786,386
Attributable to:		
Owners of the parent	**795,059**	691,809
Non-controlling interests	**96,734**	94,577
	891,793	786,386

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**4,240,296**	3,646,710
Investment properties	18	**509,298**	428,221
Land lease prepayments	19	**3,717,176**	3,963,985
Goodwill	20	**641,680**	641,680
Other intangible assets	21	**5,818**	6,823
Investments in associates	23	**12,049**	12,260
Available-for-sale equity investments	24	**960,150**	782,205
Prepayments	30	**709,930**	1,102,725
Other asset		**—**	2,458
Loan and receivable	31	**107,500**	—
Deferred tax assets	25	**140,622**	83,907
Total non-current assets		**11,044,519**	10,670,974
CURRENT ASSETS			
Inventories	26	**279,147**	281,977
Completed properties held for sale		**620,549**	524,734
Properties under development	27	**4,069,573**	1,791,198
Equity investments at fair value through profit or loss	28	**959**	8,674
Trade receivables	29	**36,842**	47,912
Prepayments, deposits and other receivables	30	**625,117**	587,945
Due from related parties	42 (b)	**96,654**	43,772
Pledged deposits	32	**40,155**	1,530
Cash and cash equivalents	32	**1,482,500**	1,425,837
Total current assets		**7,251,496**	4,713,579
CURRENT LIABILITIES			
Trade and bills payables	33	**2,194,236**	1,953,827
Deposits received, accruals and other payables	34	**1,930,509**	1,972,429
Interest-bearing bank loans and other borrowings	35	**3,081,072**	1,485,973
Convertible bonds	36	**869,681**	—
Due to related parties	42 (b)	**102,602**	31,486
Income tax payable		**131,802**	111,253
Total current liabilities		**8,309,902**	5,554,968
NET CURRENT LIABILITIES		**(1,058,406)**	(841,389)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,986,113**	9,829,585

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,986,113**	9,829,585
NON-CURRENT LIABILITIES			
Convertible bonds	36	**–**	844,363
Interest-bearing bank loans and other borrowings	35	**2,370,459**	1,642,698
Deferred tax liabilities	25	**570,775**	597,406
Total non-current liabilities		**2,941,234**	3,084,467
Net assets		**7,044,879**	6,745,118
EQUITY			
Equity attributable to owners of the parent			
Issued capital	37	**480,407**	481,988
Equity component of convertible bonds	36	**119,125**	119,125
Reserves	39 (a)	**4,970,984**	4,595,558
Proposed final dividend	15	**100,143**	256,125
		5,670,659	5,452,796
Non-controlling interests		**1,374,220**	1,292,322
Total equity		**7,044,879**	6,745,118

Huang Mao Ru
Director

Wang Bin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the parent															
	Issued capital	Share premium account (Restated)	Acquisition of non-controlling interests	Share option reserve	Equity component of convertible bonds	Capital redemption reserve	Contributed surplus	Statutory surplus reserve	Available-for-sale equity investment revaluation reserve	Exchange fluctuation reserve	Retained profits (Restated)	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000 (note 37)	RMB'000	RMB'000	RMB'000 (note 38)	RMB'000 (note 36)	RMB'000	RMB'000 (note 39)	RMB'000 (note 39)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	481,988	2,011,440	–	25,498	119,125	5,935	77	284,411	248,570	(27,917)	2,047,544	256,125	5,452,796	1,292,322	6,745,118
Profit for the year	–	–	–	–	–	–	–	–	–	–	801,820	–	801,820	96,734	898,554
Other comprehensive income for the year:															
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	–	–	(5,706)	–	–	–	(5,706)	–	(5,706)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(1,055)	–	–	(1,055)	–	(1,055)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(5,706)	(1,055)	801,820	–	795,059	96,734	891,793
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	3,000	3,000
Acquisition of non-controlling interests	–	–	(33,342)	–	–	–	–	–	–	–	–	–	(33,342)	(10,053)	(43,395)
Reorganisation of subsidiaries (note 39 (a))	–	–	–	–	–	–	1,729	–	–	–	–	–	1,729	(1,729)	–
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	5,000	5,000
Disposal of available-for-sale equity investment	–	–	–	–	–	–	–	–	(99,144)	–	–	–	(99,144)	–	(99,144)
Profit appropriated to reserve	–	–	–	–	–	–	–	32,272	–	–	(32,272)	–	–	–	–
Equity-settled share option arrangement (note 38)	–	–	–	(25,498)	–	–	–	–	–	–	–	–	(25,498)	–	(25,498)
Repurchase and cancellation of shares (note 37)	(1,581)	(23,931)	–	–	–	1,581	–	–	–	–	(1,581)	–	(25,512)	–	(25,512)
Final 2011 dividends paid (note 15)	–	–	–	–	–	–	–	–	–	–	–	(256,125)	(256,125)	–	(256,125)
Interim 2012 dividends paid (note 15)	–	(139,304)	–	–	–	–	–	–	–	–	–	–	(139,304)	–	(139,304)
Proposed final 2012 dividend	–	–	–	–	–	–	–	–	–	–	(100,143)	100,143	–	–	–
Dividend paid by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,054)	(11,054)
At 31 December 2012	480,407	1,848,205*	(33,342)*	–	119,125	7,516*	1,806*	316,683*	143,720*	(28,972)*	2,715,368*	100,143	5,670,659	1,374,220	7,044,879

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the parent													
	Issued capital	Share premium account (Restated)	Share option reserve	Equity component of convertible bonds	Capital redemption reserve	Contributed surplus	Statutory surplus reserve	Available-for-sale equity investment revaluation reserve	Exchange fluctuation reserve	Retained profits (Restated)	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000 (note 37)	RMB'000	RMB'000 (note 38)	RMB'000 (note 36)	RMB'000	RMB'000 (note 39)	RMB'000 (note 39)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	461,587	1,405,825	39,469	119,125	–	77	192,505	233,035	(57,112)	1,505,073	–	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
Exchange 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	–	–	–	–	–	–	–	–	–	–	–	–	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 36)	–	–	6,069	–	–	–	–	–	–	–	–	6,069	–	6,069
Issue of shares	26,336	963,422	(20,040)	–	–	–	–	–	–	–	–	969,718	–	969,718
Repurchase and cancellation of shares (note 37)	(5,935)	(83,334)	–	–	5,935	–	–	–	–	(5,935)	–	(89,269)	–	(89,269)
Share issue expenses	–	(18,348)	–	–	–	–	–	–	–	–	–	(18,348)	–	(18,348)
Proposed final 2011 dividend	–	(256,125)	–	–	–	–	–	–	–	–	256,125	–	–	–
Dividend paid by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(3,645)	(3,645)
At 31 December 2011	481,988	2,011,440*	25,498*	119,125	5,935*	77*	284,411*	248,570*	(27,917)*	2,047,544*	256,125	5,452,796	1,292,322	6,745,118

* These reserve accounts comprise the consolidated reserves of RMB4,970,984,000 (2011: RMB4,595,558,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,236,914**	1,017,768
Adjustments for:			
Interest income	6	**(18,885)**	(8,072)
Depreciation and amortisation		**343,603**	326,202
Impairment of trade receivables	10	**1,870**	1,309
Impairment of inventories	10	**988**	21
Impairment/(reversal of impairment) of other receivables	10	**16,289**	(123)
Loss on disposal of items of property, plant and equipment	11	**468**	659
Gain on disposal of land lease prepayments	11	**—**	(10,232)
Gain on disposal of investment properties	11	**(3,458)**	(3,358)
Loss on disposal of other asset		**678**	—
Fair value loss/(gain) on equity investments at fair value through profit or loss	11	**(56)**	2,585
Loss/(gain) on disposal of equity investments at fair value through profit or loss	11	**(339)**	432
Gain on disposal of available-for-sale equity investments	11	**(174,019)**	(20,317)
Dividend income from equity investments at fair value through profit or loss	11	**(188)**	(162)
Dividend income from available-for-sale equity investments	11	**(13,834)**	(6,326)
Finance costs	12	**132,815**	188,793
Consideration adjustment of acquisition of subsidiary		**(15,106)**	—
Share of profits and losses of associates	23	**76**	(498)
Equity-settled share option expense/(reversal of expense)	38	**(25,498)**	6,069
		1,482,318	1,494,750
Decrease in completed properties held for sale		**185,359**	54,124
Additions of properties under development		**(1,642,658)**	(603,793)
Decrease/(increase) in inventories		**1,842**	(5,760)
Decrease/(increase) in trade receivables		**9,200**	(28,455)
Decrease/(increase) in prepayments and other receivables		**131,107**	(205,612)
Increase in amounts due from related parties		**(44,587)**	(6,560)
Increase in trade and bills payables		**240,409**	85,806
Increase in deposits received, accruals and other payables		**218,313**	364,735
Increase/(decrease) in amounts due to related parties		**71,116**	(49,121)
Cash generated from operations		**652,419**	1,100,114
Interest received		**11,385**	8,072
PRC tax paid		**(361,453)**	(300,606)
Net cash flows from operating activities		**302,351**	807,580

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**135**	142
Purchases of items of property, plant and equipment		**(639,789)**	(666,779)
Prepayments for items of property, plant and equipment		**—**	(6,507)
Additions to investment properties		**(91,089)**	(86,620)
Proceeds from disposal of items of property, plant and equipment		**8,066**	(659)
Proceeds from disposal of investment properties		**6,362**	12,059
Purchase of available-for-sale equity investments		**(480,159)**	(163,682)
Proceeds from disposal of available-for-sale equity investments		**331,642**	33,208
Purchase of land lease prepayments		**(431,483)**	(284,701)
Prepayment for land lease prepayments		**(361,397)**	(286,628)
Disposal of land lease prepayments		**6,017**	36,739
Purchase of other intangible assets		**(909)**	(3,837)
Purchase of equity investments at fair value through profit or loss		**—**	(13,328)
Proceeds from disposal of equity investments at fair value through profit or loss		**8,110**	12,908
Disposal of other assets		**1,780**	—
Loan to related party		**(100,000)**	—
Acquisition of subsidiaries		**(7,000)**	(220,362)
Acquisition of an additional interest in a subsidiary		**(43,395)**	—
Capital contribution by a non-controlling shareholder of a subsidiary		**5,000**	—
Dividend income from equity investments at fair value through profit or loss		**188**	162
Dividend income from available-for-sale equity investments		**13,834**	6,326
Net cash flows used in investing activities		**(1,774,087)**	(1,631,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	969,618
Share issue expenses		**—**	(18,348)
New bank loans and other borrowings		**4,167,904**	1,642,000
Repayment of bank loans		**(1,845,044)**	(1,119,529)
Interest paid		**(334,052)**	(162,898)
Final 2011 dividend paid		**(256,125)**	—
Interim dividend paid		**(139,304)**	—
Dividend paid by subsidiaries to non-controlling shareholders		**(11,054)**	(3,645)
Repurchase of shares	37	**(25,512)**	(89,269)
Increase in pledged bank deposits		**(38,625)**	(180)
Net cash flows from financing activities		**1,518,188**	1,217,749

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**46,452**	393,770
Effect of foreign exchange rate changes, net		**10,211**	7,994
Cash and cash equivalents at beginning of year		**1,425,837**	1,024,073
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,482,500**	1,425,837
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	**1,482,500**	1,425,837
Cash and cash equivalents as stated in the statement of cash flows		**1,482,500**	1,425,837

Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	22	**143,788**	143,788
CURRENT ASSETS			
Prepayments and other receivables	30	**7**	54
Dividend receivable		**738,226**	—
Due from subsidiaries	22	**2,908,486**	3,362,117
Cash and cash equivalents	32	**2,486**	3,663
Total current assets		**3,649,205**	3,365,834
CURRENT LIABILITIES			
Other payables and accruals	34	**270**	245
Due to subsidiaries	22	**12,848**	12,852
Due to related parties		**9,826**	1,479
Convertible bonds		**869,681**	—
Total current liabilities		**892,625**	14,576
NET CURRENT ASSETS		**2,756,580**	3,351,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,900,368**	3,495,046
NON-CURRENT LIABILITIES			
Convertible bonds		**—**	844,363
Net assets		**2,900,368**	2,650,683
EQUITY			
Issued capital	37	**480,407**	481,988
Equity component of convertible bonds	36	**119,125**	119,125
Reserves	39 (b)	**2,200,693**	1,793,445
Proposed final dividends	15/39 (b)	**100,143**	256,125
Total equity		**2,900,368**	2,650,683

Huang Mao Ru
Director

Wang Bin
Director

Notes to Financial Statements

31 December 2012

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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, 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 2012, the Group had net current liabilities of approximately RMB1,058,406,000. 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 2012. 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.

Notes to Financial Statements

31 December 2012

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendments	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures –Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

Notes to Financial Statements

31 December 2012

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	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
IFRS 9	*Financial Instruments* [4]
IFRS 10	*Consolidated Financial Statements* [2]
IFRS 11	*Joint Arrangements* [2]
IFRS 12	*Disclosure of Interests in Other Entities* [2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*[3]
IFRS 13	*Fair Value Measurement* [2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [1]
IAS 19 (2011)	*Employee Benefits* [2]
IAS 27 (2011)	*Separate Financial Statements* [2]
IAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets And Financial Liabilities* [3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]
Annual Improvements 2009 – 2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

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

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

Notes to Financial Statements

31 December 2012

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

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. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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 addressed the issues raised in SIC 12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

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 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.

Notes to Financial Statements

31 December 2012

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

In July 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

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 (2011) and IAS 28 (2011), and the subsequent amendments to the standards issued in July and December 2012 from 1 January 2013.

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.

The IAS 1 Amendments 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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. 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.

Notes to Financial Statements

31 December 2012

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

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to IFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) IAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 to measure 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 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

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 acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

Where goodwill has been allocated to forms part of a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

(a) the party 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).

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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 including 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.

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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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 realisable value at the end of reporting period and any excess of cost over net realisable 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.

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 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial 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.

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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the 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.

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31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)
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 them. 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 other income and gains in the 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.

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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Convertible bonds

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

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

Inventories

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

Completed properties held for sale

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

Cash and cash equivalents

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

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

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Coupon liabilities

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

Income tax

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

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

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

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

- 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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward 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.

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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) Direct sales of merchandise and sale of 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 over the expected life of the financial instrument to the net carrying amount of the financial asset.

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

Share-based payments

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 payments, 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 38 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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 payments, 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.

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.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

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

Foreign currencies

The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the British Virgin Islands and Hong Kong have Hong Kong dollars ("**HK$**") as their functional currency. The functional currency of the PRC subsidiaries is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 prevailing 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.

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.

Notes to Financial Statements

31 December 2012

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 their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Notes to Financial Statements

31 December 2012

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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31 December 2012

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, the 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 the 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 2012

	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	3,186,805	344,978	10,936	–	3,542,719
Intersegment revenue	–	20,478	–	(20,478)	–
Other income	794,610	8,544	3,985	–	807,139
Segment cost & expenditure:					
Cost of sales	(1,255,409)	(188,267)	(726)	–	(1,444,402)
Employee expenses	(337,033)	(27,403)	(5,263)	–	(369,699)
Depreciation and amortisation	(290,639)	(46,923)	(6,041)	–	(343,603)
Operating lease rental expenses	(241,606)	(10,947)	(100)	15,408	(237,245)
Other operating expenses	(767,143)	(90,868)	(6,590)	5,070	(859,531)
Other gains/(loss)	270,884	3,556	(13)	–	274,427
Operating profit/(loss)	1,360,469	13,148	(3,812)	–	1,369,805
Finance costs	(29,184)	(103,471)	(160)	–	(132,815)
Share of profits and losses of associates	–	–	(76)	–	(76)
Segment profit/(loss) before tax	1,331,285	(90,323)	(4,048)	–	1,236,914
Income tax expense	(363,080)	24,387	333	–	(338,360)
Segment profit/(loss) for the year	968,205	(65,936)	(3,715)	–	898,554
Attributable to:					
Owners of the parent	881,876	(78,275)	(1,781)	–	801,820
Non-controlling interests	86,329	12,339	(1,934)	–	96,734
	968,205	(65,936)	(3,715)	–	898,554
Other segment information					
Impairment losses recognised in the income statement	18,320	1,095	–	–	19,415
Impairment losses reversed in the income statement	(161)	(107)	–	–	(268)
Investments in associates	–	–	12,049	–	12,049
Capital expenditure*	838,088	2,537,567	1,454	–	3,377,109

* 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

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4. OPERATING SEGMENT INFORMATION (continued)

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	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	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 2012

5. REVENUE

	Group 2012 RMB'000	2011 RMB'000
Commissions from concessionaire sales	**1,619,309**	1,517,865
Direct sales	**1,395,226**	1,436,983
Rental income from the leasing of shop premises	**173,006**	167,138
Management fee income from the operation of department stores	**3,871**	3,894
Rental income from investment properties	**72,948**	129,312
Sale of properties	**272,030**	93,683
Others	**6,329**	8,149
	3,542,719	3,357,024

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

	Group 2012 RMB'000	2011 RMB'000
Total sales proceeds from concessionaire sales	**9,672,014**	8,992,880
Commissions from concessionaire sales	**1,619,309**	1,517,865

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

	Group 2012 RMB'000	2011 RMB'000
Rental income	**96,669**	91,110
Sublease rental income	**76,337**	74,553
Contingent rental income	**—**	1,475
	173,006	167,138

6. OTHER INCOME

	Group 2012 RMB'000	2011 RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**433,539**	424,746
– Promotion income	**189,535**	180,113
– Credit card handling fees	**126,861**	114,693
Interest income	**18,885**	8,072
Others	**38,319**	38,684
	807,139	766,308

Notes to Financial Statements

31 December 2012

7. COST OF SALES

	Group 2012 RMB'000	2011 RMB'000
Purchases of and changes in inventories	**1,255,409**	1,282,221
Cost of properties sold	**188,267**	52,640
Others	**726**	285
	1,444,402	1,335,146

8. EMPLOYEE EXPENSES

	Note	Group 2012 RMB'000	2011 RMB'000
Wages and salaries		**337,367**	323,605
Equity-settled share option expense/(reversal of expense)	38	**(25,498)**	6,069
Retirement benefits		**40,011**	31,687
Other employee benefits		**17,819**	14,133
		369,699	375,494

Details of directors' and chief executive's remuneration included in employee expenses are as follows:

	Group 2012 RMB'000	2011 RMB'000
Fees	**633**	647
Other emoluments:		
Salaries and allowances	**1,914**	1,630
Equity-settled share option expenses	**(1,698)**	404
Retirement benefits	**34**	32
	250	2,066
	883	2,713

Notes to Financial Statements

31 December 2012

8. EMPLOYEE EXPENSES (continued)

During the year ended 31 December 2012, 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 38 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' and chief executive's remuneration disclosures.

(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 2012			
Mr. Pao Ping Wing	**195**	**(185)**	**10**
Mr. Leung Hon Chuen	**146**	**(185)**	**(39)**
Mr. Chow Chan Lum	**292**	**(185)**	**107**
	633	**(555)**	**78**
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

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2012 (2011: Nil).

Notes to Financial Statements

31 December 2012

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 2012					
Executive directors:					
Mr. Huang Mao Ru	**—**	**120**	**—**	**—**	**120**
Mr. Zhong Pengyi	**—**	**120**	**(185)**	**—**	**(65)**
Ms. Wang Fuqin	**—**	**791**	**(735)**	**17**	**73**
Mr. Wang Bin	**—**	**883**	**(223)**	**17**	**677**
	—	**1,914**	**(1,143)**	**34**	**805**
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

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2012 (2011: Nil).

Mr. Huang Mao Ru is also the chief executive of the Company.

Notes to Financial Statements

31 December 2012

8. EMPLOYEE EXPENSES (continued)

(c) Five highest paid employees

The five highest paid employees during the year included two (2011: two) directors, details of whose remuneration are set out in note 8 (b) above. Details of the remuneration for the year of the remaining three (2011: three) non-director, highest paid employees (which are senior management) for the year are as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries and allowances	**2,406**	2,653
Equity-settled share option expenses	**(1,941)**	462
Retirement benefits	**79**	48
	544	3,163

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

	2012	2011
Nil to RMB1,000,000	**3**	1
RMB1,000,001 to RMB2,000,000	**—**	2
RMB2,000,001 to RMB4,000,000	**—**	—
	3	3

During the year ended 31 December 2012, 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 38 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.

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9. OPERATING LEASE RENTAL EXPENSES

	Group	
	2012	2011
	RMB'000	RMB'000
Operating lease rental	**207,164**	190,542
Operating sublease rental	**30,081**	25,694
	237,245	216,236

10. OTHER OPERATING EXPENSES

		Group	
		2012	2011
	Notes	**RMB'000**	RMB'000
Utility expenses		**206,714**	191,162
Promotion and advertising expenses		**67,712**	69,722
Repair and maintenance expenses		**109,949**	93,815
Entertainment expenses		**18,469**	18,801
Office expenses		**42,034**	50,124
Other tax expenses		**252,532**	230,219
Professional service fees		**33,355**	13,776
Auditors' remuneration		**6,013**	4,990
Bank charges		**68,480**	64,395
Impairment of inventories	26	**988**	21
Impairment of trade receivables	29	**1,870**	1,309
Impairment of other receivables	30	**16,289**	123
Others		**35,126**	33,607
		859,531	772,064

Notes to Financial Statements

31 December 2012

11. OTHER GAINS

	Group 2012 RMB'000	2011 RMB'000
Loss on disposal of items of property, plant and equipment	**(468)**	(659)
Gain on disposal of land lease prepayments	**—**	10,232
Gain on disposal of investment properties	**3,458**	3,358
Foreign exchange gain/(loss), net	**292**	(9,030)
Fair value gain/(loss) on equity investments at fair value through profit or loss	**56**	(2,585)
Gain/(loss) on disposal of equity investments at fair value through profit or loss	**339**	(432)
Gain on disposal of available-for-sale equity investments	**174,019**	20,317
Loss of a department store operation shared by a fellow subsidiary of the Group (note 42 (a) (vii))	**38,000**	38,000
Dividend income from available-for-sale equity investments	**13,834**	6,326
Dividend income from equity investments at fair value through profit or loss	**188**	162
Others	**44,709**	42,184
	274,427	107,873

12. FINANCE COSTS

	Group 2012 RMB'000	2011 RMB'000
Interest on bank loans	**274,351**	178,010
Interest on convertible bonds (note 36)	**54,627**	53,785
Total interest expense on financial liabilities not at fair value through profit or loss	**328,978**	231,795
Less: Interest capitalised	**(199,829)**	(47,661)
	129,149	184,134
Other finance costs:		
Increase in discounted amounts of consideration payable	**3,666**	4,659
	132,815	188,793

Notes to Financial Statements
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13. INCOME TAX EXPENSE

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 2012 (2011: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at a statutory rate of 25% (2011: 24% or 25%) on their respective taxable income.

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 RMB8,466,000 is charged to the consolidated income statement for the year ended 31 December 2012 (2011: RMB10,669,000).

	Group	
	2012	2011
	RMB'000	RMB'000
Group:		
Current – CIT	**373,536**	290,257
Current – LAT	**8,466**	10,669
Deferred (note 25)	**(43,642)**	(18,047)
Total tax charge for the year	**338,360**	282,879

Notes to Financial Statements

31 December 2012

13. INCOME TAX EXPENSE (continued)

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

	Group			
	2012		2011	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,236,914**		1,017,768	
Tax at the statutory tax rate	**309,229**	**25**	254,442	25
Lower tax rates for specific districts or countries	**(10,321)**	**(1)**	(5,430)	—
Income not subject to tax	**(1,730)**	**—**	(596)	—
Expenses not deductible for tax	**5,333**	**—**	2,629	—
Effect of withholding tax at applicable rate on the distributable profits of the Group's PRC subsidiaries	**19,228**	**2**	19,039	2
Tax losses not recognised	**15,765**	**1**	5,557	—
LAT	**8,466**	**1**	10,669	1
Tax effect of LAT	**(2,116)**	**—**	(2,667)	—
Others	**(5,494)**	**(1)**	(764)	—
Tax charge at the Group's effective tax rate	**338,360**	**27**	282,879	28

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB696,195,000 (2011: loss of RMB73,820,000) which has been dealt with in the financial statements of the Company (note 39 (b)).

Notes to Financial Statements

31 December 2012

15. DIVIDENDS

	2012	2011
	RMB'000	RMB'000
Proposed final dividend (not recognised as a liability as at 31 December)		
– HK2.3 cents (2011: HK5.9 cents) per ordinary share	**100,143**	256,125
	100,143	256,125

16. 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 2012 attributable to ordinary equity holders of the parent of RMB801,820,000 (2011: RMB640,312,000) and the weighted average number of ordinary shares of 5,370,609,411 in issue during the year (2011: 5,327,091,307).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of the convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

Notes to Financial Statements

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17. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fittings and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012							
At 31 December 2011 and at 1 January 2012:							
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
At 1 January 2012, net of accumulated depreciation and impairment	2,417,744	155,990	11,133	66,299	246,749	748,795	3,646,710
Additions	6,860	4,222	3,372	10,409	401	811,814	837,078
Disposals	–	(2,141)	(1,354)	(579)	(4,460)	–	(8,534)
Depreciation provided during the year	(116,001)	(22,704)	(444)	(17,185)	(52,180)	–	(208,514)
Transfer to property under development	–	–	–	–	–	(26,323)	(26,323)
Transfers	256,264	5,934	–	207	27,475	(289,880)	–
Exchange realignment	(121)	–	–	–	–	–	(121)
At 31 December 2012, net of accumulated depreciation and impairment	2,564,746	141,301	12,707	59,151	217,985	1,244,406	4,240,296
At 31 December 2012:							
Cost	3,133,455	367,121	17,884	217,193	479,071	1,251,018	5,465,742
Accumulated depreciation and impairment	(568,709)	(225,820)	(5,177)	(158,042)	(261,086)	(6,612)	(1,225,446)
Net carrying amount	2,564,746	141,301	12,707	59,151	217,985	1,244,406	4,240,296

Amortisation of land lease payments of approximately RMB28,038,000 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 35 (a).

Notes to Financial Statements

31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Certificates of ownership in respect of certain buildings of the Group with a net carrying amount of approximately RMB270,517,000 as at 31 December 2012 (31 December 2011: RMB394,177,000) 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 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	541,989	28,995	913	12,885	4,774	42,015	631,571
Transfer to Investment properties (note 18)	(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

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18. INVESTMENT PROPERTIES

	Notes	Group 2012 RMB'000	2011 RMB'000
Cost at 1 January, net of accumulated depreciation		**428,221**	292,199
Additions		**99,667**	89,789
Disposals		**(2,904)**	(8,700)
Transfer from property, plant and equipment	17	**—**	3,169
Transfer from property under development	27	**—**	66,718
Depreciation provided during the year		**(15,686)**	(14,954)
At 31 December		**509,298**	428,221
At 31 December:			
Cost		**645,978**	549,833
Accumulated depreciation		**(136,680)**	(121,612)
Net carrying amount		**509,298**	428,221

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 40 (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 33 and 35 (b).

Certificates of ownership in respect of certain investment properties of the Group located in Anhui with a net carrying amount of approximately RMB24,104,000 as at 31 December 2012 (31 December 2011: RMB26,264,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

At 31 December 2012, the fair value of the Group's investment properties was approximately RMB1,563,355,000 (31 December 2011: RMB1,443,198,000), which was based on the valuation by DTZ Debenham Tie Leung Limited ("**DTZ**"), independent professionally qualified valuers, on an open market, existing use basis.

19. LAND LEASE PREPAYMENTS

	Note	Group 2012 RMB'000	2011 RMB'000
Carrying amount at 1 January		**4,106,464**	3,760,402
Acquisition of subsidiaries		**—**	404,790
Additions		**1,555**	273,789
Transfer to properties under development	27	**(97,299)**	(171,162)
Transfer from properties under development	27	**1,973**	1,030
Disposals		**(6,017)**	(26,507)
		4,006,676	4,242,342
Amortisation provided during the year		**(145,527)**	(135,878)
Carrying amount at 31 December		**3,861,149**	4,106,464
Current portion included in prepayments, deposits and other receivables		**(143,973)**	(142,479)
Non-current portion		**3,717,176**	3,963,985

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 33 and 35 (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 RMB115,213,000 as at 31 December 2012 (31 December 2011: RMB118,022,000).

Included in the amortisation provided during the year is an amount of approximately RMB28,038,000, 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 17).

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20. GOODWILL

	Group	
	2012	2011
	RMB'000	RMB'000
At 1 January, net of accumulated impairment	**641,680**	537,050
Acquisition of subsidiaries	**—**	104,630
At 31 December	**641,680**	641,680
At 31 December:		
Cost	**647,449**	647,449
Accumulated impairment	**(5,769)**	(5,769)
Net carrying amount	**641,680**	641,680

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	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
At 31 December 2012 and 2011	637,167	4,513	641,680

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 7% to 15% (2011: 12% to 17%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from nil to 5% (2011: 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.

20. GOODWILL (continued)

Assumptions were used in the value in use calculation of the CGUs for 31 December 2012 and 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

Purchase price inflation - Management has considered the possibility of increases in purchase price inflation ranging from nil to 5% (2011: nil to 5%).

21. OTHER INTANGIBLE ASSETS

Group	**Computer software**	
	2012	2011
	RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation	**6,823**	4,148
Additions	**909**	3,874
Acquisition of a subsidiary	**—**	570
Disposal	**—**	(30)
Amortisation provided during the year	**(1,914)**	(1,739)
At 31 December	**5,818**	6,823
At 31 December:		
Cost	**11,370**	10,461
Accumulated amortisation	**(5,552)**	(3,638)
Net carrying amount	**5,818**	6,823

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

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	**143,788**	143,788

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,908,486,000 (31 December 2011: RMB3,362,117,000) and RMB12,848,000 (31 December 2011: RMB12,852,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

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22. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Maoye Department Store Holdings Limited (茂業百貨控股有限公司)	British Virgin Islands 11 September 2007	US$2/US$50,000	100	–	Investment holding
Maoye Department Stores (China) Limited ("**Maoye China**") (茂業百貨(中國)有限公司)	Hong Kong 7 December 1993	HK$100,000	–	100	Investment holding
Zhongzhao Commercial Market Development (Shenzhen) Co., Ltd. ("**Zhongzhao Commercial**") (中兆商業市場開發(深圳) 有限公司) **	PRC/Mainland China 18 June 2004	HK$1,000,000	–	100	Investment holding
Zhongzhao Investment Management Co., Ltd. ("**Zhongzhao Investment**") (中兆投資管理有限公司) **	PRC/Mainland China 28 October 1997	RMB50,000,000	–	100	Investment holding
Dahua Investment (China) Limited ("**Dahua Investment**") (大華投資(中國)有限公司)	Hong Kong 28 May 2008	HK$100/ HK$10,000	–	100	Investment holding
Shenzhen Maoye Shangsha Co., Ltd. (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
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 Maoye Commercial Investment Consulting Co., Ltd. (深圳茂業商用投資顧問有限公司) **	PRC/Mainland China 18 August 2008	US$30,000,000	–	100	Investment holding

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22. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenzhen Maoye Tiandi Investment Consulting Co., Ltd. (深圳茂業天地投資顧問有限公司) **	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. ("**Shenyang Maoye Times**") (瀋陽茂業時代置業有限公司) **	PRC/Mainland China 24 September 2007	RMB8,000,000	–	100	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**") (泰州第一百貨商店股份有限公司) **	PRC/Mainland China 20 May 1994	RMB18,950,000	–	97.31	Operation of a department store
Wuxi Yibai Property Limited ("**Wuxi Yibai**") (無錫億百置業有限公司) **	PRC/Mainland China 15 April 2008	RMB202,500,000	–	90	Property development
Shenyang Maoye Department Store Co., Ltd. (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 Maoye Department Store Co., Ltd. (山東省淄博茂業百貨股份有限公司) **	PRC/Mainland China 7 January 1999	RMB143,887,180	–	80	Operation of a department store
Baoding Maoye Land and Real Estate Development Co., Ltd. (Formerly: Baoding Lingchuang Land and Real Estate Development Co., Ltd. ("**Baoding Lingchuang**") (保定茂業房地產開發有限公司) **	PRC/Mainland China 18 December 2006	RMB50,000,000	–	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

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22. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Taizhou Maoye Property Co., Ltd. (泰州茂業置業有限公司) **	PRC/Mainland China 8 November 2010	HK$1,124,800,000	–	100	Property development
Hong Kong Maoye Department Store (Yangzhou) Co., Ltd. (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 Maoye Shangsha Co., Ltd. (淄博茂業商厦有限公司) **	PRC/Mainland China 25 June 1994	RMB81,800,000	–	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	RMB6,000,000	–	80	Property leasing
Chengshang Group Co., Ltd. ("**Chengshang**") (成商集團股份有限公司) *	PRC/Mainland China 31 December 1993	RMB570,439,657	–	68.05	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	–	63.80	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	–	68.05	Operation of a department store
Chengdu People's Department Store (Group) Chunnan Co., Ltd. (成都人民商場(集團)春南有限公司司) **	PRC/Mainland China 9 March 1998	RMB26,000,000	–	68.05	Property leasing
Chengdu People's Department Store (Group) Luzhou Chuannan Co., Ltd. (成都人民商場(集團)瀘州川南有限責任公司) **	PRC/Mainland China 26 August 2003	RMB3,000,000	–	68.05	Operation of a department store
E'mei Shan Chengshang Phoenix Co., Ltd. (峨眉山成商鳳凰湖有限公司) **	PRC/Mainland China 11 March 1997	RMB33,730,000	–	54.44	Operation of a hotel and provision of ancillary services
Chengdu People's Department Store (Group) Mianyang Co., Ltd. (成都人民商場(集團)綿陽有限公司) "**	PRC/Mainland China 13 September 2007	RMB5,000,000	–	68.05	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	–	68.05	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	–	68.05	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 5 July 2008	RMB8,000,000	–	68.05	#
Heze Maoye Department Store Co., Ltd. (菏澤茂業百貨有限公司) **	PRC/Mainland China 29 December 2008	RMB5,000,000	–	61.25	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	RMB445,521,564	–	46.70	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	–	46.70	Property leasing

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22. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Qinhuangdao 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	–	46.70	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	–	46.70	Property leasing
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	–	46.70	Property management
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	–	46.70	Operation of a department store
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	–	46.62	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	–	46.47	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	–	46.47	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	–	46.56	Property development
Jiangsu Maoye Department Stores (江蘇茂業百貨有限公司) **	PRC/Mainland China 9 May 2012	RMB325,000,000	–	100	Property development
Baotou Maoye Dongzheng Real Estate Development Co., Ltd. (包頭市茂業東正房地產開發有限公司) **	PRC/Mainland China 26 October 2011	RMB10,000,000	–	70	Property development
Qinhuangdao Maoye Business Management Co., Ltd. (秦皇島茂業商業管理有限公司) **	PRC/Mainland China 29 January 2012	RMB500,000	–	100	#
Shandong Weizhou Maoye Property Co., Ltd. (山東濰州茂業置業有限公司) **	PRC/Mainland China 19 September 2012	RMB20,000,000	–	75	#
Laiwu Maoye Property Co., Ltd (萊蕪茂業置業有限公司) **	PRC/Mainland China 25 December 2012	RMB20,000,000	–	100	#
Shenzhen Maoye Investment Holdings Co., Ltd. (深圳茂業投資控股有限公司) **	PRC/Mainland China 24 August 2012	RMB1,000,000	–	68.05	#

* 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 PRC law.

The companies have not yet commenced operation.

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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23. INVESTMENTS IN ASSOCIATES

	Group 2012 RMB'000	2011 RMB'000
Share of net assets	**12,049**	12,260

The Group's balances with its associates as at 31 December 2012 and 2011 are disclosed in note 42 (b).

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

Company name	Place and date of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest attributable to the Group Direct %	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	–	20.71	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	–	20.71	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	–	13.53*	Construction and maintenance of a television network

* Sichuan New Century Cable Television Networks Construction Co., Ltd. (四川新世紀有綫電視網絡建設有限責任公司), a 62.11% owned subsidiary of Chengshang, has a 32% equity interest in Ya'an New Century. Accordingly, the Group holds a 13.53% equity interest in Ya'an New Century indirectly.

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

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23. INVESTMENTS IN ASSOCIATES (continued)

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

Name of associate	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(Loss) RMB'000
Year ended 31 December 2012				
Ya'an New Century	**5,558**	**357**	**489**	**346**
Guangyuan New Century	**9,469**	**7,161**	**3,690**	**(456)**
Leshan Shawan New Century	**5,133**	**593**	**2,393**	**34**
	20,160	**8,111**	**6,572**	**(76)**
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

24. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2012 RMB'000	2011 RMB'000
Listed equity investments, at fair value		
Shanghai	**687,154**	225,402
Shenzhen	**117,354**	301,161
	804,508	526,563
Unlisted equity investments, at cost	**161,527**	261,527
	966,035	788,090
Provision for impairment	**(5,885)**	(5,885)
	960,150	782,205

During the year, the gross loss in respect of changes in fair value of the Group's available-for-sale equity investments recognised in other comprehensive income amounted to RMB5,706,000 (2011: gross gain RMB22,302,000).

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.

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

The unlisted equity investments are stated at cost less any accumulated impairment losses because there are no quoted market prices for these equity investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

25. 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	Unrealised intercompany transaction profit RMB'000	Total RMB'000
At 1 January 2011	14,757	23,346	23,544	—	61,647
Acquisition of subsidiaries	—	—	993	—	993
Deferred tax credited 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
Deferred tax credited/(charged) to the consolidated income statement during the year (note 13)	2,759	(2,571)	30,823	25,704	56,715
At 31 December 2012	**15,655**	**20,806**	**78,457**	**25,704**	**140,622**

The Group had tax losses of approximately RMB382,197,000 as at 31 December 2012 (31 December 2011: RMB224,657,000), 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 RMB68,369,000 as at 31 December 2012 (31 December 2011 RMB 34,121,000) 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.

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25. 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 2011	315,783	74,670	8,521	12,733	1,372	413,079
Acquisition of subsidiaries	174,112	–	–	–	–	174,112
Deferred tax debited 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
Deferred tax credited to equity during the year	–	(39,704)	–	–	–	(39,704)
Deferred tax charged/(credited) to the consolidated income statement during the year (note 13)	(23,655)	–	4,558	(11,438)	43,608	13,073
At 31 December 2012	**447,085**	**41,961**	**17,253**	**8,786**	**55,690**	**570,775**

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 2012, there was no significant unrecognised deferred tax liability (2011: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates.

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26. INVENTORIES

	Group	
	2012	2011
	RMB'000	RMB'000
Merchandise for resale	**281,147**	288,070
Provision against slow-moving inventories	**(2,000)**	(6,093)
	279,147	281,977

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

	Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**6,093**	6,172
Provision recognised during the year (note 10)	**988**	21
Amount written off during the year	**(5,081)**	(100)
At 31 December	**2,000**	6,093

27. PROPERTIES UNDER DEVELOPMENT

		Group	
		2012	2011
	Notes	**RMB'000**	RMB'000
Land lease prepayments, at cost			
At beginning of year		**1,161,038**	875,738
Additions		**1,734,211**	124,228
Transfer from land lease prepayments	19	**97,299**	171,162
Transfer to land lease prepayments	19	**(1,973)**	(1,030)
Transfer to completed properties held for sale		**(21,925)**	(9,060)
At 31 December		**2,968,650**	1,161,038
Development expenditure, at cost			
At beginning of year		**630,160**	301,824
Additions		**703,689**	479,565
Transfer from property, plant and equipment		**26,323**	—
Transfer to investment properties	18	**—**	(66,718)
Transfer to completed properties held for sale		**(259,249)**	(84,511)
At 31 December		**1,100,923**	630,160
		4,069,573	1,791,198

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27. PROPERTIES UNDER DEVELOPMENT (continued)

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 35 (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 RMB669,500,000 as at 31 December 2012 (31 December 2011: RMB645,938,000).

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	RMB'000	RMB'000
Listed equity investments	**959**	8,674

29. 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	
	2012	2011
	RMB'000	RMB'000
Within 60 days	**16,722**	43,303
61 to 90 days	**624**	135
91 to 180 days	**1,157**	2,464
181 to 270 days	**1,729**	2,109
271 to 360 days	**—**	184
Over 360 days	**23,615**	5,171
	43,847	53,366
Impairment of trade receivables	**(7,005)**	(5,454)
	36,842	47,912

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29. TRADE RECEIVABLES (continued)

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	
	2012	2011
	RMB'000	RMB'000
At 1 January	**5,454**	4,496
Impairment losses recognised during the year (note 10)	**1,870**	1,309
Amount written off during the year	**(319)**	(351)
At 31 December	**7,005**	5,454

Included in the above provision for impairment of trade receivables as at 31 December 2012 is a provision for individually impaired trade receivables of approximately RMB7,005,000 (31 December 2011: RMB5,454,000) with a gross carrying amount before provision of approximately RMB7,005,000 (31 December 2011: RMB5,454,000). 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.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**709,930**	1,102,725	**—**	—
Current assets				
Prepayments	**210,245**	353,039	**7**	54
Other receivables	**447,352**	251,320	**—**	—
	657,597	604,359	**7**	54
Impairment of other receivables	**(32,480)**	(16,414)	**—**	—
	625,117	587,945	**7**	54

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30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Included in the Group's prepayments and other receivables under current assets as at 31 December 2012 were prepayments for operating lease rental expenses of RMB2,420,000 covering the period from January to December 2012 (31 December 2011: RMB129,225,000) and rental deposits of RMB15,786,000 (31 December 2011: 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	
	2012	2011
	RMB'000	RMB'000
At 1 January	**16,414**	16,401
Impairment losses recognised during the year (note 10)	**16,289**	123
Amount written off during the year	**(223)**	(110)
At 31 December	**32,480**	16,414

Included in the above provision for impairment of other receivables as at 31 December 2012 is a provision for individually impaired other receivables of approximately RMB32,480,000 (31 December 2011: RMB16,414,000) with a gross carrying amount of approximately RMB32,480,000 (31 December 2011: RMB16,414,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

31. LOAN AND RECEIVABLE

Pursuant to an agreement between Shenzhen Maoye (Group) Co., Ltd. ("**Shenzhen Maoye Group**") (深圳茂業(集團)股份有限公司), the fellow subsidiary of the Group, and the Group signed on 22 November 2011, the Group agreed to provide a loan to Shenzhen Maoye Group with an amount not exceeding RMB250,000,000 for the development of a commercial property with an annual interest of 15%. Upon completion of the development of the commercial property, Shenzhen Maoye Group agreed to grant the first right of purchase and the first right of lease of the commercial property to the Group. The loan shall be repaid by Shenzhen Maoye Group on the demand of the Group within two years since 22 November 2011.

On 20 June 2012, an amount of RMB100,000,000 was paid by the Group to Shenzhen Maoye Group as the first instalment of the loan.

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32. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2012	2011	**2012**	2011
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**1,389,771**	1,297,964	**2,486**	3,663
Time deposits		**132,884**	129,403	**—**	—
		1,522,655	1,427,367	**2,486**	3,663
Less: Pledged time deposits					
for bills payable	33	**(5,820)**	(1,530)	**—**	—
Pledged bank balances					
for construction in progress		**(25,145)**	—	**—**	—
Other pledged bank balances		**(9,190)**	—	**—**	—
Cash and cash equivalents		**1,482,500**	1,425,837	**2,486**	3,663

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,513,990**	1,411,509	**—**	—
Hong Kong dollar	**8,294**	14,360	**2,295**	3,467
United States dollar	**359**	360	**191**	196
Euro	**—**	1,127	**—**	—
Great Britain pound	**12**	11	**—**	—
	1,522,655	1,427,367	**2,486**	3,663

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 of the Group denominated in Renminbi ("**RMB**") amounted to RMB1,513,990,000 (2011: RMB1,411,509,000). 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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33. 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	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**1,766,020**	1,622,517
91 to 180 days	**169,101**	133,373
181 to 360 days	**56,183**	156,271
Over 360 days	**202,932**	41,666
	2,194,236	1,953,827

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

The Group's bills payable amounting to RMB27,798,000 as at 31 December 2012 (31 December 2011: RMB5,100,000) were secured by the Group's time deposits amounting to RMB5,820,000 (31 December 2011: RMB1,530,000).

34. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income	**1,079,009**	1,002,929	**—**	—
Deposits received	**184,274**	176,825	**—**	—
Accrued operating lease rental expenses	**107,688**	82,030	**—**	—
Accrued utilities	**19,973**	16,643	**—**	—
Accrued liabilities	**80,985**	23,625	**153**	169
Accrued staff costs	**57,819**	61,318	**117**	76
Provision for coupon liabilities	**18,978**	16,207	**—**	—
Value-added tax and other tax payables	**(140,431)**	(168,599)	**—**	—
Other payables	**522,214**	761,451	**—**	—
	1,930,509	1,972,429	**270**	245

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

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35. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group	2012			2011		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured	**6.30-9.84**	**2013**	**1,054,000**	6.48-9.47	2012	975,000
Current portion of long term interest-bearing bank loans – secured	**6.52-7.91 Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate**	**2013**	**430,915**	6.11-7.65, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate	2012	510,973
Convertible bonds	**6.51**	**2013-2015***	**869,681**			–
Other loans	**4.71-6.57**	**2013**	**1,596,157**			–
			3,950,753			1,485,973
Non-current						
Long term interest-bearing bank loans – secured	**6.52-7.91, Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate**	**2014-2020**	**2,370,459**	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
Convertible bonds			**–**	6.51	2013-2015	844,363
			2,370,459			2,487,061
			6,321,212			3,973,034

Company	2012			2011		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Convertible bonds (note 36)	**6.51**	**2013-2015**	**869,681**			–
Non-current						
Convertible bonds (note 36)			**–**	6.51	2013-2015	844,363

* Convertible bonds were 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, for details, please refer to note 36.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank and other loans repayable:				
Within one year	**3,081,072**	1,485,973	**–**	–
In the second year	**319,269**	316,714	**–**	–
In the third to fifth years, inclusive	**779,763**	769,123	**–**	–
Beyond five years	**1,271,427**	556,861	**–**	–
	5,451,531	3,128,671	**–**	–

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Convertible bonds:				
Within one year	**869,681**	–	**869,681**	–
In the second year	**–**	844,363	**–**	844,363
	869,681	844,363	**869,681**	844,363

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB712,536,000 (31 December 2011: RMB505,039,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB91,668,000 (31 December 2011: RMB128,924,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB572,498,000 (31 December 2011: RMB1,209,554,000);

(d) certain completed properties held for sale of the Group with a net carrying amount of approximately RMB317,987,000 (31 December 2011: RMB497,964,000); and

(e) certain properties under development of the Group with a net carrying amount of approximately RMB910,196,000 (31 December 2011: RMB206,723,000).

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 RMB1,625,271,000 (2011: RMB1,062,560,000) as at the end of the reporting period.

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

The Group had the following undrawn banking facilities:

	Group	
	2012	2011
	RMB'000	RMB'000
Floating rate	**812,261**	530,570

36. CONVERTIBLE BONDS

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

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.

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36. 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 2011	844,363	119,125	963,488
Imputed Interest expense (note 12)	54,627	—	54,627
Interest paid	(28,425)	—	(28,425)
Exchange realignment	(884)	—	(884)
Carrying amount at 31 December 2012	**869,681**	**119,125**	**988,806**

37. ISSUED CAPITAL

	2012 HK$'000	2011 HK$'000
Authorised:		
9,000,000,000 (31 December 2011: 9,000,000,000) ordinary shares of HK$0.10 each	**900,000**	900,000
Issued and fully paid		
5,370,081,000 (31 December 2011: 5,388,014,000) ordinary shares of HK$0.10 each	**537,008**	538,801
Equivalent to RMB'000	**480,407**	481,988

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37. ISSUED CAPITAL (continued)

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

(a) 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$29,584,000 (equivalent to RMB23,931,000), 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		Aggregate consideration paid	
		Highest	Lowest		
		HK$	HK$	HK$'000	RMB'000
4 January 2012	4,714,000	1.68	1.59	7,821	6,343
5 January 2012	1,364,000	1.66	1.65	2,260	1,837
6 January 2012	2,561,000	1.66	1.62	4,231	3,442
9 January 2012	1,579,000	1.70	1.65	2,648	2,156
10 January 2012	458,000	1.72	1.69	782	636
11 January 2012	77,000	1.73	1.73	133	108
18 January 2012	3,702,000	1.88	1.85	6,950	5,657
19 January 2012	3,478,000	1.90	1.88	6,553	5,333
	17,933,000			31,378	25,512

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	Share premium account	Total
		RMB'000	RMB'000	RMB'000
At 1 January 2012	5,388,014,000	481,988	2,715,928	3,197,916
Repurchase and cancellation of shares	(17,933,000)	(1,581)	(23,931)	(25,512)
At 31 December 2012	**5,370,081,000**	**480,407**	**2,691,997**	**3,172,404**

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38. 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.

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 five eligible participants of the Company at an exercise price of HK$3.43 per share pursuant to the Scheme.

On 2 May 2012, a total of 650,000 share options were granted to two eligible participants of the Company at an exercise price of HK$1.96 per share pursuant to the Scheme.

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38. SHARE OPTION SCHEME (continued)

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

	2012		2011	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**2.844**	**38,299,000**	2.839	131,810,000
Granted during the year	**1.960**	**650,000**	—	—
Forfeited*	**2.829**	**(38,949,000)**	2.810	(49,980,800)
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

* 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.

No share options were exercised during the year (31 December 2011: The weighted average share price at the date of exercise for share options exercised during the year was HK$3.65 per share).

The Group reversed share option expenses of an amount of RMB25,498,000 during the year. At 31 December 2012 and the date of approval of these financial statements, the Company had nil share option outstanding under the Scheme.

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39. 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.

On 29 March 2012, Zhongzhao, one wholly-owned subsidiary of the Group, entered into an asset transfer agreement with its non-wholly-owned subsidiary, Bohai Logistics. Pursuant to the agreement, Zhongzhao has agreed to transfer its 100% equity interest on Qinhuangdao Maoye to Bohai Logistics. As the consideration, Bohai Logistics has agreed to issue to Zhongzhao such number of new shares of Bohai Logistics representing an aggregate value of RMB580,000,000 at an issue price of RMB5.45 per share. On 7 May 2012, Bohai Logistics assigned cash dividend and issue price adjusted to RMB5.43 per share. On 12 November, 2012, the transaction had been completed and 106,813,996 new Bohai Logistics shares had been issued by Bohai Logistics to Zhongzhao. Thereafter, the equity interest of Zhongzhao in Bohai Logistics had increased from 29.90% to 46.70%. The difference of RMB1,729,000 being the excess of the normal value of the new shares issued by Bohai Logistics over the normal value of the 100% equity interest on Qinhuangdao Maoye was recognised as contributed surplus.

(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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39. 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 (Restated) 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	Retained profit/ (Accumulated losses) (Restated) RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2011		1,405,825	119,125	39,469	–	152,671	(114,877)	(97,494)	–	1,504,719
Total comprehensive loss for the year		–	–	–	–	–	(109,973)	(73,820)	–	(183,793)
Equity-settled share option arrangement	38	–	–	6,069	–	–	–	–	–	6,069
Issue of shares		963,422	–	(20,040)	–	–	–	–	–	943,382
Repurchase and cancellation of shares		(83,334)	–	–	5,935	–	–	(5,935)	–	(83,334)
Share issue expenses		(18,348)	–	–	–	–	–	–	–	(18,348)
Proposed final dividend		(256,125)	–	–	–	–	–	–	256,125	–
As at 31 December 2011		2,011,440	119,125	25,498	5,935	152,671	(224,850)	(177,249)	256,125	2,168,695
Total comprehensive profit/(loss) for the year		–	–	–	–	–	(71)	696,195	–	696,124
Equity-settled share option arrangement	38	–	–	(25,498)	–	–	–	–	–	(25,498)
Repurchase and cancellation of shares	37	(23,931)	–	–	1,581	–	–	(1,581)	–	(23,931)
Final 2011 dividend		–	–	–	–	–	–	–	(256,125)	(256,125)
Interim 2012 dividends paid		(139,304)	–	–	–	–	–	–	–	(139,304)
Proposed final dividend		–	–	–	–	–	–	(100,143)	100,143	–
As at 31 December 2012		**1,848,205**	**119,125**	**–**	**7,516**	**152,671**	**(224,921)**	**417,222**	**100,143**	**2,419,961**

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40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18) and subleases its leased assets under operating lease arrangements, with leases negotiated for terms ranging from one to seventeen years.

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

Group	**2012** **RMB'000**	2011 RMB'000
Within one year	**125,704**	132,837
In the second to fifth years, inclusive	**164,332**	213,348
After five years	**142,665**	160,707
	432,701	506,892

(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 one to eighteen years.

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

Group	**2012** **RMB'000**	2011 RMB'000
Within one year	**184,484**	207,777
In the second to fifth years, inclusive	**635,276**	642,649
After five years	**274,650**	441,348
	1,094,410	1,291,774

41. COMMITMENTS

In addition to the operating lease commitments as set out in note 40 (b) above, the Group had the following capital commitments:

Group	**2012** **RMB'000**	2011 RMB'000
Contracted, but not provided for, in respect of land and buildings	**1,676,702**	816,604

Additionally, on 11 December 2012, Shenzhen Maoye Shangsha entered into an agreement with independent third parties to acquire 100% equity in Shangdong Weizhou Property Co., Ltd. at a total consideration of RMB309,500,000, which consisted of RMB64,500,000 as equity transfer consideration and RMB245,000,000 as repayment of the debt for Shandong Weizhou Property Co.,Ltd. Shenzhen Maoye Shangsha has not paid the equity transfer consideration and the transaction has not been completed yet.

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42. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2012 RMB'000	2011 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye Group (i) & (iv)	**22,040**	22,058
Zhong Zhao Investment (Group) Limited (中兆投資(集團)有限公司)(i) & (iv)	**8,578**	8,569
Shenzhen Orient Times (i) & (iv)	**54,689**	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)	**6,459**	6,408
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司)(i) & (iv)	**24,210**	19,239
Shenzhen Friendship Trading Centre Co., Ltd. ("**Shenzhen Friendship**") (深圳友誼貿易中心有限公司)(iii) & (iv) & (v)	**29,087**	27,260
Changzhou Taifu Real Estate Development Co., Ltd. (常州泰富房地產開發有限公司)(i) & (iv)	**7,115**	6,209
Shenyang Maoye Property Development Co., Ltd. ("**Maoye Property**")(瀋陽茂業置業有限公司)(i) & (iv)	**23,542**	24,009
	176,144	170,365
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)	**3,871**	3,957
Share of loss of a department store operation by:		
Maoye Property (i) & (vii)	**38,000**	38,000

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42. 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)

	2012 **RMB'000**	2011 RMB'000
(2) Non-recurring transactions		
Loan and receivable made to:		
Shenzhen Maoye Group (i) & (viii)	**107,500**	—
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i)	**850,000**	850,000
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (ix)	**1,600,000**	1,800,000
	2,450,000	2,650,000

(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 (i.e. from 1 May 2010 to 30 April 2012). The department store operated by the Group at the leased property recorded a loss of RMB1,467,000 for the period ended 30 April 2012. Accordingly, an amount of RMB1,467,000 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**") (沈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 the profit before tax, limited to the maximum amount of RMB10,000,000 per year.

(viii) The Group provided a loan to Shenzhen Maoye Group with an amount of RMB100,000,000, further details of which are given in note 31 to the financial statements.

(ix) 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.

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42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2012 **RMB'000**	2011 RMB'000
Due from related parties		
Due from associates	**—**	907
Due from fellow subsidiaries	**79,871**	40,518
Due from a non-controlling shareholder of a subsidiary	**15,316**	—
Due from a company significantly influenced by a director of the Company	**1,467**	2,347
	96,654	43,772
Due to related parties		
Due to associates	**506**	151
Due to a non-controlling shareholder of a subsidiary	**84,843**	19,228
Due to fellow subsidiaries	**17,011**	11,570
Due to a company significantly influenced by a director of the Company	**242**	537
	102,602	31,486

Included in the balances due from related parties and due to related parties as at 31 December 2012 were amounts of approximately RMB96,654,000 (31 December 2011: RMB42,865,000) and RMB17,253,000 (31 December 2011: 12,107,000), 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.

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management

	2012 RMB'000	2011 RMB'000
Salaries and allowances	**4,320**	4,283
Equity-settled share option	**(3,639)**	866
Retirement benefits	**113**	80
	794	5,229

Further details of directors' and the chief executive's remuneration are included in note 8.

The related party transactions in respect of items 42a (1) and 42a (2) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(d) Loan and receivable from a fellow subsidiary

	2012 RMB'000	2011 RMB'000
Shenzhen Maoye Group (note 31)	**107,500**	—

(e) 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 one to eight years.

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

Group	2012 RMB'000	2011 RMB'000
Within one year	**155,560**	125,203
In the second to fifth years, inclusive	**609,662**	375,319
After five years	**219,160**	186,604
	984,382	687,126

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43. 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:

2012

	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	–	–	–	12,049	–	12,049
Available-for-sale investments	–	–	–	–	960,150	960,150
Loan and receivable	–	–	–	107,500	–	107,500
Trade receivables	–	–	–	36,842	–	36,842
Financial assets included in prepayments, deposits and other receivables	–	–	–	414,872	–	414,872
Equity investments at fair value through profit or loss	–	959	–	–	–	959
Due from related parties	–	–	–	96,654	–	96,654
Pledged deposits	–	–	–	40,155	–	40,155
Cash and cash equivalents	–	–	–	1,482,500	–	1,482,500
	–	959	–	2,190,572	960,150	3,151,681

Financial liabilities	Financial liabilities at amortised cost RMB'000
Trade and bills payables	2,194,236
Financial liabilities included in other payables and accruals	972,953
Due to related parties	102,602
Convertible bonds	869,681
Interest-bearing bank and other borrowings	5,451,531
	9,591,003

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43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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	—	—	—	1,530	—	1,530
Cash and cash equivalents	—	—	—	1,425,837	—	1,425,837
	—	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	3,128,671
	6,998,209

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43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company	
	2012	2011
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Investments in subsidiaries	**143,788**	143,788
Prepayments and other receivables	**7**	54
Dividend receivable	**738,226**	—
Due from related parties	**2,908,486**	3,362,117
Cash and cash equivalents	**2,486**	3,663
	3,792,993	3,509,622

Financial liabilities

	2012	2011
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Other payables and accruals	**270**	245
Due to subsidiaries	**12,848**	12,852
Due to related parties	**9,826**	—
Convertible bonds	**869,681**	844,363
	892,625	857,460

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44. 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**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments – listed equity investments	**804,508**	526,563	**804,508**	526,563
Loan and receivable	**107,500**	—	**107,500**	—
Trade receivables	**36,842**	47,912	**36,842**	47,912
Financial assets included in prepayments, deposits and other receivables	**414,872**	234,909	**414,872**	234,909
Equity investments at fair value through profit or loss	**959**	8,674	**959**	8,674
Due from related parties	**96,654**	43,772	**96,654**	43,772
Pledged deposits	**40,155**	38,458	**40,155**	38,458
Cash and cash equivalents	**1,482,500**	1,388,909	**1,482,500**	1,388,909
	2,983,990	2,289,197	**2,983,990**	2,289,197
Financial liabilities				
Trade and bills payables	**2,194,236**	1,953,827	**2,194,236**	1,953,827
Financial liabilities included in other payables and accruals	**972,953**	1,039,862	**972,953**	1,039,862
Due to related parties	**102,602**	31,486	**102,602**	31,486
Convertible bonds	**869,681**	844,363	**888,392**	845,681
Interest-bearing bank and other borrowings	**5,451,531**	2,083,379	**5,451,531**	2,083,379
	9,591,003	5,952,917	**9,609,714**	5,954,235

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44. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company	**Carrying amounts**		**Fair values**	
	2012	2011	**2012**	2011
	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	**7**	54	**7**	54
Dividend receivable	**738,226**	—	**738,226**	—
Due from related parties	**2,908,486**	3,362,117	**2,908,486**	3,362,117
Cash and cash equivalents	**2,486**	3,663	**2,486**	3,663
	3,792,993	3,509,622	**3,792,993**	3,509,622
Financial liabilities				
Other payables and accruals	**270**	245	**270**	245
Due to subsidiaries	**12,848**	12,852	**12,848**	12,852
Due to related parties	**9,826**	—	**9,825**	—
Convertible bonds	**869,681**	844,363	**888,392**	845,681
	892,625	857,460	**911,335**	858,778

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.

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)

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44. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Assets measured at fair value

Group

As at 31 December 2012

	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	**959**	**—**	**—**	**959**
Available-for-sale equity investments:				
Equity shares	**804,508**	**—**	**—**	**804,508**
	805,467	**—**	**—**	**805,467**

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

During the year ended 31 December 2012, 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.

45. 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 35 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 2012			
RMB	**100**	**(67,358)**	**—**
RMB	**(100)**	**67,358**	**—**
31 December 2011			
RMB	100	(54,360)	—
RMB	(100)	54,360	—

* Excluding retained earnings

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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 29 and 30, respectively.

Liquidity risk

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

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

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

	31 December 2012			
Group	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and bills payables	–	2,194,236	–	2,194,236
Deposits received, accruals and other payables	–	972,953	–	972,953
Due to related parties	102,602	–	–	102,602
Convertible bonds	–	1,021,037	–	1,021,037
Interest-bearing bank and other borrowings	–	3,287,939	2,904,638	6,192,577
	102,602	7,476,165	2,904,638	10,483,405

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group		31 December 2011		
		Less than		
	On demand	1 year	Over 1 year	
	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

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

Company		**31 December 2012**		
		Less than		
	On demand	**1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Convertible bonds	**—**	**1,021,037**	**—**	**1,021,037**
Other payables and accruals	**270**	**—**	**—**	**270**
Due to subsidiaries	**12,848**	**—**	**—**	**12,848**
	13,118	**1,021,037**	**—**	**1,034,155**

Company		31 December 2011		
		Less than		
	On demand	1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible bonds	—	29,739	1,080,515	1,110,254
Other payables and accruals	245	—	—	245
Due to subsidiaries	12,852	—	—	12,852
	13,097	29,739	1,080,515	1,123,351

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31 December 2012

45. 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 2012 and 2011.

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 2012 and 2011 were as follows:

Group	**2012** **RMB'000**	2011 RMB'000
Interest-bearing bank loans and other borrowings	**5,451,531**	3,128,671
Less: Cash and cash equivalents and pledged deposits	**(1,522,655)**	(1,427,367)
	3,928,876	1,701,304
Net debt	**3,928,876**	1,701,304
Convertible bonds, the liability component	**1,021,037**	1,080,511
Equity attributable to owners of the parent	**5,670,659**	5,452,796
Adjusted capital	**6,691,696**	6,533,307
Capital and net debt	**10,620,572**	8,234,611
Gearing ratio	**37%**	21%

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as available-for-sale equity investments (note 24) and equity investments at fair value through profit or loss (note 28). The Group's listed equity investments are listed on the Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

Group	31 December 2012	Year ended 31 December 2012 High/low	31 December 2011	Year ended 31 December 2011 High/low
Shenzhen – A Share Index	**920**	**1,067/757**	907	1,378/867
Shanghai – A Share Index	**2,376**	**2,596/2,041**	2,304	3,212/2,236

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 2012 and 2011.

Group		Increase/ decrease in profit before tax RMB'000	Increase/ decrease in equity* RMB'000
31 December 2012			
Equity investments listed in:			
Shenzhen	— available-for-sale	**—**	**5,588**
	— at fair value through profit or loss	**—**	**—**
Shanghai	— available-for-sale	**—**	**32,722**
	— at fair value through profit or loss	**46**	**—**
31 December 2011			
Equity investments listed in:			
Shenzhen	— available-for-sale	—	11,270
	— at fair value through profit or loss	—	—
Shanghai	— available-for-sale	—	15,058
	— at fair value through profit or loss	389	—

* Excluding retained earnings

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46. EVENTS AFTER THE REPORTING PERIOD

On 9 January 2013, Shenzhen Maoye Shangsha issued notes with an amount of RMB800 million in the PRC. The notes carry a fixed interest rate of 5.52% and mature on 9 January 2016.

47. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 February 2013.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

REGISTERED OFFICE

Floor 4, Willow House, Cricket Square
P.O. Box 2804, Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE IN THE PRC

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

PLACE OF BUSINESS IN HONG KONG

Room 3301, 33/F
Office Tower Convention Plaza
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