ANNUAL REPORT 2013

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)

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

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 40 stores in 18 cities across the nation with a total gross floor area of approximately 1.3 million square metres, of which self-owned properties accounted for 74.6% 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 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. As at 31 December 2013, the distribution of stores of the Group are as follows:

	Southern China	Southwestern China	Eastern China	Northern China	Total
No. of Stores	7	12	12	9	40
Gross Floor Area (sq.m)	230,364	319,225	460,466	307,232	1,317,287

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 Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014).

Mission Statement

To become a leading department store chain operator in China

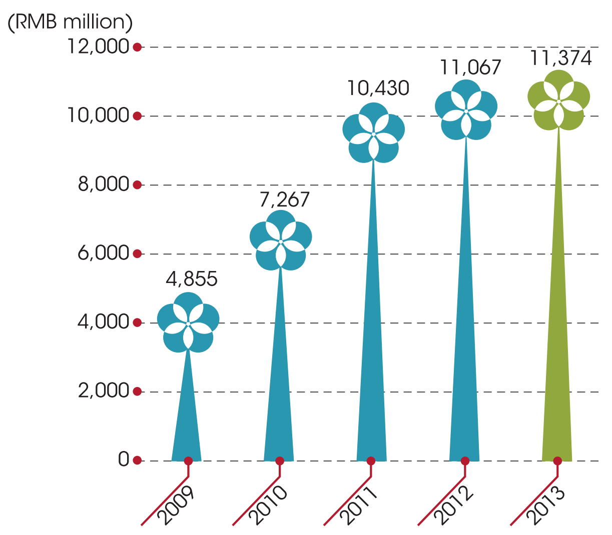
Financial Highlights

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

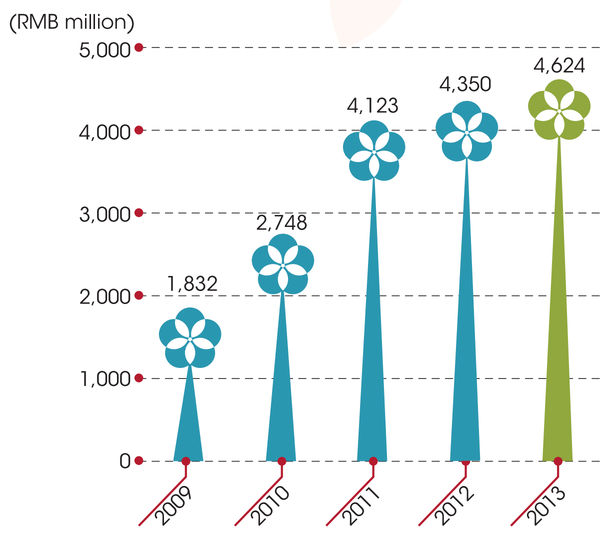
OPERATING RESULTS

	For the years ended 31 December				
	2013	2012	2011	2010	2009
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Total sales proceeds[1]	**11,374,363**	11,067,240	10,429,863	7,266,687	4,854,737
Total operating revenue[2]	**4,623,593**	4,349,858	4,123,332	2,748,350	1,832,071
Operating profit	**1,458,662**	1,369,805	1,206,063	917,441	702,749
Profit for the year	**913,114**	898,554	734,889	624,086	504,170
Profit attributable to:					
– Owners of the parent	**802,041**	801,820	640,312	576,597	470,107
– Non-controlling interests	**111,073**	96,734	94,577	47,489	34,063
Basic earnings per share (RMB)[3]	**0.155**	0.149	0.12	0.11	0.09
Total dividend per share for the year (HK cents)	**5.8**	5.5	5.9	1.8	3.1
– interim	**2.8**	3.2	—	1.8	1.6
– final	**3.0**	2.3	5.9	—	1.5

Total sales proceeds



Total operating revenue



Financial Highlights

HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Assets and liabilities					
Total assets	**20,078,127**	18,296,015	15,384,553	12,048,938	7,247,614
Total liabilities	**12,747,263**	11,251,136	8,639,435	7,108,387	3,492,027
Total equity	**7,330,864**	7,044,879	6,745,118	4,940,551	3,755,587
– Attributable to owners of the parent	**5,862,147**	5,670,659	5,452,796	3,899,584	3,417,326
– Minority interests	**1,468,717**	1,374,220	1,292,322	1,040,967	338,261

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 2013 is based on the net profit attributable to owners of the parent of approximately RMB802,041,000 and the 5,159,225,623 ordinary shares in issue.

   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.

Retail Network

	Store (City)	Gross floor area (sq. m.)	Operation Period[1] (year)	Property ownership
1	Shenzhen Dongmen	47,436	16.8	Owned [4]
2	Shenzhen Outlet	23,048	14.3	Leased [2]
3	Zhuhai Xiangzhou	23,715	12.2	Leased [2]
4	Shenzhen Huaqiangbei	59,787	10.2	Leased [2]
5	Chongqing Jiangbei	52,281	9.2	Leased [2]
6	Chengdu Yanshikou Phase I	53,873	8.6	Owned
7	Chengdu Beizhan	7,204	8.6	Owned
8	Chengdu Wuhou	16,000	8.6	Leased [3]
9	Nanchong Wuxing	25,195	8.6	Owned
10	Chengdu Wenjiang	8,400	8.6	Leased [3]
11	Shenzhen Shennan	10,507	7.2	Leased [2]
12	Wuxi Qingyang	68,292	6.2	Managed
13	Mianyang Linyuan	21,731	6.0	Owned
14	Nanchong Mofanjie	24,660	5.3	Owned
15	Mianyang Xingda	27,535	5.3	Owned
16	Qinhuangdao Jindu	46,610	5.3	Owned
17	Taiyuan Liuxiang	31,448	5.2	Owned
18	Shenzhen Nanshan	44,871	4.3	Owned
19	Chengdu Longquanyi	8,373	4.3	Leased [3]
20	Taizhou Yibai	40,358	4.3	Owned
21	Changzhou Wujin	25,321	4.0	Managed
22	Shenzhen Friendship	21,000	3.7	Leased [2]
23	Qinhuangdao Hualian	10,355	3.6	Owned
24	Qinhuangdao Shangcheng	26,696	3.6	Owned
25	Qinhuangdao Jinyuan	10,800	3.6	Owned
26	Qinhuangdao Xiandai	36,897	3.6	Leased [3]
27	Zibo Maoye Complex	115,000	3.2	Owned
28	Zibo Moaye Shopping Plaza	36,791	3.1	Owned
29	Zibo Maoye Building	21,229	3.1	Owned

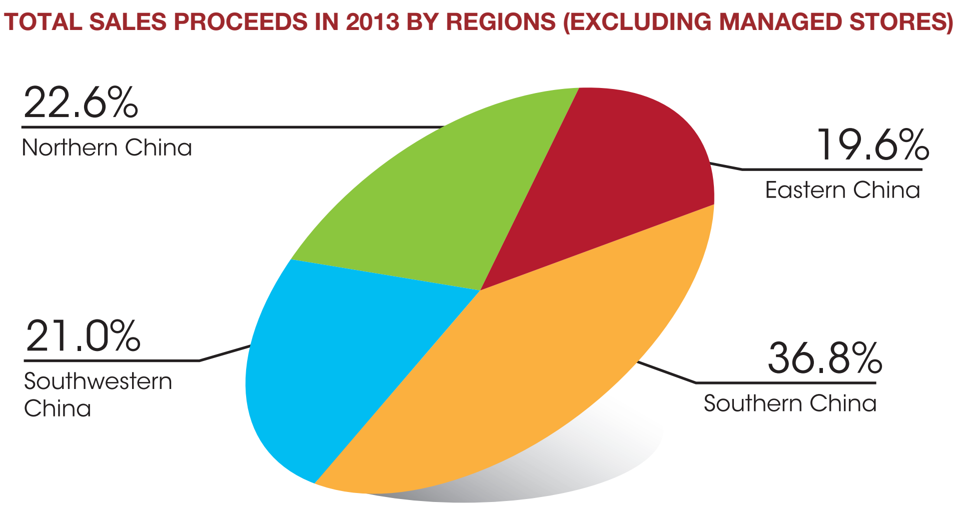
Retail Network

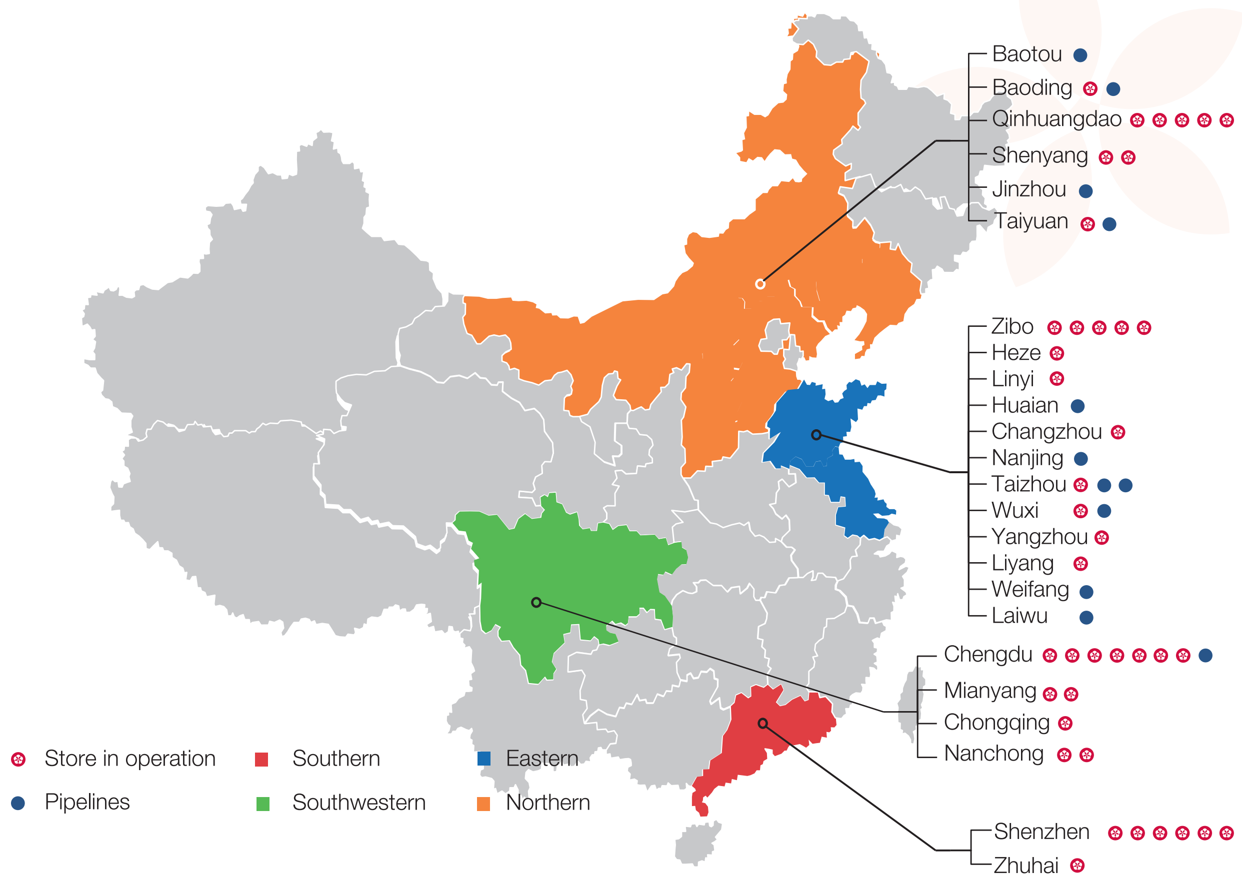
	Store (City)	Gross floor area (sq. m.)	Operation Period[1] (year)	Property ownership
30	Zibo Maoye Taikerong	25,337	3.1	Owned
31	Zibo Maoye Department Store	8,415	3.1	Leased [3]
32	Shenyang Jinlang	70,000	3.1	Managed
33	Baoding Guomao	24,826	3.1	Owned
34	Jiangsu Yangzhou	21,485	3.0	Owned
35	Chengshang Heze	29,426	2.8	Owned
36	Linyi Remin Plaza	44,500	2.3	Owned
37	Shenyang Tiexi	49,600	1.5	Owned
38	Jiangsu Liyang	24,312	1.4	Leased[3]
39	Chengdu Chunxi	29,900	0.1	Owned
40	Yanshikou Phase II	44,073	0.1	Owned

Notes:

1. Operation period was calculated till 31 December 2013.
2. Leased from the connected parties.
3. Leased from independent third parties.
4. Of which 43,726m^2 is self-owned, and 3,710m^2 is leased from the connected parties.

Retail Network





Chairman's Statement

INDUSTRY OVERVIEW

In 2013, the issues and challenges that China's traditional retail industry encountered were still extremely complicated and severe. Due to such severe economic environment, low-growth consumption and fierce competition, and the continuous impact of e-commerce, China's traditional retail industry displayed an overall slow growth.

OPERATION REVIEW

To cope with the challenges brought by industry adjustment, the Group actively promoted a series of effective measures this past year. The Group successively opened two new stores and upgraded some core stores, which effectively enhanced the Group's competitiveness in key areas and increase the profitability of the stores. Meanwhile, the Group successfully acquired a piece of land located at a prime location in Zibo National High-tech Industry Development Zone in Shandong province, further laid a solid foundation of expanding its store network.

In 2013, the Group actively expedited the transformation of department stores into shopping centers through building social platform, and reinforced the regional dominance to increase the market share. At the same time, the Group has promoted kinds of innovative marketing mode, such as O2O, WeChat and microblog marketing, to enhance the profitability of the Group. Furthermore, the Group continued to improve its capital structure and reduced the finance cost effectively. Meanwhile, utilizing the big data and information technology, the Group refined the operational management, optimized the organization, and simplified the working flow, so as to establish the core competitiveness of efficient management.

OUTLOOK

2014 will be the significant year of comprehensively deepening reform for China. The new government proposes a series of programmatic goals with positive implementation. All the reform will be launched in 2014, and we believe the economic and retail industry in mainland will be trended up. The Group will further integrate resources effectively, strengthen the operating management of stores and overall promote the establishment and implementation of information system

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 2014

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2013, China's traditional retail industry continued to record overall slow growth in performance due to factors such as transformation and upgrading of China's economy, change in the mode of growth and the weak recovery of external economies. In 2013, total retail sales of consumer goods in China amounted to RMB23.78 trillion, representing a year-to-year increase of 13.1% albeit a consecutive decrease as compared to last year.

OPERATION REVIEW

Despite the impact of the domestic and foreign macro-economic environment and challenges in the industry, the Group was able to record a slight growth in sales proceeds and operating revenue through our concerted efforts and a series of effective measures in 2013. Total sales proceeds were RMB11,374.4 million, representing an increase of 2.8% as compared to the same period last year; total operating revenue was RMB4,623.6 million, representing an increase of 6.3% as compared to the same period last year; same-store sales growth of concessionaire sales increased by 4.4%; and profit attributable to owners of the parent was RMB802.0 million, representing an increase of 0.03% as compared to the same period last year, or an increase of 2.6% as compared to the same period last year without taking into account the non-operating items.

1. Opening new stores and expanding store network

In 2013, the Group maintained an established and steady pace of expansion, and successively opened two new stores and acquired a piece of land for expanding its store network.

On 2 August 2013, Chengshang Group Co., Ltd. ("**Chengshang Group**"), a subsidiary of the Group, entered into a settlement agreement (the "**Settlement Agreement**") with Pacific China Holdings Limited ("**Pacific China**") and Chengdu Shangsha Pacific Department Store Co., Ltd. ("**Chengdu Shangsha Pacific**") in order to resolve the dispute in relation to the cooperation contract between Chengshang Group and Pacific China. Pursuant to the Settlement Agreement, the rental payable to and the profits distributable to Chengshang Group by Chengdu Shangsha Pacific from 1 January 2011 to 3 November 2013 shall be calculated at a rate of RMB78.5 million per year (except for the period from 15 July 2013 to 2 August 2013 in which the department store operated within the Chengdu Commercial Building ceased operation) and the Chengdu Commercial Building shall be formally handed over on 4 November 2013. On 4 November 2013, Chengshang Group reclaimed the relevant space and equipment and Maoye Chunxi Store was officially opened on the same date.

On 13 December 2013, Chengdu Yanshikou Phase II Store, the Group's seventh store in Chengdu which was adjacent to Chengdu Yanshikou Phase I Store, was officially opened. The opening of Chengdu Maoye Chunxi Store and Chengdu Yanshikou Phase II Store has effectively maximized the Group's advantages on its overall operation scale in Chengdu and created synergies with existing stores in Chengdu, which help consolidate and enhance the Group's position and competitiveness in the department store retail market in Chengdu.

On 4 December 2013, the Group successfully acquired a piece of land located at a prime location in Zibo National High-tech Industry Development Zone in Shandong province at a total consideration of RMB425.75 million. The Group plans to build on the target land an urban commercial complex with department stores as the core. It is expected that upon completion the complex will become a landmark of Zibo City.

Management Discussion and Analysis

2. **Upgrading and transformation of stores and expediting the transformation of the department stores into shopping centers**

In 2013, the Group focused on the upgrading and transformation of Shenzhen Dongmen Store, Chongqing Jiangbei Store and Zhuhai Xiangzhou Store, and closed Qinhuangdao Shangcheng Store and Chengdu Wuhou Store for renovation and upgrading.

Meanwhile, the Group continued to introduce elements of the shopping center industry, such as catering and leisure, into its stores so as to fully explore the profitability of its existing stores. Zibo Maoye Complex, which was opened in 2013 after its reconstruction and renovation, represents the Group's effort in exploring a new dimension for the shopping center industry.

On 5 July 2013, in order to effectively allocate resources and rationally control operational risks, the Group decided to terminate the leases in respect of the Jinlang Store and Wujin Store with the controlling shareholders, and at the same time, the Group entered into a management agreement with the controlling shareholders. Pursuant to the agreement, the Group provided management services to the controlling shareholders in respect of the Jinlang managed properties and Wujin managed properties, and charged the management fee (inclusive of equipment usage fee) at a rate of 5% of the sale proceeds (exclusive of tax) and 5% of the rental income with a total annual cap of RMB60 million.

3. **Refining operational management and promoting corporate system construction**

In 2013, the Group continued to refine its operational management, reinforce the headquarters' coordination and guidance of regional work, and strengthen brand management. Meanwhile, the Group also aggressively streamlined and optimized various corporate systems and procedures to improve its operational efficiency and lay a solid foundation for its further development.

In July 2013, the Group established strategic cooperation with SAP and officially commenced the access to and application of the ERP systems. This helps the Group further integrate data, explore its operational potential and fully improve its scientific management level.

4. **Actively carrying out mobile internet marketing**

The Group formally implemented its O2O strategy in November 2013 and promoted the construction of mobile internet marketing platform, it carried out promotion and marketing of merchandise through platform tools such as WeChat, and actively explored offline and online marketing interaction to improve on-site shopping experience and service quality through online tools. The Group's stores in Southern China have nearly 200,000 WeChat members. In November 2013, Huaqiangbei Store launched WeChat online shopping service to realize online ordering and payment via WeChat.

Management Discussion and Analysis

5. **Increase of shares in Commercial City**

In 2013, the Group has further acquired in aggregate 12,904,084 shares of Shenyang Commercial City Co. Ltd. ("**Commercial City**") (stock code: 600306) through on-market purchases on the Shanghai Stock Exchange. As of 31 December 2013, the Group held an aggregate of 31,140,487 shares of Commercial City, representing approximately 17.48% of the issued share capital of Commercial City. Locating in Shenyang of Liaoning province, Commercial City is a department store company that owns several department stores. The Group has further acquired shares in Commercial City after the reporting period. As at the date of this report, the Group's shareholding in Commercial City is approximately 29.22%.

6. **Expanding financing channels and reducing financing costs**

On 31 December 2012, Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司) ("**Maoye Shangsha**"), a wholly owned subsidiary of the Company, obtained the approval from the National Association of Financial Market Institutional Investors for the issuance of the medium-term notes of RMB2.2 billion. In January and July 2013, Maoye Shangsha successively completed two issuances of medium-term notes with a principal amount of RMB800 million and RMB700 million respectively in the national financial market. The terms of the notes are 3 years and the interest rates are 5.52% and 6.05% per annum respectively.

On 25 March 2013, Maoye Shangsha obtained the approval from the National Association of Financial Market Institutional Investors for the issuance of the short-term financing notes of RMB1.6 billion. On 29 March 2013, the Group completed the issuance of the first tranche of the short-term financing notes with a principal amount of RMB800 million at the interest rate of 4.59% per annum.

Following 2012 when Maoye Shangsha was given AA rating by China Cheng Xin, the Company was also given BB+ and Ba1 rating by Standard & Poor's and Moody's, both are international rating institutions, respectively in 2013.

On 1 November 2013, the Company signed with the Lenders (as defined below) a guaranteed and secured syndicated loan agreement for a term of three years with an aggregated amount of US$195,500,000. Such syndicated loan carries interest at LIBOR plus 3.10% per annum. The syndicate was led by Deutsche Bank and Bank of China, Macau Branch, and participated by certain other banks ("**Lenders**"). The syndicated loan will be used for the repayment of debts of the Company and its subsidiaries and as the Group's working capital.

The successful issuance of the short-term financing notes and the medium-term notes, together with the availability of the syndicated loan, has expanded our financing channels in multi ways and effectively 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	1,736,984	-1.40	10.2	59,787	932
2	Shenzhen Dongmen	954,057	4.8	16.8	47,436	885
3	Taizhou First Department	700,698	17.5	4.3	40,358	974
4	Chengdu Yanshikou Phase I	656,658	-0.8	8.6	53,873	701
5	Qinhuangdao Xiandai Shopping Plaza	566,575	15.2	3.6	36,897	720
6	Shenzhen Nanshan	564,221	20.4	4.3	44,871	1,172
7	Chongqing Jiangbei	556,934	-7.2	9.2	52,281	554
8	Taiyuan Liuxiang	480,462	16.4	5.2	31,448	661
9	Qinhuangdao Jindu	458,050	22.5	5.3	46,610	483
10	Zhuhai Xiangzhou	315,061	-2.8	12.2	23,715	456
11	Qinghuangdao Shangcheng[3]	313,283	-24.9	3.6	26,696	1,073
12	Nanchong Wuxing	283,936	-1.2	8.6	25,195	643
13	Mianyang Xingda	278,937	-2.4	5.3	27,535	659
14	Zibo Maoye Plaza	269,407	9.4	3.1	36,791	360
15	Qinhuangdao Hualian	244,796	3.4	3.6	10,355	318
16	Shenzhen Outlet	241,498	15.2	14.3	23,048	478

Notes:

1. Major stores are same stores with sales proceeds per annum of over RMB200 million.
2. Operation period was calculated till 31 December 2013.
3. Qinhuangdao Shangcheng had closed for three months for renovation in 2013.

PROPERTY DEVELOPMENT

As of 31 December 2013, the Group operated and managed 40 stores across 18 cities in China, including Shenzhen and Zhuhai in Guangdong Province; Chengdu, Nanchong 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 1,320,000 square metres, self-owned areas accounted for 74.6% (excluding the gross floor area of managed stores), areas leased from connected parties accounted for 16.5%, while areas leased from independent third parties accounted for 8.9%. Save for the above, the Group also has projects under development in 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 Autonomous Region.

Management Discussion and Analysis

OUTLOOK

In 2014, the Group will continue to maintain the strategy of steady development, and plans to open several new stores including Taiyuan Qinxianjie and Baoding Guomao by taking more proactive and effective measures as follows:

Firstly, speed up the development of shopping centers and accelerate transformation from department stores to shopping malls.

Secondly, expedite the adjustment and upgrade of commodity mix in department stores, increase investments in brand resources, and expand the scale and scope of cooperation with international first-and second-tier brands.

Thirdly, further strengthen the management of department stores and improve operating levels with intensive work, so as to effectively achieve higher profitability of key stores.

Fourthly, hasten efforts such as realization of non-core assets.

Fifthly, actively promote the update of information system and make full use of the system for intensive market analysis, precise marketing and comprehensive budget management, hence improving the integrated management of the Group.

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the year ended 31 December 2013, total sales proceeds of the Group increased to RMB11,374.4 million, representing an increase of 2.8% as compared to the same period in 2012.

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**10,060,753**	9,672,014
Revenue from direct sales	**1,313,610**	1,395,226
Total Sales Proceeds	**11,374,363**	11,067,240

Among the total sales proceeds of the Group in the year of 2013, total sales proceeds derived from concessionaire sales accounted for 88.5% and those derived from direct sales accounted for 11.5%.

Management Discussion and Analysis

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	4,187,901	36.8	3.2
South-western China	2,386,525	21.0	-4.5
Eastern China	2,233,549	19.6	15.1
Northern China	2,566,388	22.6	8.8
Total	11,374,363	100	4.4

For the year ended 31 December 2013, same-store sales proceeds from concessionaire sales increased to RMB9,730.8 million, representing an increase of 4.4% compared to the same period in 2012. The Group's commission rates from concessionaire sales was 16.1%, representing a mild decrease of 0.6% compared with 16.7% for the same period in 2012. In 2013, 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.

Total sales proceeds in the year of 2013 comprised sales of apparel 44.0% (2012: 44.2%), cosmetics and jewelry 22.8% (2012: 20.5%), shoes and leather goods 12.8% (2012: 13.1%) and others such as children's wear and toys, household and electronic appliances, etc. 20.4% (2012: 22.2%). The percentage attributable to each product category to total sales proceeds was similar to that of the year of 2012.

For the year ended 31 December 2013, revenue of the Group amounted to RMB3,805.5 million, representing an increase of 7.4% as compared with RMB3,542.7 million for the same period in 2012. The commissions from concessionaire sales increased by RMB3.4 million and revenue from direct sales decreased by RMB81.6 million. The increase of revenue was mainly due to the recognition of rental income of RMB157.8 million in relation to the Chengdu Chunxi Store as a result of the Settlement Agreement and the increase of income from sale of properties.

Other Income

For the year ended 31 December 2013, other income of the Group amounted to RMB818.1 million, representing an increase of 1.4% as compared with RMB807.1 million for the same period in 2012. This was primarily resulted from the increase of income from promotional activities and interest income.

Management Discussion and Analysis

Cost of Sales

For the year ended 31 December 2013, cost of sales of the Group amounted to RMB1,425.2 million, representing a decrease of 1.3% as compared with RMB1,444.4 million for the same period in 2012. The decrease in cost of sales was primarily due to the decrease of Group's direct sales in Zibo area.

Employee Expenses

For the year ended 31 December 2013, employee expenses of the Group amounted to RMB444.2 million, representing an increase of 20.2% as compared with RMB369.7 million for the same period in 2012. Employee expenses as percentage of total sales proceeds in 2013 increased to 3.9% as compared with 3.3% for the year of 2012. The increase was primarily due to:

1) the reversal of share option expenses of RMB25.5 million in 2012;

2) the increase in wages and salaries of RMB45.8 million in 2013.

Depreciation and Amortisation

For the year ended 31 December 2013, depreciation and amortisation of the Group amounted to RMB354.0 million, representing an increase of 3.0% as compared with RMB343.6 million for the same period in 2012. The increase was primarily due to the opening of new stores, and reconstruction, renovation and upgrading of certain self-owned stores. The depreciation and amortisation as percentage of total sales proceeds in 2013 remained unchanged, as compared with 3.1% for the year of 2012.

Operating Lease Rental Expenses

For the year ended 31 December 2013, operating lease rental expenses of the Group amounted to RMB218.3 million, representing a decrease of 8.0% as compared with RMB237.2 million for the same period of last year. This was primarily caused by Jinlang Store in Shenyang and Wujing Store in Changzhou turned into management stores. The operating lease rental expenses as percentage of total sales proceeds in the year of 2013 decreased to 1.9% as compared with 2.1% for the year of 2012.

Other Operating Expenses

For the year ended 31 December 2013, other operating expenses of the Group amounted to RMB917.9 million, representing an increase of 6.8% as compared with RMB859.5 million for the same period in 2012. This was primarily due to the increase in other tax expense of RMB49.0 million. The other operating expenses as percentage of total sales proceeds in 2013 increased to 8.1% from 7.8% in 2012.

Other Gains

For the year ended 31 December 2013, other gains of the Group amounted to RMB194.8 million, representing a decrease of 29.0% as compared with RMB274.4 million for the same period in 2012. 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 2013 by the Group of approximately RMB101.9 million. The change in fair value of RMB78.6 million recognized in other comprehensive income brought forward was reclassified in the reporting period.

Operating Profit

For the year ended 31 December 2013, operating profit of the Group amounted to RMB1,458.7 million, representing an increase of 6.5% as compared to RMB1,369.8 million for the same period in 2012. This was primarily due to the contribution from the increase of total operating revenue of the Group.

Finance Costs

For the year ended 31 December 2013, finance costs of the Group amounted to RMB133.8 million, representing an increase of 0.7% as compared to RMB132.8 million for the same period in 2012. This was primarily due to the increase of loans as compared for the same period in 2012.

Income Tax Expense

For the year ended 31 December 2013, income tax expense of the Group was RMB411.3 million, representing an increase of 21.6% as compared to RMB338.4 million for the same period last year. During the year ended 31 December 2013, the effective tax rate applicable to the Group was 31.1% (for the year ended 31 December 2012: 27.4%). This was primarily due to:

1) the recognition of rental income of RMB157.8 million and the provision of RMB34.9 million for income tax arising from the Chunxi Store of the Chengshang Group as a result of the Settlement Agreement; and

2) the increase of land appreciation tax due to the growth in sales of the Group's property.

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the year ended 31 December 2013:

— Profit attributable to owners of the parent increased by 0.03% to RMB802.0 million.

— Without taking into account the effect of non-operating gains and losses*, profit attributable to owners of the parent increased by 2.6% to RMB685.9 million.

Among them, the results of the operation of department stores segment are as follows: Profit attributable to owners of the parent decreased by 13.6% to RMB761.6 million compared with RMB881.9 million for the same period in 2012.

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

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB978.4 million, which decreased by RMB504.1 million as compared to RMB1,482.5 million as at 31 December 2012. The main cash inflow and cash outflow are set out as follows:

(1) net cash inflow of RMB1,201.4 million arising from operating activities;

(2) net cash outflow arising from investing activities amounted to RMB1,549.2 million, mainly including payments for properties and equipment amounting to RMB638.3 million, prepayment and purchase of land lease prepayment amounting to RMB955.4 million, and purchase of available-for-sale equity investments amounting to RMB116.8 million; and

(3) net cash inflow arising from financing activities amounted to RMB158.0 million, mainly including (1) inflow resulting from bank loans and other borrowing of RMB3,151.4 million; (2) outflow resulting from redeemable convertible bond at the option of the bondholders, repayment of bank loans, interest paid, final dividend for the year of 2012 paid and interim dividend for the six months ended 30 June 2013 paid of RMB914.9 million, RMB1,844.3 million, RMB115.4 million, RMB98.1 million and RMB116.5 million, respectively.

Interest-bearing Loans

Total bank loans, short-term and medium-term financial notes and convertible bonds of the Group as at 31 December 2013 amounted to RMB6,770.6 million, and the gearing ratio[1] and net gearing ratio[2] were 33.7% and 79.0%, respectively (as at 31 December 2012: 34.5% and 68.7%, respectively).

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

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

Investment in Listed Shares

The Group currently owns minority interests in companies with department store operations listed in the PRC. The Directors believe these investments will bring long-term benefits to the Group. The following table sets out the Group's interests in two companies listed in the PRC as at 31 December 2013, and relevant summary information relating to these companies.

Investment	The Group's Shareholding	Principal Business	Geographical Location
Shenyang Commercial City Co., Ltd. (瀋陽商業城股份有限公司)	17.48%[1]	Owns a number of department stores in Shenyang	Shenyang City, Liaoning Province
Dashang Co., Ltd. (大商股份有限公司)	5.00%	Owns a number of department stores in Northern China	Dalian City, Liaoning Province

1 The Group has further acquired shares in Commercial City after the reporting period. As at the date of this report, the Group's shareholding in Commercial City is approximately 29.22%.

The total cost of the investments of the Group in the above companies was RMB696.9 million, which was financed by the Group's cash inflow from operations. As at 31 December 2013, the total market value of the shares held by the Group in the two above-mentioned A share listed companies amounted to approximately RMB669.8 million, representing a decrease of 3.9% compared with the total cost of investments.

Contingent Liabilities

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

Pledge of Assets

As at 31 December 2013, the Group's interest-bearing bank loans amounting to RMB6,758.6 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 RMB607.5 million, RMB4.3 million, RMB856.7 million, RMB318.0 million and RMB730.8 million, respectively.

As at 31 December 2013, the Group's bills payables amounting to RMB1.6 million were pledged by the Group's deposits amounting to RMB0.5 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 RMB1.77 million.

For the year ended 31 December 2013, 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 (黄茂如), aged 48, 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 58, 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 had been an 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) for 6 years. He 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 deputy director of the expert committee of China's Urban Commercial Planning Management Association (中國城市商業規劃管理聯合會專家委員會). He is also a councilor of China Commerce Association for General Merchandise (中國百貨商業協會) and a Vice Chairman of China Friendship External Supplier Association of Commerce (中國友誼外供商業協會).

Ms. Wang Fuqin (王福琴), aged 43, 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 2013. 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 15 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 Maoye Logistics Corporation Ltd. (茂業物流股份有限公司, "**Maoye Logistics**"), a company listed on the Shenzhen Stock Exchange (stock code: 000889) since December 2009 and as the Chairman of Maoye Logistics on 6 April 2010.

Mr. Wang Bin (王斌), aged 47, 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 Maoye Logistics on 20 December 2010.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Chan Lum (鄒燦林), aged 63, 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 has been a member of the Chinese People's Political Consultative Conference of Guangdong Province, the PRC from 1997 to 2012. Currently, he is also an independent non-executive director of another company listed on the Stock Exchange. He was awarded the Medal of Honor by the Government of the Hong Kong Special Administrative Region on 1 July 2013.

Mr. Pao Ping Wing (浦炳榮), aged 66, 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. 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 62, 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 42, 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 39, 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 42, 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 47, 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

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the vital importance of good corporate governance to the Group's success and sustainability. The Group is committed to achieving a high standard of corporate governance practices as an essential component of high quality and has introduced corporate governance practices appropriate to the operation and growth of its business.

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 2013, save and except for the deviation from code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the deviation are summarized below.

The Board will continue to enhance its corporate governance practices appropriate to the operation and growth of its business and to review such practices from time to time to ensure that the Company complies 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 the interests of shareholders. All directors carry out their duties in good faith and in compliance with applicable laws and regulations, making 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 under 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

The Board members have no relationship with each other. 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 2013, the Board has at all times complied with the requirements of the Listing Rules of having a minimum of relating to three independent non-executive directors (representing at least one-third of the Board) with one of them 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 the 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 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 in 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. Huang Mao Ru, Ms. Wang Fuqin and Mr. Pao Ping Wing shall retire and, being eligible, offer themselves for re-election at the forthcoming 2014 annual general meeting of the Company. The Board and the Nomination Committee recommend 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.

Training and Continuing Development for 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.

Corporate Governance Report

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.

During the year ended 31 December 2013, 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 matters and update on the Listing Rules 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.

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 2013 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 possess inside 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.

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. All Board committees should report to the Board on their decisions or recommendations made.

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 professional qualification, and 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.

Corporate Governance Report

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 and risk management system.

During the year ended 31 December 2013, the Audit Committee has held five meetings and performed the following major tasks:

- Review of the scope of audit work and the auditors' remuneration;
- Review and discussion of the annual financial results and report in respect of the year ended 31 December 2012 and interim financial results and report for the six months ended 30 June 2013 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; and
- Review of the internal control, financial reporting and risk management systems of the Group.

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.

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 and the remuneration packages of executive directors and senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code); and (ii) review and approve performance-based remuneration by reference to corporate goals and objectives.

During the year ended 31 December 2013, the Remuneration Committee has held two meetings to review and discuss the remuneration policy of the Group and the remuneration packages of directors of the Company.

Nomination Committee

The Nomination Committee 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.

Corporate Governance Report

The 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 2013, the Nomination Committee has held one meeting to perform 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 2013 annual general meeting of the Company;
- Recommendation of measurable objectives for achieving diversity of the Board; and
- Assessment of the independence of all the independent non-executive directors of the Company.

Corporate Governance Functions
The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board has reviewed the Company's corporate governance policies and practices, the 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 Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2013, the Board has held 10 meetings. The attendance records of each director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2013 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Commitee**	**Annual General Meeting**
Mr. Huang Mao Ru	10/10	—	—	1/1	1/1
Mr. Zhong Pengyi	10/10	—	—	—	1/1
Ms. Wang Fuqin	10/10	—	2/2	—	1/1
Mr. Wang Bin	10/10	—	—	—	1/1
Mr. Chow Chan Lum	10/10	5/5	2/2	1/1	1/1
Mr. Pao Ping Wing	10/10	4/5	2/2	1/1	1/1
Mr. Leung Hon Chuen	10/10	5/5	—	—	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 FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

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

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2013.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon 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.

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 2013 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 2013 amounted to RMB3,080,000 and RMB1,000,000 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 2013, 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 enables 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 send written enquiries or requests to the Company 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

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.

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.

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. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Articles of Association by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in the PRC. The objects of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, pursuant to Article 88 of the Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in the PRC, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

Corporate Governance Report

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 Company 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 2013.

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 2013 are set out in the consolidated statement of profit or loss on page 46.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of 3.0 HK cents in cash per share for the year ended 31 December 2013 (the "**Proposed Final Dividend**") (2012: 2.3 HK cents), subject to the shareholders' approval at the annual general meeting of the Company to be held on Thursday, 10 April 2014 (the "**2014 AGM**"). The Proposed Final Dividend will be paid in cash on Friday, 25 April 2014 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Thursday, 17 April 2014.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the 2014 AGM

The Company's Register of Members will be closed from Tuesday, 8 April 2014 to Thursday, 10 April 2014 (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 the 2014 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, Hong Kong (which address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration no later than 4:30 p.m. on Monday, 7 April 2014.

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

The Company's Register of Members will be closed from Wednesday, 16 April 2014 to Thursday, 17 April 2014 (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 the above address for registration no later than 4:30 p.m. on Tuesday, 15 April 2014.

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 pages 117-118 and note 38 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 2013 amounted to RMB6,758.6 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 RMB298,050.

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. Huang Mao Ru, Ms. Wang Fuqin and Mr. Pao Ping Wing, the existing directors of the Company, will retire from office by rotation at the 2014 AGM and being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2014 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.

Directors' Report

The Group's contributions to retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended 31 December 2013 were RMB45.68 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 8 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, 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)	80.41%
	Beneficial owner	50,000,000	0.96%
		4,250,000,000	81.37%
Mr. Zhong Pengyi	Beneficial owner	198,000	0.004%
Ms. Wang Fuqin	Beneficial owner	792,000	0.015%

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 2013.

(2) Long position in the shares of associated corporations

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

Name of director	Capacity	Number of ordinary shares interested	Percentage of the issued share capital in such associated corporation*
Mr. Huang Mao Ru	Interest of controlled corporation	2 (Note)	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 2013.

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

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

* The percentage represents the number of ordinary shares divided by the number of MOY International Holdings Limited's issued shares as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2013, 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))	81.37%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	80.41%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	80.41%

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 2013.

Save as disclosed above, as at 31 December 2013, no person (other than the directors of the Company, whose interests have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations") had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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.

The total number of securities available for issue under the Scheme of the Company was 471,502,600 shares, which was approximately 9.0% of the issued share capital as at the date of this annual report.

As at 31 December 2013, the Company has no outstanding share options. During the year ended 31 December 2013, no share options of the Company have been granted, exercised, cancelled or lapsed.

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 2013, the Group had a total of approximately 8,375 employees. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of individual employees.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company repurchased a total of 147,007,000 shares on the Stock Exchange during the year ended 31 December 2013. 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	Repurchase price per share Lowest	Aggregate consideration
		HK$	HK$	HK$' 000
March 2013	82,471,000	1.85	1.65	144,608
April 2013	42,335,000	1.79	1.62	73,414
July 2013	17,023,000	1.29	1.18	21,331
August 2013	5,178,000	1.47	1.38	7,426
Total	147,007,000	1.85	1.18	246,779

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 2013. 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.

GENERAL DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As detailed in the Company's announcement dated 1 November 2013, the Company (as borrower) entered into a syndicated facility agreement (the "Syndicated Facility Agreement") with the syndicate which is jointly led by Deutsche Bank AG and Bank of China Limited Macau Branch with supports and participation from a consortium of other banks (the "Lenders") pursuant to which the Lenders have made available to the Company a three year guaranteed and secured loan in the principal sum of US$190,500,000 at an interest rate of LIBOR plus 3.10% per annum, with an option to increase the loan amount by an additional US$9,500,000 upon mutual agreement between the Company and the Lender(s) (the "Syndicated Loan"). Subsequently to the date of the announcement, the lenders have agreed to increase the loan amount by an additional US$5,000,000 pursuant to the said option.

Pursuant to the Syndicated Facility Agreement, it will be an event of default if, amongst others, (i) Mr. Huang Mao Ru ("Mr. Huang") (the controlling shareholder, executive director, chairman and chief executive officer of the Company) and/or his family ceases to own at least 50% of the outstanding shares of the Company; or (ii) Mr. Huang relinquishes or ceases to hold his position as the chairman, chief executive officer and executive director of the Company or ceases to maintain management control of the Company. On and at any time after the occurrence of an event of default which is continuing, the facility agent may, and shall if so directed by the majority lenders of the Syndicated Loan, by notice to the Company, (a) cancel the commitment under the Syndicated Facility Agreement; (b) declare that all or part of the Syndicated Loans together with interests accrued and all other amounts outstanding under the finance documents be immediately due and payable; (c) declare all or part of the Syndicated Loan be payable on demand; and/or (d) exercise or direct the security agent of the Syndicated Loan to exercise any or all of its rights or powers under the finance documents relating to the Syndicated Loan.

As the above specific performance obligation as imposed under the Syndicated Facility Agreement continues to exist as at 31 December 2013, the Company is required to make the above disclosure pursuant to Rule 13.21 of the Listing Rules. In addition, the above performance obligation has been duly satisfied up to the date of the approval of these financial statements.

DEED OF NON-COMPETITION

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

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

CONNECTED TRANSACTIONS

During the year, the Group conducted the following transactions with certain connected persons of the Company. These transactions constituted connected transactions or continuing connected transactions and are subject to the disclosure requirements under the Listing Rules.

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:

Directors' Report

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

As the parties to the transaction needed further time to complete the Acquisition, Maoye Department Stores China, Richon and Maoye China agreed on 29 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 million 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 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 which was repaid by SZ Maoye Group on 11 July 2013.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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.

Pursuant to the New Master Leasing Agreement, the Group leases certain properties (including Maoye Shenyang Jinlang Store (the "**Jinlang Store**") and Maoye Changzhou Wujin Store (the "**Wujin Store**")) from the Controlling Shareholder Group by way of entering into separate implementation agreements. In order to effectively allocate resources and rationally control operational risks, the Company has decided to terminate the lease agreement in respect of the Jinlang Store ("**Jinliang Lease**") and the lease agreement in respect of Wujin Store ("**Wujin Lease**") with the Controlling Shareholder Group during the course of 2013. On 5 July 2013, Shenyang Maoye Department Store Limited ("**Shenyang Maoye**"), a wholly-owned subsidiary of the Company, entered into the Jinlang termination agreement (the "**Jinlang Termination Agreement**") with Shenyang Maoye Property Company Limited ("**Maoye Property**"), a member of the Controlling Shareholder Group, pursuant to which the parties agreed to terminate the Jinlang Lease with retrospective effect from 30 June 2013. On the same day, Changzhou Maoye Department Store Co., Ltd. ("**Changzhou Maoye**"), a wholly-owned subsidiary of the Company, entered into the wujin termination agreement with Changzhou Taifu Real Estate Development Co., Ltd. ("**Changzhou Taifu Real Estate**"), a member of the Controlling Shareholder Group, pursuant to which the parties agreed to terminate the Wujin Lease with retrospective effect from 30 June 2013.

As the Controlling Shareholder Group owns new properties which may be suitable for the Group's operation, and the Company intends to expand its department store network in order to capture the business opportunities arising from the PRC government's policy to boost domestic demand, the Company may lease some or all of such properties from the Controlling Shareholder Group for the Group's operation. The Directors estimated that the existing annual caps in respect of the New Master Leasing Agreement would be insufficient for the Group's needs. Therefore, the Company and Maoye Holdings Limited entered into the supplemental agreement on 30 April 2013, pursuant to which the annual cap under the New Master Leasing Agreement for the year ended 31 December 2013 and each of the two years ending 31 December 2014 and 31 December 2015 was revised from RMB167 million to RMB175 million. The Company and Maoye Holdings Limited entered into the Supplemental Agreement in relation to the revision of the annual caps on 30 April 2013.

According to the Original Master Leasing Agreement, the Group paid leasing fees of approximately RMB129.0 million (2012: RMB147.1 million) for the year ended 31 December 2013.

Joint Operation Agreement in relation to Jinlang Store

On 15 July 2011, Shenyang Maoye entered into a joint operation agreement (the "**Joint Operation Agreement**") with Maoye Property, for the purpose of governing 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.

Directors' Report

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 the audited financial data, Maoye Property will pay Shenyang Maoye an amount equivalent to 80% of the loss before tax, subject to the maximum amount of RMB38.0 million per year (i.e., the annual cap). If Shenyang Maoye generates profits during such period in its operation in the Jinlang Store based on the audited financial data, Maoye Property is entitled to receive an amount equivalent to 20% of such profits before tax, subject to the maximum amount of RMB10.0 million per year (i.e., the annual cap).

On 5 July 2013, Shenyang Maoye entered into the Jinlang Termination Agreement with Maoye Property, pursuant to which the parties agreed to terminate the Joint Operation Agreement with retrospective effect from 30 June 2013.

During the year ended 31 December 2013, Maoye Property bear the loss of RMB24.51 million pursuant to the Joint Operation Agreement.

Jinlang Management Agreement

On 5 July 2013, Shenyang Maoye entered into the Jinlang management agreement (the "**Jinlang Management Agreement**") with Maoye Property Jinlang Branch, pursuant to which Shenyang Maoye has agreed to operate and manage the commercial properties and all the operational assets owned by the Controlling Shareholder Group located at No. 185-1, Youth Street, the intersection between Youth Street and Wencui Road in Shenhe District, Shenyang City, Liaoning Province,the PRC (the "**Jinlang Managed Properties**"). The Jinlang Management Agreement has a term of three years with retrospective effect from 1 July 2013.

The Jinlang Managed Properties is located at where the Jinlang Store was situated. The Jinlang Managed Properties will mainly be used for the operation and management of shopping malls by the Group. Pursuant to the Jinlang Management Agreement, the management fee (inclusive of equipment usage fee) payable to Shenyang Maoye by Maoye Property Jinlang Branch shall include: (1) 5% of the sale proceeds (exclusive of tax) and (2) 5% of the rental income. The maximum annual management fee to be payable to Shenyang Maoye by Maoye Property shall not exceed RMB50 million (i.e., the annual cap).

During the year ended 31 December 2013, the management fee income of the Group amounted to approximately RMB2.8 million pursuant to Jinlang Management Agreement.

Wujin Management Agreement

On 5 July 2013, Changzhou Maoye entered into the Wujin management agreement (the "**Wujin Management Agreement**") with Changzhou Taifu Real Estate, pursuant to which Changzhou Maoye has agreed to operate and manage the commercial properties and all the operational assets owned by the Controlling Shareholder Group located at No. 172, Lake Garden Street, Wujin District, Changzhou City, Jiangsu Province, the PRC (the "**Wujin Managed Properties**"). The Wujin Management Agreement has a term of three years with retrospective effect from 1 July 2013.

The Wujin Managed Properties is located at where the Wujin Store was situated. The Wujin Managed Properties will mainly be used for the operation and management of shopping malls by the Group. Pursuant to the Wujin Management Agreement, the management fee (inclusive of equipment usage fee) payable to Changzhou Maoye by Changzhou Taifu Real Estate shall include: (1) 5% of the sale proceeds (exclusive of tax) and (2) 5% of the rental income. The maximum annual management fee to be payable to Changzhou Maoye by Changzhou Taifu Real Estate shall not exceed RMB10 million (i.e., the annual cap).

During the year ended 31 December 2013, the management fee income of the group amounted to approximately RMB0.2 million pursuant to Wujin Management Agreement.

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 (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.

During the year ended 31 December 2013, the management fee income of the Group amounted to approximately RMB7.05 million (2012: RMB3.9 million) pursuant to the New Master Management Agreement.

Friendship City Lease Agreement

Mr. Zhong Pengyi, a director of the Company, holds 40% equity interests in Shenzhen City Friendship Trading Center Company Limited (the "**Shenzhen Friendship**"). Accordingly, Shenzhen Friendship is a connected person of the Company. On 7 April 2010, Maoye Shangsha entered into the friendship city lease agreement (the "**Original Friendship City Lease Agreement**") with Shenzhen Friendship to lease certain premises of the Friendship City Building at 63 Friendship Road, Shenzhen, PRC (the "**Leased Property**"). As the Original Friendship City Lease Agreement would expire on 1 May 2013 and the Company expected to continue such continuing connected transactions thereafter, Maoye Shangsha entered into the new friendship city lease agreement (the "**New Friendship City Lease Agreement**") with Shenzhen Friendship on 30 April 2013 to replace the Original Friendship City Lease Agreement to the effect that Maoye Shangsha will continue to lease the Leased Property. The New Friendship City Lease Agreement has a term of three years and became effective from 1 May 2013. During the term of the lease, if Shenzhen Friendship intends to sell the Leased Property, Maoye Shangsha has a pre-emptive right to purchase the Leased Property at the terms being offered to other parties. Pursuant to the New Friendship City Lease Agreement, rent and expense is as follows:

- For the period from 1 May 2013 to 30 April 2014: RMB25,000,000 per annum;
- For the period from 1 May 2014 to 30 April 2015: RMB27,060,000 per annum;
- For the period from 1 May 2015 to 30 April 2016: RMB27,060,000 per annum.

Annual caps are as follows:

- 2013: RMB21,333,333 (on a pro-rata basis);
- 2014: RMB32,000,000;
- 2015: RMB32,000,000;
- 2016: RMB10,666,667(on a pro-rata basis).

During the year ended 31 December 2013, the leasing expense borne by the Group under the above leasing agreement was approximately RMB26.37 million (2012: RMB29.1 million).

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 announcements of the Company. 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' INTERESTS IN COMPETING BUSINESS

As at 31 December 2013, 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 2013, 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 2013, 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 2013 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 45 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 2014 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 2014

Independent Auditors' Report

EY 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 135, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 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 and fair presentation 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 2013, 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 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	**2013 RMB'000**	2012 RMB'000
REVENUE	5	**3,805,452**	3,542,719
Other income	6	**818,141**	807,139
Total operating revenue		**4,623,593**	4,349,858
Cost of sales	7	**(1,425,243)**	(1,444,402)
Employee expenses	8	**(444,232)**	(369,699)
Depreciation and amortisation		**(353,996)**	(343,603)
Operating lease rental expenses	9	**(218,285)**	(237,245)
Other operating expenses	10	**(917,926)**	(859,531)
Other gains	11	**194,751**	274,427
Operating profit/(loss)		**1,458,662**	1,369,805
Finance costs	12	**(133,777)**	(132,815)
Share of profits and losses of associates	23	**(452)**	(76)
PROFIT BEFORE TAX		**1,324,433**	1,236,914
Income tax expense	13	**(411,319)**	(338,360)
PROFIT FOR THE YEAR		**913,114**	898,554
Attributable to:			
Owners of the parent	14	**802,041**	801,820
Non-controlling interests		**111,073**	96,734
		913,114	898,554
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic			
– For profit for the year		**RMB15.5 cents**	RMB14.9 cents
Diluted			
– For profit for the year		**RMB15.5 cents**	RMB14.9 cents

Details of the dividend proposed for the year are disclosed in note 15 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 **RMB'000**	2012 RMB'000
PROFIT FOR THE YEAR	**913,114**	898,554
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale equity investments:		
Changes in fair value	**(134,121)**	(12,400)
Reclassification adjustments of equity investment recognised in the consolidated statement of profit or loss	**(78,635)**	—
Income tax effect	**48,730**	6,694
	(164,026)	(5,706)
Exchange differences on translation of foreign operations	**31,386**	(1,055)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(132,640)**	(6,761)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**780,474**	891,793
Attributable to:		
Owners of the parent	**669,401**	795,059
Non-controlling interests	**111,073**	96,734
	780,474	891,793

Consolidated Statement of Financial Position

31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**4,870,979**	4,240,296
Investment properties	18	**545,962**	509,298
Land lease prepayments	19	**4,408,731**	3,717,176
Goodwill	20	**637,348**	641,680
Other intangible assets	21	**4,571**	5,818
Investments in associates	23	**–**	12,049
Available-for-sale equity investments	24	**825,469**	960,150
Prepayments	30	**1,191,690**	709,930
Loan and receivable	31	**–**	107,500
Deferred tax assets	25	**253,579**	140,622
Total non-current assets		**12,738,329**	11,044,519
CURRENT ASSETS			
Inventories	26	**227,894**	279,147
Completed properties held for sale		**763,762**	620,549
Properties under development	27	**4,676,226**	4,069,573
Equity investments at fair value through profit or loss	28	**887**	959
Trade receivables	29	**52,562**	36,842
Prepayments, deposits and other receivables	30	**477,893**	625,117
Due from related parties	41(b)	**114,933**	96,654
Pledged deposits	32	**47,194**	40,155
Cash and cash equivalents	32	**978,447**	1,482,500
Total current assets		**7,339,798**	7,251,496
CURRENT LIABILITIES			
Trade and bills payables	33	**2,447,580**	2,194,236
Deposits received, accruals and other payables	34	**2,685,580**	1,930,509
Interest-bearing bank loans and other borrowings	35	**1,751,494**	3,081,072
Convertible bonds	36	**12,023**	869,681
Due to related parties	41(b)	**84,271**	102,602
Income tax payable		**167,636**	131,802
Total current liabilities		**7,148,584**	8,309,902
NET CURRENT ASSETS/(LIABILITIES)		**191,214**	(1,058,406)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,929,543**	9,986,113

Consolidated Statement of Financial Position

31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,929,543**	9,986,113
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	35	**5,007,069**	2,370,459
Deferred tax liabilities	25	**591,610**	570,775
Total non-current liabilities		**5,598,679**	2,941,234
Net assets		**7,330,864**	7,044,879
EQUITY			
Equity attributable to owners of the parent			
Issued capital	37	**467,449**	480,407
Equity component of convertible bonds	36	**56,546**	119,125
Reserves	38(a)	**5,214,581**	4,970,984
Proposed final dividend	15	**123,571**	100,143
		5,862,147	5,670,659
Non-controlling interests		**1,468,717**	1,374,220
Total equity		**7,330,864**	7,044,879

Huang Mao Ru
Director

Wang Bin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent															
	Issued capital RMB'000 (note 37)	Share premium account RMB'000 (Restated)	Acquisition of non-controlling interests RMB'000	Share option reserve RMB'000	Equity component of convertible bonds RMB'000 (note 36)	Capital redemption reserve RMB'000	Contributed Surplus RMB'000 (note 38)	Statutory surplus reserve RMB'000 (note 38)	Available-for-sale equity investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000 (Restated)	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 38(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	–	–	–	(25,498)	–	–	–	–	–	–	–	–	(25,498)	–	(25,498)
Repurchase and cancellation of shares	(1,581)	(23,931)	–	–	–	1,581	–	–	–	–	(1,581)	–	(25,512)	–	(25,512)
Final 2011 dividend paid	–	–	–	–	–	–	–	–	–	–	–	(256,125)	(256,125)	–	(256,125)
Interim 2012 dividend paid	–	(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 2013

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 37)	Share premium account RMB'000	Acquisition of non-controlling interests RMB'000	Equity component of convertible bonds RMB'000 (note 36)	Capital redemption reserve RMB'000	Contributed surplus RMB'000 (note 38)	Statutory surplus reserve RMB'000 (note 38)	Available-for-sale equity investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	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
Profit for the year	–	–	–	–	–	–	–	–	–	802,041	–	802,041	111,073	913,114
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	(134,121)	–	–	–	(134,121)	–	(134,121)
Disposal of available-for-sale equity investment	–	–	–	–	–	–	–	(78,635)	–	–	–	(78,635)	–	(78,635)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	31,386	–	–	31,386	–	31,386
Tax effect of components of other comprehensive income	–	–	–	–	–	–	–	48,730	–	–	–	48,730	–	48,730
Total comprehensive income for the year	–	–	–	–	–	–	–	(164,026)	31,386	802,041	–	669,401	111,073	780,474
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(5,000)	(5,000)
Disposal of subsidiaries	–	–	–	–	–	–	(1,784)	–	–	–	–	(1,784)	2,507	723
Redeemable at the option of the bondholders (note 36)	–	–	–	(62,579)	–	–	–	–	–	–	–	(62,579)	–	(62,579)
Profit appropriated to reserve	–	–	–	–	–	–	25,523	–	–	(25,523)	–	–	–	–
Repurchase and cancellation of shares (note 37)	(12,958)	(186,004)	–	–	12,958	–	–	–	–	(11,041)	(1,917)	(198,962)	–	(198,962)
Final 2012 dividend paid	–	92	–	–	–	–	–	–	–	–	(98,226)	(98,134)	–	(98,134)
Interim 2013 dividend paid	–	–	–	–	–	–	–	–	–	(116,454)	–	(116,454)	–	(116,454)
Proposed final 2013 dividend (note 15)	–	–	–	–	–	–	–	–	–	(123,571)	123,571	–	–	–
Dividend paid by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(14,083)	(14,083)
At 31 December 2013	467,449	1,662,293*	(33,342)*	56,546	20,474*	1,806*	340,422*	(20,306)*	2,414*	3,240,820*	123,571	5,862,147	1,468,717	7,330,864

* These reserve accounts comprise the consolidated reserves of RMB5,214,581,000 (2012: RMB4,970,984,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	**2013 RMB'000**	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,324,433**	1,236,914
Adjustments for:			
Interest income	6	**(21,187)**	(18,885)
Depreciation and amortisation		**353,996**	343,603
Impairment of trade receivables	10	**1,623**	1,870
Provision of inventories	10	**460**	988
Impairment of other receivables	10	**75**	16,289
Loss on disposal of items of property, plant and equipment	11	**7,162**	468
Loss on disposal of subsidiaries and associates	11	**5,479**	—
Gain on disposal of investment properties	11	**—**	(3,458)
Loss on disposal of other asset		**—**	678
Fair value loss/(gain) on equity investments at fair value through profit or loss	11	**64**	(56)
Gain on disposal of equity investments at fair value through profit	11	**—**	(339)
Gain on disposal of available-for-sale equity investments	11	**(101,901)**	(174,019)
Dividend income from equity investments at fair value through profit or loss	11	**—**	(188)
Dividend income from available-for-sale equity investments	11	**(26,099)**	(13,834)
Finance costs	12	**133,777**	132,815
Consideration adjustment of acquisition of a subsidiary		**—**	(15,106)
Share of profits and losses of associates	23	**452**	76
Reversal of equity-settled share option expense		**—**	(25,498)
		1,678,334	1,482,318
Decrease in completed properties held for sale		**226,716**	185,359
Additions of properties under development		**(1,083,756)**	(1,642,658)
Decrease in inventories		**50,793**	1,842
Decrease/(increase) in trade receivables		**(17,343)**	9,200
Decrease/(increase) in prepayments and other receivables		**(89,363)**	131,107
Increase in amounts due from related parties		**(18,279)**	(44,587)
Increase in trade and bills payables		**253,344**	240,409
Increase in deposits received, accruals and other payables		**594,535**	218,313
Increase/(decrease) in amounts due to related parties		**(3,328)**	71,116
Cash generated from operations		**1,591,653**	652,419
Interest received		**28,687**	11,385
PRC tax paid		**(418,982)**	(361,453)
Net cash flows from operating activities		**1,201,358**	302,351

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**346**	135
Purchases of items of property, plant and equipment		**(638,255)**	(639,789)
Additions to investment properties		**(77,583)**	(91,089)
Proceeds from disposal of items of property, plant and equipment		**17,346**	8,066
Proceeds from disposal of investment properties		**–**	6,362
Proceeds from disposal of associates		**12,019**	–
Purchase of available-for-sale equity investments		**(116,794)**	(480,159)
Proceeds from disposal of available-for-sale equity investments		**143,258**	331,642
Purchase of land lease prepayments		**(199,460)**	(431,483)
Payment for land lease prepayments		**(755,962)**	(361,397)
Disposal of land lease prepayments		**–**	6,017
Purchase of other intangible assets		**(718)**	(909)
Proceeds from disposal of equity investments at fair value through profit or loss		**–**	8,110
Disposal of other assets		**–**	1,780
Loan repayment from/(loan to) a fellow subsidiary		**100,000**	(100,000)
Acquisition of subsidiaries		**(59,468)**	(7,000)
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
Dividend income from available-for-sale equity investments		**26,099**	13,834
Net cash flows used in investing activities		**(1,549,172)**	(1,774,087)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**3,151,352**	4,167,904
Redeemable convertible bonds at the option of the bondholders		**(914,948)**	–
Repayment of bank loans		**(1,844,320)**	(1,845,044)
Interest paid		**(115,416)**	(334,052)
Final 2012 dividend paid		**(98,134)**	(256,125)
Interim dividend paid		**(116,454)**	(139,304)
Dividend paid by subsidiaries to non-controlling shareholders		**(14,083)**	(11,054)
Repurchase of shares	37	**(198,962)**	(25,512)
Increase in pledged bank deposits		**(7,039)**	(38,625)
Net cash flows from/(used in) financing activities		**(158,004)**	1,518,188

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	**2013** **RMB'000**	2012 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(505,818)**	46,452
Effect of foreign exchange rate changes, net		**1,765**	10,211
Cash and cash equivalents at beginning of year		**1,482,500**	1,425,837
CASH AND CASH EQUIVALENTS AT END OF YEAR		**978,447**	1,482,500
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	**978,447**	1,482,500
Cash and cash equivalents as stated in the statement of cash flows		**978,447**	1,482,500

Statement of Financial Position

31 December 2013

	Notes	**2013 RMB'000**	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	22	**139,761**	143,788
CURRENT ASSETS			
Prepayments and other receivables	30	**12**	7
Dividend receivable		**621,477**	738,226
Due from subsidiaries	22	**2,693,990**	2,908,486
Pledged deposits	32	**10,203**	—
Cash and cash equivalents	32	**20,284**	2,486
Total current assets		**3,345,966**	3,649,205
CURRENT LIABILITIES			
Other payables and accruals	34	**386**	270
Due to subsidiaries	22	**12,461**	12,848
Due to related parties		**9,507**	9,826
Convertible bonds	36	**12,023**	869,681
Total current liabilities		**34,377**	892,625
NET CURRENT ASSETS		**3,311,589**	2,756,580
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,451,350**	2,900,368
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	35	**1,159,076**	—
Total non-current liabilities		**1,159,076**	—
Net assets		**2,292,274**	2,900,368
EQUITY			
Issued capital	37	**467,449**	480,407
Equity component of convertible bonds	36	**56,546**	119,125
Reserves	38(b)	**1,644,708**	2,200,693
Proposed final dividend	15/38(b)	**123,571**	100,143
Total equity		**2,292,274**	2,900,368

Huang Mao Ru
Director

Wang Bin
Director

Notes to Financial Statements

31 December 2013

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 address is 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests, even if this results in a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS36 Amendments	Amendments to IAS 36 Impairment of Assets – *Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
IFRIC – Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009- 2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Except that certain presentation and disclosure of financial statement items have been revised, the adoption of these new and revised IFRSs did not have any significant effect on the financial position or performance of the Group.

Notes to Financial Statements

31 December 2013

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 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) –*Investment Entities*[1]
IAS 19 Amendments	*Amendments to IAS 19 Employee Benefits – Defined Benefit Plan: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation –Offsetting Financial Assets And Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date but available for adoption

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

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

On 19 November 2013 the IASB issued a new version of IFRS 9 *Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)* (IFRS 9 (2013)), which includes the new hedge accounting requirements and some related amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations.

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

In addition, IFRS 9 (2013) includes two changes that result from other phases of the IASB's financial instruments project:

(i) A fast-track to applying the requirements of IFRS 9 for the presentation of own credit risk-related fair value gains and losses arising on financial liabilities designated as at fair value through profit or loss under the fair value option. This fast track is an option for entities to apply the accounting for own credit risk in isolation (i.e., without applying the other IFRS 9 requirements at the same time).

(ii) IFRS 9 (2013) does not have a mandatory effective date. This unusual circumstance is the result of the ongoing project phase on the impairment of financial instruments. The IASB decided to remove the mandatory effective date from IFRS 9 until the impairment phase of the project is completed, at which time, the appropriate lead-time for implementing the new impairment model will be known so that a new mandatory effective date can be set.

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 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.

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 (Revised). 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.

The IAS 19 Amendments clarify the requirements that related to how contributions from employees or third parties that are linked to service should be attributed to periods off service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" 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.

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

The IAS 39 Amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact on future financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual arrangements; and

(c) The Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment loss.

Investments in associates

An associate is an entity, in which the Group has a long term interest or generally not less than 20%of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's Investments in its 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 other comprehensive income of associates and join ventures is included in the consolidated statement of profit or loss and the consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and its associated are eliminated to the extent of the Group's investments in the associates, except where unrealised losses is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The results of associates are included in the Company's statement of profit or loss 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 acquire 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 will be 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 *Financial Instruments: Recognition and Measurement*, 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 remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previously held equity interests, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to 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 of 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 disposal, 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 statement of profit or loss in the period in which it arises.

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 statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party 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.

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 statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year date.

An item of property, plant and equipment 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 statement of profit or loss in the period the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents 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 statement of profit or loss in the period of the retirement or disposal.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 statement of profit or loss 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 statement of profit or loss 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 are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, 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 selling or repurchasing 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 statement of profit or loss. 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.

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 as 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 as 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 statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or 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 as 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 in 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 statement of profit or loss 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 consolidated statement of profit or loss in other gains or lossed. 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 statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)
When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such 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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement or profit or loss.

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 primarily derecognized (i.e.,removed from the Group's consolidated statement of financial position) 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 of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is 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 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 the debtors 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

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 statement of profit or loss. 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 and all collateral has been realised or has been transferred to the Group. 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 statement of profit or loss.

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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, amounts due to related parties and interest-bearing loans and borrowings.

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. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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. Financial guarantee contracts are recognised initially as a liability at their 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 reporting date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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

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

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

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 a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Completed properties held for sale

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

Cash and cash equivalents

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

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

Provisions

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

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

Coupon liabilities

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

Income tax

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

Current tax assets and liabilities for the current 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 temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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 each reporting date 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 each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, 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 sales 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.

Retirement benefits

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.57% has been applied to the expenditure on the individual assets.

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 use the Hong Kong dollar ("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 statement of profit or loss.

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 measured. 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 statement of profit or loss 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the 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, which have the most significant effect on the amounts recognised in the financial statements:

- *Operating lease commitments - Group as lessor*

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

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

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

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes to Financial Statements

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

- *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 statement of profit or loss.

- *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.

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 liabilities 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 sales, direct sales of merchandise and the 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 the 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.

4. OPERATING SEGMENT INFORMATION

Year ended 31 December 2013

	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	3,121,513	677,019	6,920	–	3,805,452
Intersegment revenue	–	20,015	–	(20,015)	–
Other income	797,551	13,423	7,167	–	818,141
Cost of sales	(1,195,659)	(228,906)	(678)	–	(1,425,243)
Employee expenses	(380,346)	(59,487)	(4,399)	–	(444,232)
Depreciation and amortisation	(310,556)	(42,719)	(721)	–	(353,996)
Operating lease rental expenses	(214,684)	(17,517)	(100)	14,016	(218,285)
Other operating expenses	(799,934)	(116,234)	(7,757)	5,999	(917,926)
Other gains/(loss)	199,139	(825)	(3,563)	–	194,751
Operating profit/(loss)	1,217,024	244,769	(3,131)	–	1,458,662
Finance costs	(28,871)	(104,747)	(159)	–	(133,777)
Share of profits and losses of associates	–	–	(452)	–	(452)
Segment profit/(loss) before tax	1,188,153	140,022	(3,742)	–	1,324,433
Income tax expense	(374,806)	(35,006)	(1,507)	–	(411,319)
Segment profit/(loss) for the year	813,347	105,016	(5,249)	–	913,114
Attributable to:					
Owners of the parent	761,609	45,892	(5,460)	–	802,041
Non-controlling interests	51,738	59,124	211	–	111,073
	813,347	105,016	(5,249)	–	913,114
Other segment information					
Impairment losses recognised in the statement of profit or loss	2,158	–	–	–	2,158
Impairment losses reversed in the statement of profit or loss	(8,147)	–	–	–	(8,147)
Capital expenditure*	932,248	1,792,224	22,590	–	2,747,062

* 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.

4. OPERATING SEGMENT INFORMATION (continued)

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
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 statement of profit or loss	18,320	1,095	—	—	19,415
Impairment losses reversed in the statement of profit or loss	(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.

5. REVENUE

	Group 2013 RMB'000	2012 RMB'000
Commissions from concessionaire sales	**1,622,662**	1,619,309
Direct sales	**1,313,610**	1,395,226
Rental income from the leasing of shop premises	**178,195**	173,006
Management fee income from the operation of department stores	**7,046**	3,871
Rental income from investment properties	**236,400**	72,948
Sale of properties	**440,619**	272,030
Others	**6,920**	6,329
	3,805,452	3,542,719

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

	Group 2013 RMB'000	2012 RMB'000
Total sales proceeds from concessionaire sales	**10,060,753**	9,672,014
Commissions from concessionaire sales	**1,622,662**	1,619,309

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

	Group 2013 RMB'000	2012 RMB'000
Rental income	**104,805**	96,669
Sublease rental income	**73,390**	76,337
	178,195	173,006

6. OTHER INCOME

	Group 2013 RMB'000	2012 RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**404,470**	433,539
– Promotion income	**221,807**	189,535
– Credit card handling fees	**127,523**	126,861
Interest income	**21,187**	18,885
Others	**43,154**	38,319
	818,141	807,139

7. COST OF SALES

	Group 2013 RMB'000	2012 RMB'000
Purchases of and changes in inventories	**1,195,659**	1,255,409
Cost of properties sold	**228,906**	188,267
Others	**678**	726
	1,425,243	1,444,402

8. EMPLOYEE EXPENSES

	Group 2013 RMB'000	2012 RMB'000
Wages and salaries	**383,173**	337,367
Reversal of equity-settled share option expense	**—**	(25,498)
Retirement benefits	**45,678**	40,011
Other employee benefits	**15,381**	17,819
	444,232	369,699

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2013 RMB'000	2012 RMB'000
Fees	**623**	633
Other emoluments:		
Salaries and allowances	**2,442**	1,914
Equity-settled share option expense	**—**	(1,698)
Retirement benefits	**48**	34
	2,490	250
	3,113	883

8. EMPLOYEE EXPENSES (continued)

(a) Independent non-executive directors

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

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Year ended 31 December 2013			
Mr. Pao Ping Wing	**192**	**–**	**192**
Mr. Leung Hon Chuen	**144**	**–**	**144**
Mr. Chow Chan Lum	**287**	**–**	**287**
	623	**–**	**623**
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

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2013 (2012: Nil).

8. EMPLOYEE EXPENSES (continued)

(b) Executive and non-executive directors

	Fees RMB'000	Salaries and allowances RMB'000	Equity-settled share option expense RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Year ended 31 December 2013					
Executive directors:					
Mr. Huang Mao Ru	**–**	**120**	**–**	**–**	**120**
Mr. Zhong Pengyi	**–**	**120**	**–**	**–**	**120**
Ms. Wang Fuqin	**–**	**745**	**–**	**24**	**769**
Mr. Wang Bin	**–**	**1,457**	**–**	**24**	**1,481**
	–	**2,442**	**–**	**48**	**2,490**
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

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2013 (2012: Nil).

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

(c) Five highest paid employees

The five highest paid employees during the year included two (2012: 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 (2012: three) non-director highest paid employees (which are senior management) for the year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and allowances	**1,884**	2,406
Equity-settled share option expenses	**–**	(1,941)
Retirement benefits	**70**	79
	1,954	544

8. EMPLOYEE EXPENSES (continued)

(c) Five highest paid employees (continued)

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

	2013	2012
Nil to HK$1,000,000	**3**	3
	3	3

9. OPERATING LEASE RENTAL EXPENSES

	Group	
	2013	2012
	RMB'000	RMB'000
Operating lease rental	**190,030**	207,164
Operating sublease rental	**28,255**	30,081
	218,285	237,245

10. OTHER OPERATING EXPENSES

		Group	
		2013	2012
	Notes	**RMB'000**	RMB'000
Utility expenses		**202,009**	206,714
Promotion and advertising expenses		**74,734**	67,712
Repair and maintenance expenses		**109,400**	109,949
Entertainment expenses		**22,558**	18,469
Office expenses		**51,071**	42,034
Other tax expenses		**301,507**	252,532
Professional service fees		**40,315**	33,355
Auditors' remuneration		**6,900**	6,013
Bank charges		**75,997**	68,480
Provision of inventories	26	**460**	988
Impairment of trade receivables	29	**1,623**	1,870
Impairment of other receivables	30	**75**	16,289
Others		**31,277**	35,126
		917,926	859,531

11. OTHER GAINS

	Group 2013 RMB'000	2012 RMB'000
Loss on disposal of items of property, plant and equipment	**(7,162)**	(468)
Loss on disposal of subsidiaries and associates	**(5,479)**	—
Gain on disposal of investment properties	**—**	3,458
Foreign exchange gain, net	**1,765**	292
Fair value gain/(loss) on equity investments at fair value through profit or loss	**(64)**	56
Gain on disposal of equity investments at fair value through profit or loss	**—**	339
Gain on disposal of available-for-sale equity investments	**101,901**	174,019
Loss of a department store operation shared by a fellow subsidiary of the Group (note 41(a)(vi))	**24,505**	38,000
Dividend income from available-for-sale equity investments	**26,099**	13,834
Dividend income from equity investments at fair value through profit or loss	**—**	188
Others	**53,186**	44,709
	194,751	274,427

12. FINANCE COSTS

	Group 2013 RMB'000	2012 RMB'000
Interest on bank loans	**357,125**	274,351
Interest on convertible bonds (note 36)	**43,147**	54,627
Total interest expense on financial liabilities not at fair value through profit or loss	**400,272**	328,978
Less: Interest capitalised	**(266,495)**	(199,829)
	133,777	129,149
Other finance costs:		
Increase in discounted amounts of consideration payable	**—**	3,666
	133,777	132,815

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.

13. INCOME TAX EXPENSE (continued)

The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2013 (2012: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at a statutory rate of 25% (2012: 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 from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of RMB40,549,000 is charged to the consolidated statement of profit or loss for the year ended 31 December 2013 (2012: RMB8,466,000).

	Group	
	2013	2012
	RMB'000	RMB'000
Group:		
Current – CIT	**414,162**	373,536
Current – LAT	**40,549**	8,466
Deferred (note 25)	**(43,392)**	(43,642)
Total tax charge for the year	**411,319**	338,360

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			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,324,433**		1,236,914	
Tax at the statutory tax rate	**331,109**	**25**	309,229	25
Lower tax rates for specific districts or countries	**(15,842)**	**(1)**	(10,321)	(1)
Income not subject to tax	**(1,563)**	**–**	(1,730)	–
Expenses not deductible for tax	**4,509**	**–**	5,333	–
Effect of withholding tax at applicable rate on the distributable profits of the Group's PRC subsidiaries	**16,978**	**1**	19,228	2
Tax losses not recognised	**24,236**	**2**	15,765	1
LAT	**40,549**	**3**	8,466	1
Tax effect of LAT	**(10,137)**	**(1)**	(2,116)	–
Others	**21,480**	**2**	(5,494)	(1)
Tax charge at the Group's effective tax rate	**411,319**	**31**	338,360	27

Notes to Financial Statements

31 December 2013

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB54,473,000 (2012: profit of RMB696,195,000) which has been dealt with in the financial statements of the Company (note 38(b)).

15. DIVIDEND

	2013	2012
	RMB'000	RMB'000
Proposed final dividend (not recognised as a liability as at 31 December) – HK3.0 cents (2012: HK2.3 cents) per ordinary share	**123,571**	100,143
	123,571	100,143

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 2013 attributable to ordinary equity holders of the parent of RMB802,041,000 (2012: RMB801,820,000) and the weighted average number of ordinary shares of 5,159,225,623 in issue during the year (2012: 5,370,609,411).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 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.

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 2013							
At 31 December 2012 and at 1 January 2013:							
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
At 1 January 2013, net of accumulated depreciation and impairment	2,564,746	141,301	12,707	59,151	217,985	1,244,406	4,240,296
Additions	11,968	6,070	3,421	13,098	–	813,795	848,352
Disposals	(8,084)	(3,021)	(536)	(5,384)	(7,483)	–	(24,508)
Depreciation provided during the year	(118,196)	(25,641)	(2,534)	(15,368)	(66,056)	–	(227,795)
Transfer from properties under development (note 27)	–	–	–	–	–	6,881	6,881
Transfer from investment properties (note 18)	51,627	–	–	–	–	–	51,627
Transfer to investment properties (note 18)	(25,456)	–	–	–	–	–	(25,456)
Transfer from completed properties held for sale	2,682	–	–	–	–	–	2,682
Transfers	719,740	35,368	–	–	63,532	(818,640)	–
Exchange realignment	(1,100)	–	–	–	–	–	(1,100)
At 31 December 2013, net of accumulated depreciation and impairment	3,197,927	154,077	13,058	51,497	207,978	1,246,442	4,870,979
At 31 December 2013:							
Cost	3,880,815	401,091	18,193	208,552	508,607	1,253,054	6,270,312
Accumulated depreciation and impairment	(682,888)	(247,014)	(5,135)	(157,055)	(300,629)	(6,612)	(1,399,333)
Net carrying amount	3,197,927	154,077	13,058	51,497	207,978	1,246,442	4,870,979

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Amortisation of land lease payments of approximately RMB44,077,000 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).

Certificates of ownership in respect of certain buildings of the Group with a net carrying amount of approximately RMB209,960,000 as at 31 December 2013 (31 December 2012: RMB270,517,000) 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 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 properties under development (note 27)	–	–	–	–	–	(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

18. INVESTMENT PROPERTIES

	Note	Group 2013 RMB'000	Group 2012 RMB'000
Cost at 1 January, net of accumulated depreciation		**509,298**	428,221
Additions		**77,583**	99,667
Disposals		**—**	(2,904)
Transfer from property, plant and equipment	17	**25,456**	—
Transfer to property, plant and equipment	17	**(51,627)**	—
Depreciation provided during the year		**(14,748)**	(15,686)
At 31 December		**545,962**	509,298
At 31 December:			
Cost		**623,664**	645,978
Accumulated depreciation		**(77,702)**	(136,680)
Net carrying amount		**545,962**	509,298

The Group's investment properties are held under medium term leases and are situated in Mainland China. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a).

Details of the Group's investment properties pledged to secure the Group's bills payable and interest-bearing bank loans are set out in notes 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 RMB17,027,000 as at 31 December 2013 (31 December 2012: RMB24,104,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

At 31 December 2013, the fair value of the Group's investment properties was approximately RMB672,102,000 (31 December 2012: RMB592,495,000), 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 2013 RMB'000	2012 RMB'000
Carrying amount at 1 January		**3,861,149**	4,106,464
Additions		**149,857**	1,555
Transfer to properties under development	27	**–**	(97,299)
Transfer from properties under development	27	**728,483**	1,973
Disposals		**–**	(6,017)
		4,739,489	4,006,676
Amortisation provided during the year		**(165,117)**	(145,527)
Carrying amount at 31 December		**4,574,372**	3,861,149
Current portion included in prepayments, deposits and other receivables		**(165,641)**	(143,973)
Non-current portion		**4,408,731**	3,717,176

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 RMB112,405,000 as at 31 December 2013 (31 December 2012: RMB115,213,000).

Included in the amortisation provided during the year is an amount of approximately RMB44,077,000, 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).

20. GOODWILL

	Group 2013 RMB'000	2012 RMB'000
At 1 January, net of accumulated impairment	**637,348**	641,680
At 31 December	**637,348**	641,680
At 31 December:		
Cost	**638,317**	647,449
Accumulated impairment	**(969)**	(5,769)
Net carrying amount	**637,348**	641,680

20. GOODWILL (continued)

Movements in the impairment for against goodwill are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**5,769**	5,769
Amount written off during the year	**(4,800)**	—
At 31 December	**969**	5,769

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 2013 and 2012	637,167	181	637,348

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 9% to 15% (2012: 7% to 15%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from nil to 3% (2012: 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.

Assumptions were used in the value in use calculation of the CGUs for 31 December 2013 and 2012. 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% (2012: Nil to 5%).

21. OTHER INTANGIBLE ASSETS

Group

	Computer software	
	2013	2012
	RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation	**5,818**	6,823
Additions	**718**	909
Amortisation provided during the year	**(1,965)**	(1,914)
At 31 December	**4,571**	5,818
At 31 December:		
Cost	**12,088**	11,370
Accumulated amortisation	**(7,517)**	(5,552)
Net carrying amount	**4,571**	5,818

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

22. INVESTMENTS IN SUBSIDIARIES

Company

	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**139,761**	143,788

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,693,990,000 (31 December 2012: RMB2,908,486,000) and RMB12,461,000 (31 December 2012: RMB12,848,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

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 %	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 Department Stores China**") (茂業百貨(中國)有限公司)	Hong Kong 7 December 1993	HK\$100,000	–	100	Investment holding
Zhongzhao Commercial Market Development (Shenzhen) Co., Ltd. (中兆商業市場開發(深圳)有限公司)**	PRC/Mainland China 18 June 2004	HK\$1,000,000	–	100	Investment holding
Zhongzhao Investment Management Co., Ltd. ("**Zhongzhao**") (中兆投資管理有限公司)**	PRC/Mainland China 28 October 1997	RMB50,000,000	–	100	Investment holding
Dahua Investment (China) Limited (大華投資(中國)有限公司)	Hong Kong 28 May 2008	HK\$100/ HK\$10,000	–	100	Investment holding
Shenzhen Maoye Shangsha Co., Ltd. ("**Shenzhen Maoye Shangsha**") (深圳茂業商廈有限公司)**	PRC/Mainland China 31 January 1996	US\$320,000,000	–	100	Investment holding and operation of department stores
Shenzhen Maoye Department Store Shennan Co., Ltd. (深圳市茂業百貨深南有限公司)**	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Heping Maoye Department Store Co., Ltd. (深圳市和平茂業百貨有限公司)**	PRC/Mainland China 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. (深圳市茂業百貨華強北有限公司)**	PRC/Mainland China 31 March 2003	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Oriental Times Department Store Co., Ltd. (深圳市茂業東方時代百貨有限公司)**	PRC/Mainland China 8 August 2005	RMB1,200,000	–	100	Operation of a department store
Zhuhai Maoye Department Store Co., Ltd. (珠海市茂業百貨有限公司)**	PRC/Mainland China 24 August 2001	RMB4,800,000	–	100	Operation of a department store
Chongqing Maoye Department Store Co.,Ltd. (重慶茂業百貨有限公司)**	PRC/Mainland China 27 August 2004	RMB30,000,000	–	100	Operation of a department store
Taiyuan Maoye Department Store Co., Ltd. (太原茂業百貨有限公司)**	PRC/Mainland China 11 April 2008	RMB5,000,000	–	100	Operation of a department store
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

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 Consultant 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
Shenzhen Maoye Commercial Investment Consultant 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
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	RMB100,000,000	–	100	Property development
Changzhou Maoye Department Store Co., Ltd. (常州茂業百貨有限公司)**	PRC/Mainland China 21 May 2009	RMB5,000,000	–	100	Operation of a department store
Shenyang Maoye Times Property Co., Ltd. (瀋陽茂業時代置業有限公司)**	PRC/Mainland China 24 September 2007	RMB8,000,000	–	100	Property development
Shenzhen Municipal Maoye Advertisement Co., Ltd. (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. (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 (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	RMB155,000,000	–	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 Development 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. (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
Linyi Maoye Department StoreCo., Ltd. (臨沂茂業百貨有限公司)**	PRC/Mainland China 3 November 2010	RMB5,000,000	–	100	Operation of a department store
Taizhou Maoye Property Co., Ltd. (泰州茂業置業有限公司)**	PRC/Mainland China 8 November 2010	HK$1,124,800,000	–	100	Property development

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
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. (淄博茂業商廈有限公司)**	PRC/Mainland China 25 June 1994	RMB81,800,000	–	80	Operation of department stores and supermarket chain stores
Zibo Dongtai Jianghao LogisticsCo., 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)**	PRC/Mainland China 9 March 1998	RMB26,000,000	–	68.05	Property leasing
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 15 July 2008	RMB8,000,000	–	68.05	Property development
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

22. INVESTMENTS IN SUBSIDIARIES (continued)

Company name		Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Maoye Logistics Corporation Ltd. (茂業物流股份有限公司)@	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
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 Jinyuan Property Service Co., Ltd. (秦皇島金原商業管理有限公司)**	PRC/Mainland China 14 April 2001	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. (蕪湖茂業置業有限公司)**	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	#
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	Property development
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	#

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
Shandong Weizhou Property Co., Ltd (山東維州置業有限公司)**	PRC/Mainland China 1 August 2009	RMB50,000,000	–	100	Property development
Qinhuangdao Maoye Real Estate Development Co., Ltd (秦皇島茂業房地產開發有限公司)**	PRC/Mainland China 4 January 2012	RMB5,000,000	–	100	#
Zibo Maoye Property Co., Ltd (淄博茂業置業有限公司)**	PRC/Mainland China 29 November 2013	RMB20,000,000	–	100	Property development

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

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

** Companies incorporated as limited liability companies under 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.

23. INVESTMENTS IN ASSOCIATES

	Group 2013 RMB'000	2012 RMB'000
Share of net assets	–	12,049

The Group's balances with its associates as at 31 December 2012 are disclosed in note 41(b).

On 3 March 2013, the Group disposed of a 49% equity interest in Guangyuan New Century Cable Television Networks Construction Co., Ltd. ("**Guangyuan New Century**") to a third party named Guangyuan Lizhou Municipal Bureau of Radio, Film and Television (廣元市利州區廣播電影電視局), at a consideration of RMB2,582,000.

On 17 May 2013, the Group disposed of a 49% equity interest in Leshan Shawan New Century Cable Television Networks Construction Co., Ltd. ("**Leshan Shawan New Century**") to a third party named Leshan Shawan Broadcast and TV Center (樂山市沙灣區廣播電視中心), at a consideration of RMB4,436,489.

On 24 September 2013, the Group disposed of a 32% equity interest in Ya'an New Century Cable Television Networks Construction Co., Ltd. ("**Ya'an New Century**") to a third party named Ya'an Cultural tourism development Co., Ltd.(雅安文化旅遊發展有限責任公司), at a consideration of RMB5,000,000.

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 2013				
Ya'an New Century	–	–	–	–
Guangyuan New Century	–	–	874	(370)
Leshan Shawan New Century	–	–	965	(82)
	–	–	1,839	(452)
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)

24. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Listed equity investments, at fair value		
Shanghai	**669,827**	687,154
Shenzhen	**—**	117,354
	669,827	804,508
Unlisted equity investments, at cost	**161,527**	161,527
	831,354	966,035
Provision for impairment	**(5,885)**	(5,885)
	825,469	960,150

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 RMB164,026,000 (2012: RMB5,706,000).

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.

As at 31 December 2013, certain unlisted equity investments with a carrying amount of RMB161,527,000 (2012: RMB161,527,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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	Revaluation of available-for-sale equity investments RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised intercompany transaction profit RMB'000	Total RMB'000
At 1 January 2012	12,896	23,377	–	47,634	–	83,907
Deferred tax credited/(charged) to the consolidated statement of profit or loss 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
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 13)	(597)	(2,943)	–	26,080	73,577	96,117
Deferred tax credited to equity during the year	–	–	16,840	–	–	16,840
At 31 December 2013	**15,058**	**17,863**	**16,840**	**104,537**	**99,281**	**253,579**

The Group had tax losses of approximately RMB597,387,000 as at 31 December 2013 (31 December 2012: RMB382,197,000), 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 RMB179,243,000 as at 31 December 2013 (31 December 2012: RMB68,369,000) 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.

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 2012	470,740	81,665	12,695	20,224	12,082	597,406
Deferred tax debited to equity during the year	–	(39,704)	–	–	–	(39,704)
Deferred tax charged/(credited) to the consolidated statement of profit or loss 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
Deferred tax credited to equity during the year	–	(31,890)	–	–	–	(31,890)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 13)	(15,909)	–	8,103	(1,047)	61,578	52,725
At 31 December 2013	**431,176**	**10,071**	**25,356**	**7,739**	**117,268**	**591,610**

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 2013, there was no significant unrecognised deferred tax liability (2012: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

26. INVENTORIES

	Group 2013 RMB'000	2012 RMB'000
Merchandise for resale	**230,285**	281,147
Provision against slow-moving inventories	**(2,391)**	(2,000)
	227,894	279,147

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

	Group 2013 RMB'000	2012 RMB'000
At 1 January	**2,000**	6,093
Provision recognised during the year (note 10)	**460**	988
Amount written off during the year	**(69)**	(5,081)
At 31 December	**2,391**	2,000

27. PROPERTIES UNDER DEVELOPMENT

	Notes	Group 2013 RMB'000	2012 RMB'000
Land lease prepayments, at cost			
At beginning of year		**2,968,650**	1,161,038
Additions		**225,512**	1,734,211
Acquisition of a subsidiary		**309,590**	—
Transfer from land lease prepayments	19	**—**	97,299
Transfer to land lease prepayments	19	**(728,483)**	(1,973)
Transfer to completed properties held for sale		**(136,547)**	(21,925)
At 31 December		**2,638,722**	2,968,650
Development expenditure, at cost			
At beginning of year		**1,100,923**	630,160
Additions		**1,179,526**	703,689
Transfer from property, plant and equipment	17	**—**	26,323
Transfer to property, plant and equipment	17	**(6,881)**	—
Transfer to completed properties held for sale		**(236,064)**	(259,249)
At 31 December		**2,037,504**	1,100,923
		4,676,226	4,069,573

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 RMB118,450,000 as at 31 December 2013 (31 December 2012: RMB669,500,000).

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28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	RMB'000	RMB'000
Listed equity investments	**887**	959

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	
	2013	2012
	RMB'000	RMB'000
Within 60 days	**22,002**	16,722
61 to 90 days	**1,751**	624
91 to 180 days	**3,423**	1,157
181 to 270 days	**509**	1,729
271 to 360 days	**1,134**	—
Over 360 days	**32,316**	23,615
	61,135	43,847
Impairment of trade receivables	**(8,573)**	(7,005)
	52,562	36,842

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

29. TRADE RECEIVABLES (continued)

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

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**7,005**	5,454
Impairment losses recognised during the year (note 10)	**1,623**	1,870
Amount written off during the year	**(55)**	(319)
At 31 December	**8,573**	7,005

Included in the above provision for impairment of trade receivables as at 31 December 2013 is a provision for individually impaired trade receivables of approximately RMB8,573,000 (31 December 2012: RMB7,005,000) with a gross carrying amount before provision of approximately RMB8,573,000 (31 December 2012: RMB7,005,000). 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**1,191,690**	709,930	**—**	—
Current assets				
Prepayments	**284,013**	210,245	**12**	7
Other receivables	**218,412**	447,352	**—**	—
	502,425	657,597	**12**	7
Impairment of other receivables	**(24,532)**	(32,480)	**—**	—
	477,893	625,117	**12**	7

Included in the Group's prepayments and other receivables under current assets as at 31 December 2013 were prepayments for operating lease rental expenses of RMB64,157,000 covering the period from January to December 2013 (31 December 2012: 2,420,000) and rental deposits of RMB15,619,000 (31 December 2012: RMB15,786,000), which were paid to certain fellow subsidiaries of the Company.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**32,480**	16,414
Impairment losses recognised during the year (note 10)	**75**	16,289
Amount written off during the year	**(8,023)**	(223)
At 31 December	**24,532**	32,480

Included in the above provision for impairment of other receivables as at 31 December 2013 is a provision for individually impaired other receivables of approximately RMB24,532,000 (31 December 2012: RMB32,480,000) with a gross carrying amount of approximately RMB24,532,000 (31 December 2012: RMB32,480,000). 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 rate 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.

On 11 July 2013, the amount of RMB100,000,000 was repaid by Shenzhen Maoye Group.

32. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2013	2012	**2013**	2012
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**935,641**	1,389,771	**30,487**	2,486
Time deposits		**90,000**	132,884	**—**	—
		1,025,641	1,522,655	**30,487**	2,486
Less: Pledged time deposits for bills payable	33	**(465)**	(5,820)	**—**	—
Pledged time deposits for bank loan		**(10,203)**	—	**(10,203)**	—
Pledged bank balances for construction in progress		**(16,799)**	(25,145)	**—**	—
Other pledged bank balances		**(19,727)**	(9,190)	**—**	—
Cash and cash equivalents		**978,447**	1,482,500	**20,284**	2,486

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**975,350**	1,513,990	**—**	—
Hong Kong dollar	**43,727**	8,294	**13,894**	2,295
United States dollar	**6,552**	359	**16,593**	191
Great Britain pound	**12**	12	**—**	—
	1,025,641	1,522,655	**30,487**	2,486

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 RMB975,350,000 (2012: RMB1,513,990,000). 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.

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	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**1,939,607**	1,766,020
91 to 180 days	**227,599**	169,101
181 to 360 days	**159,272**	56,183
Over 360 days	**121,102**	202,932
	2,447,580	2,194,236

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

The Group's bills payable amounting to RMB1,550,000 as at 31 December 2013 (31 December 2012: RMB27,798,000) were secured by the Group's time deposits amounting to RMB465,000 (31 December 2012: RMB5,820,000).

34. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income	**1,877,605**	1,079,009	**—**	—
Deposits received	**200,866**	184,274	**—**	—
Accrued operating lease rental expenses	**93,763**	107,688	**—**	—
Accrued utilities	**20,875**	19,973	**—**	—
Accrued liabilities	**124,354**	80,985	**233**	153
Accrued staff costs	**53,192**	57,819	**153**	117
Provision for coupon liabilities	**10,200**	18,978	**—**	—
Value-added tax and other tax payables	**(244,445)**	(140,431)	**—**	—
Other payables	**549,170**	522,214	**—**	—
	2,685,580	1,930,509	**386**	270

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

Included in the Group's deposits received, accruals and other payables under current liabilities as at 31 December 2013 were accrued operating lease rental expenses of RMB77,731,000 covering the period from January to December 2013 (31 December 2012: RMB91,607,000) which will receive from certain fellow subsidiaries of the Company.

Notes to Financial Statements

31 December 2013

35. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2013			2012		
Group	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured	**6.00~7.38**	**2014**	**345,000**	6.30~9.84	2013	1,054,000
Interest-bearing bank loans – unsecured	**6.90**	**2014**	**1,000**	–	–	–
Current portion of long term interest-bearing bank loans – secured	**6.55~7.86**	**2014**	**456,372**	6.52~7.91 Lower of 1.3 over HIBOR and 2.25 below Hong Kong dollar best lending rate	2013	430,915
Convertible bonds (notes 36)	**6.51**	**2014-2015**	**12,023**	6.51	2013-2015	869,681
Other loans	**4.59~4.60**	**2014**	**949,122**	4.71~6.57	2013	1,596,157
			1,763,517			3,950,753
Non-current						
Long term interest-bearing bank loans – secured	**6.15~7.86, 3.1 over LIBOR**	**2016-2022**	**3,517,528**	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
Interest-bearing bank loans – unsecured	**5.52-6.05**	**2016**	**1,489,541**	–	–	–
			5,007,069			2,370,459
			6,770,586			6,321,212

	2013			2012		
Company	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Convertible bonds (note 36)	**6.51**	**2014-2015**	**12,023**	6.51	2013-2015	869,681
Non-current						
Long term interest-bearing bank loans – secured	**3.1 over LIBOR**	**2015-2016**	**1,159,076**	–	–	–

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank and other loans repayable:				
Within one year	**1,751,494**	3,081,072	**–**	–
In the second year	**1,973,308**	319,269	**238,389**	–
In the third to fifth years, inclusive	**2,625,963**	779,763	**953,555**	–
Beyond five years	**440,666**	1,271,427	**–**	–
	6,791,431	5,451,531	**1,191,944**	–

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Convertible bonds:				
Within one year	**12,023**	869,681	**12,023**	869,681
	12,023	869,681	**12,023**	869,681

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB607,468,000 (31 December 2012: RMB712,536,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB4,321,000 (31 December 2012: RMB91,668,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB856,653,000 (31 December 2012: RMB572,498,000);

(d) certain completed properties held for sale of the Group with a net carrying amount of approximately RMB317,987,000 (31 December 2012: RMB317,987,000); and

(e) certain properties under development of the Group with a net carrying amount of approximately RMB730,843,000 (31 December 2012: RMB910,196,000).

In addition, 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 RMB1,786,296,000 (2012: RMB1,625,271,000) as at the end of the reporting period.

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

The Group had the following undrawn banking facilities:

	Group	
	2013	2012
	RMB'000	RMB'000
Floating rate	**394,274**	812,261

36. CONVERTIBLE BONDS

On 13 October 2010, the Company issued convertible bonds with a nominal value of HK$1,165,000,000.

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 a 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.

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 2012	869,681	119,125	988,806
Imputed Interest expense (note 12)	43,147	—	43,147
Interest paid	(27,919)	—	(27,919)
Exchange realignment	(20,517)	—	(20,517)
Redeemable at the option of the bondholders*	(852,369)	(62,579)	(914,948)
Carrying amount at 31 December 2013	**12,023**	**56,546**	**68,569**

* On 13 October 2013, 98.6% of the convertible bonds was redeemed by bondholders at a principal amount together with interest accrued and unpaid of HK$1,148,700,000, equivalently to RMB914,948,000.

37. ISSUED CAPITAL

	2013 HK$'000	2012 HK$'000
Authorised:		
9,000,000,000 (31 December 2012: 9,000,000,000) ordinary shares of HK$0.10 each	**900,000**	900,000
Issued and fully paid:		
5,223,074,000 (31 December 2012: 5,370,081,000) ordinary shares of HK$0.10 each	**522,307**	537,008
Equivalent to RMB'000	**467,449**	480,407

37. ISSUED CAPITAL (continued)

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

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2013	**5,370,081,000**	**480,407**	**1,848,205**	**2,328,612**
Final 2012 dividend paid	**—**	**—**	**92**	**92**
Repurchase and cancellation of shares	**(147,007,000)**	**(12,958)**	**(186,004)**	**(198,962)**
At 31 December 2013	**5,223,074,000**	**467,449**	**1,662,293**	**2,129,742**

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

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$232,078,000 (equivalent to RMB185,929,000) was 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.

37. ISSUED CAPITAL (continued)

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

Date of repurchases	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$'000	RMB'000
6-Mar-2013	3,882,000	1.74	1.71	6,703	5,422
7-Mar-2013	3,718,000	1.78	1.73	6,559	5,310
8-Mar-2013	1,637,000	1.76	1.73	2,860	2,313
11-Mar-2013	529,000	1.76	1.74	925	749
12-Mar-2013	1,131,000	1.75	1.70	1,950	1,578
13-Mar-2013	1,931,000	1.70	1.66	3,246	2,625
14-Mar-2013	6,726,000	1.71	1.66	11,350	9,180
15-Mar-2013	3,686,000	1.71	1.68	6,271	5,070
18-Mar-2013	6,338,000	1.69	1.65	10,591	8,562
19-Mar-2013	4,997,000	1.70	1.66	8,438	6,823
20-Mar-2013	12,456,000	1.76	1.70	21,795	17,613
26-Mar-2013	10,023,000	1.77	1.73	17,501	14,140
27-Mar-2013	8,656,000	1.83	1.77	15,677	12,673
28-Mar-2013	16,761,000	1.85	1.78	30,742	24,847
10-Apr-2013	9,436,000	1.70	1.62	15,821	12,748
11-Apr-2013	9,832,000	1.74	1.70	17,087	13,776
12-Apr-2013	1,055,000	1.73	1.71	1,818	1,464
15-Apr-2013	4,926,000	1.75	1.70	8,559	6,886
16-Apr-2013	7,713,000	1.78	1.71	13,518	10,868
19-Apr-2013	3,081,000	1.77	1.71	5,406	4,345
22-Apr-2013	6,292,000	1.79	1.75	11,205	9,008
2-Jul-2013	3,771,000	1.25	1.18	4,612	3,674
3-Jul-2013	7,067,000	1.26	1.19	8,802	7,016
12-Jul-2013	6,185,000	1.29	1.25	7,917	6,291
29-Aug-2013	3,612,000	1.44	1.38	5,134	4,084
30-Aug-2013	1,566,000	1.47	1.43	2,292	1,823
	147,007,000			246,779	198,888

38. 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 the 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 in Qinhuangdao Maoye to Bohai Logistics. As the consideration, Bohai Logistics has agreed to issue to Zhongzhao such a 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 a cash dividend and an 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.

38. RESERVES (continued)

(a) Group (continued)

(ii) Statutory surplus reserve (continued)

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.

(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.

	Note	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Share option reserve RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2012		2,011,440	119,125	25,498	5,935	152,671	(224,850)	(177,249)	256,125	2,168,695
Total comprehensive income for the year		–	–	–	–	–	(71)	696,195	–	696,124
Equity-settled share option arrangement		–	–	(25,498)	–	–	–	–	–	(25,498)
Repurchase and cancellation of shares		(23,931)	–	–	1,581	–	–	(1,581)	–	(23,931)
Final 2011 dividend		–	–	–	–	–	–	–	(256,125)	(256,125)
Interim 2012 dividend 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
Total comprehensive loss for the year		–	–	–	–	–	(77,492)	(54,473)	–	(131,965)
Repurchase and cancellation of shares	37	(186,004)	–	–	12,958	–	–	(12,958)	–	(186,004)
Repurchase of convertible bonds		–	(62,579)	–	–	–	–	–	–	(62,579)
Final 2012 dividend		92	–	–	–	–	–	–	(98,226)	(98,134)
Interim 2013 dividend paid		–	–	–	–	–	–	(116,454)	–	(116,454)
Proposed final dividend		–	–	–	–	–	–	(123,571)	123,571	–
As at 31 December 2013		**1,662,293**	**56,546**	**–**	**20,474**	**152,671**	**(302,413)**	**109,766**	**125,488**	**1,824,825**

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

Group	**2013**	2012
	RMB'000	RMB'000
Within one year	**117,756**	125,704
In the second to fifth years, inclusive	**168,246**	164,332
After five years	**92,089**	142,665
	378,091	432,701

(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 seventeen years.

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

Group	**2013**	2012
	RMB'000	RMB'000
Within one year	**187,071**	184,484
In the second to fifth years, inclusive	**717,563**	635,276
After five years	**224,198**	274,650
	1,128,832	1,094,410

40. COMMITMENTS

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

Group	**2013**	2012
	RMB'000	RMB'000
Contracted, but not provided for, in respect of land and buildings	**2,239,979**	1,676,702

41. 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:

	2013 **RMB'000**	2012 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye Group (i) & (iv)	**21,184**	22,040
Zhong Zhao Investment (Group) Limited (中兆投資(集團)有限公司) (i) & (iv)	**8,537**	8,578
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (iv)	**54,689**	54,689
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)	**6,492**	6,459
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (iv)	**22,402**	24,210
Shenzhen Friendship Trading Centre Co., Ltd. ("**Shenzhen Friendship**") (深圳友誼貿易中心有限公司) (iii) & (iv)	**26,373**	29,087
Changzhou Taifu Real Estate Development Co., Ltd. ("**Changzhou Taifu**") (常州泰富房地產開發有限公司) (i) & (iv)	**3,540**	7,115
Shenyang Maoye Property Company Limited ("**Shenyang Maoye Property** ") (瀋陽茂業置業有限公司) (i) & (iv)	**11,771**	23,542
	155,412	176,144
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) & (v)	**4,080**	3,871
Shenyang Maoye Property Company Limited Jinlang Branch ("**Shenyang Jinlang**") (瀋陽茂業置業有限公司金廊分公司)(i) & (v)	**2,780**	—
Changzhou Taifu (i) & (v)	**185**	—
	7,045	3,871
Share of loss of a department store operation by:		
Shenyang Maoye Property (i) & (vi)	**24,505**	38,000

41. 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)

	2013 RMB'000	2012 RMB'000
(2) Non-recurring transactions		
Rental exempted by:		
Changzhou Taifu (i) & (xi)	**23,951**	–
Acquisition of a subsidiary from:		
Shenzhen Maoye Group (i) & (x)	**5,000**	–
Loan and receivable to/(withdraw):		
Shenzhen Maoye Group (i) & (vii)	**(100,000)**	100,000
Interest charged to:		
Shenzhen Maoye Group (i) & (vii)	**9,125**	7,500
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i) & (viii)	**950,000**	850,000
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (viii)	**1,600,000**	1,600,000
	2,550,000	2,450,000

(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) 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.

(vi) According to the terms of the joint operation agreement entered into between Shenyang Maoye Department Store Limited ("**Shenyang Maoye**") (瀋陽茂業百貨有限公司), a subsidiary of the Group, and Maoye Property on 15 July 2011 in relation to a department store operated by Shenyang Maoye, if Shenyang Maoye suffers a loss during the period from 1 January 2011 to 31 December 2013 in the store operation, Maoye Property will pay to Shenyang Maoye an amount equivalent to 80% of the loss before tax of the store operation, limited to the maximum amount of RMB38,000,000 per year. If profit is generated in the store operation during the period, Maoye Property is entitled to receive an amount equivalent to 20% of such profit before tax, limited to the maximum amount of RMB10,000,000 per year. On 5 July 2013, Shenyang Maoye signed a new agreement with Maoye Property. According to the new agreement, the joint operation agreement signed on 15 July 2011 was terminated. Shenyang Maoye no longer leases the building held by Maoye Property and Maoye Property will not suffer the loss of Shenyang Maoye as well since 1 July 2013. Thereafter, Shenyang Maoye will receive management fee income from Shenyang Jinlang on the operation of the department store, which was determined based on the total sales proceeds and rental income from the leasing of shop premises.

41. 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)

(vii) The Group provided a loan to Shenzhen Maoye Group with an amount of RMB100,000,000. On 11 July 2013, the amount of RMB100,000,000 was repaid by Shenzhen Maoye Group. Further details are given in note 31.

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

(xi) On 5 July 2013, Changzhou Maoye Department Store Limited ("**Changzhou Maoye**") (常州茂業百貨有限公司), a subsidiary of the Group, signed an agreement with Changzhou Taifu, pursuant to which Changzhou Maoye no longer leases the building held by Changzhou Taifu and each party shall release and discharge the other party from any obligations under the lease. Accordingly, rental expenses during the operating lease period amounting to RMB23.95 million were exempted by Changzhou Taifu. Thereafter, Changzhou Maoye will receive management fee income from Changzhou Taifu on the operation of the department store, which was determined based on the total sales proceeds and rental income from the leasing of shop premises.

(x) The Group acquired a subsidiary, Qinhuangdao Maoye Property Development Limited from Shenzhen Maoye Group for a consideration of RMB5,000,000.

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

	2013	2012
	RMB'000	RMB'000
Due from related parties		
Due from fellow subsidiaries	**103,436**	79,871
Due from a non-controlling shareholder of a subsidiary	**11,497**	15,316
Due from a company significantly influenced by a director of the Company	**—**	1,467
	114,933	96,654
Due to related parties		
Due to associates	**—**	506
Due to a non-controlling shareholder of a subsidiary	**64,842**	84,843
Due to fellow subsidiaries	**19,265**	17,011
Due to a company significantly influenced by a director of the Company	**164**	242
	84,271	102,602

Included in the balances due from related parties and due to related parties as at 31 December 2013 were amounts of approximately RMB114,933,000 (31 December 2012: RMB96,654,000) and RMB19,429,000 (31 December 2012: 17,253,000), 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.

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management

	2013 RMB'000	2012 RMB'000
Salaries and allowances	**4,326**	4,320
Equity-settled share option expense	**–**	(3,639)
Retirement benefits	**118**	113
	4,444	794

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

The related party transactions in respect of items 41(a)(1) and 41(a)(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

	2013 RMB'000	2012 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 five years.

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

Group	2013 RMB'000	2012 RMB'000
Within one year	**140,303**	155,560
In the second to fifth years, inclusive	**505,074**	609,662
After five years	**–**	219,160
	645,377	984,382

42. 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:

2013

Financial assets	Group Financial assets at fair value through profit or loss 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
Available-for-sale equity investments	–	–	–	825,469	825,469
Trade receivables	–	–	52,562	–	52,562
Financial assets included in prepayments, deposits and other receivables	–	–	193,880	–	193,880
Equity investments at fair value through profit or loss	887	–	–	–	887
Due from related parties	–	–	114,933	–	114,933
Pledged deposits	–	–	47,194	–	47,194
Cash and cash equivalents	–	–	978,447	–	978,447
	887	–	1,387,016	825,469	2,213,372

Financial liabilities	Financial liabilities at amortised cost RMB'000
Trade and bills payables	2,447,580
Financial liabilities included in other payables and accruals	1,042,220
Due to related parties	84,271
Convertible bonds	12,023
Interest-bearing bank loans and other borrowings	6,758,563
	10,344,657

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2012

	Group				
Financial assets	Financial assets at fair value through profit or loss 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 equity 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 loans and other borrowings	5,451,531
	9,591,003

Notes to Financial Statements

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42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company	
	2013	2012
	Loans and receivables	Loans and Receivables
	RMB'000	RMB'000
Investments in subsidiaries	**139,761**	143,788
Prepayments and other receivables	**12**	7
Dividend receivable	**621,477**	738,226
Due from subsidiaries	**2,693,990**	2,908,486
Pledged deposits	**10,203**	—
Cash and cash equivalents	**20,284**	2,486
	3,485,727	3,792,993

Financial liabilities

	Company	
	2013	2012
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Other payables and accruals	**386**	270
Due to subsidiaries	**12,461**	12,848
Due to related parties	**9,507**	9,826
Convertible bonds	**12,023**	869,681
	34,377	892,625

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43. 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments				
– listed equity investments	**669,827**	804,508	**669,827**	804,508
Loan and receivable	**—**	107,500	**—**	107,500
Trade receivables	**52,562**	36,842	**52,562**	36,842
Financial assets included in prepayments,				
deposits and other receivables	**193,880**	414,872	**193,880**	414,872
Equity investments at fair value				
through profit or loss	**887**	959	**887**	959
Due from related parties	**114,933**	96,654	**114,933**	96,654
Pledged deposits	**47,194**	40,155	**47,194**	40,155
Cash and cash equivalents	**978,447**	1,482,500	**978,447**	1,482,500
	2,057,730	2,983,990	**2,057,730**	2,983,990
Financial liabilities				
Trade and bills payables	**2,447,580**	2,194,236	**2,447,580**	2,194,236
Financial liabilities included in				
other payables and accruals	**1,042,220**	972,953	**1,042,220**	972,953
Due to related parties	**84,271**	102,602	**84,271**	102,602
Convertible bonds	**12,023**	869,681	**12,023**	888,392
Interest-bearing bank loans				
and other borrowings	**6,758,563**	5,451,531	**6,758,563**	5,451,531
	10,344,657	9,591,003	**10,344,657**	9,609,714

43. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Investments in subsidiaries	**139,761**	143,788	**139,761**	143,788
Prepayments and other receivables	**12**	7	**12**	7
Dividend receivable	**621,477**	738,226	**621,477**	738,226
Due from subsidiaries	**2,693,990**	2,908,486	**2,693,990**	2,908,486
Pledged deposits	**10,203**	—	**10,203**	—
Cash and cash equivalents	**20,284**	2,486	**20,284**	2,486
	3,485,727	3,792,993	**3,485,727**	3,792,993
Financial liabilities				
Other payables and accruals	**386**	270	**386**	270
Due to subsidiaries	**12,461**	12,848	**12,461**	12,848
Due to related parties	**9,507**	9,826	**9,507**	9,825
Convertible bonds	**12,023**	869,681	**12,023**	888,392
	34,377	892,625	**34,377**	911,335

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, amounts 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.

43. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

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

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

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

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

Assets measured at fair value

Group

As at 31 December 2013

	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	**887**	**–**	**–**	**887**
Available-for-sale equity investments:				
Equity shares	**669,827**	**–**	**–**	**669,827**
	670,714	**–**	**–**	**670,714**

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

During the year ended 31 December 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into and out of Level 3.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board 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 2013			
RMB	**100**	**(67,043)**	**—**
RMB	**(100)**	**67,043**	**—**
31 December 2012			
RMB	100	(67,358)	—
RMB	(100)	67,358	—

* Excluding retained profits

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.

44. 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 2013		
		Less than		
Group	**On demand**	**1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and bills payables	–	2,447,580	–	2,447,580
Deposits received, accruals and other payables	–	1,042,220	–	1,042,220
Due to related parties	84,271	–	–	84,271
Convertible bonds	–	12,023	–	12,023
Interest-bearing bank and other borrowings	–	1,902,006	5,372,650	7,274,656
	84,271	5,403,829	5,372,650	10,860,750

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group	31 December 2012 On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total 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

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 2013** **On demand** **RMB'000**	**Less than 1 year** **RMB'000**	**Over 1 year** **RMB'000**	**Total** **RMB'000**
Convertible bonds	**—**	**12,023**	**—**	**12,023**
Other payables and accruals	**386**	**—**	**—**	**386**
Due to subsidiaries	**12,461**	**—**	**—**	**12,461**
	12,847	**12,023**	**—**	**24,870**

Company	31 December 2012 On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total 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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank loans less cash and cash equivalents and pledged deposits. Capital includes convertible bonds and equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2013 and 2012 were as follows:

Group	**2013**	2012
	RMB'000	RMB'000
Interest-bearing bank loans and other borrowings	**6,758,563**	5,451,531
Less: Cash and cash equivalents and pledged deposits	**(1,025,641)**	(1,522,655)
Net debt	**5,732,922**	3,928,876
Convertible bonds, the liability component	**12,023**	869,681
Equity attributable to owners of the parent	**5,862,147**	5,670,659
Adjusted capital	**5,874,170**	6,540,340
Capital and net debt	**11,607,092**	10,469,216
Gearing ratio	**49%**	38%

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

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

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

Group	**31 December 2013**	**Year ended 31 December 2013 High/low**	31 December 2012	Year ended 31 December 2012 High/low
Shenzhen – A Share Index	**1,104**	**1,155/850**	920	1,067/757
Shanghai – A Share Index	**2,214**	**2,559/1,936**	2,376	2,596/2,041

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 2013 and 2012.

Group		**Increase/ decrease in profit before tax RMB'000**	**Increase/ decrease in equity* RMB'000**
31 December 2013			
Equity investments listed in:			
Shanghai	– available-for-sale	**—**	**31,897**
	– at fair value through profit or loss	**42**	**—**
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	—

* Excluding retained profits

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45. EVENT AFTER THE REPORTING PERIOD

(i) On 16 February 2014, Zhongzhao, a wholly owned subsidiary of the Company, entered into an agreement with a third party named Shenyang Commercial City (Group) Co., Ltd. According to the agreement, Zhongzhao acquired 20,907,940 shares of Shenyang Commercial City Co.,Ltd.("Commercial city"), representing 11.74% of the issued share capital of Commercial City. Commercial City is a company incorporated in the PRC with limited liability and principally engaged in operation of department stores in Shenyang city and listed on the Shanghai Stock Exchange. The total consideration for the transaction was RMB 206,988,606. Upon completion of the transaction, the Group held 52,048,427 shares of Commercial City, representing approximately 29.22% of the issued share capital of Commercial City.

(ii) On 24 February 2014, Shenzhen Maoye Shangsha issued notes with an amount of RMB700 million in the Mainland China. The notes carry a fixed interest rate of 6.7% and will mature on 24 February 2017.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 February 2014.

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
Before 31 March 2014:
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong
With effect from 31 March 2014:
Level 22, Hopewell Centre
183 Queen's Road East
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