2014 ANNUAL REPORT

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

Incorporated in the Cayman Islands with limited liability

(Stock Code: 848)

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

CONTENT

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 31 December 2014, the Group operates and manages 41 stores in 17 cities across the nation with a total gross floor area of approximately 1.54 million square metres, of which self-owned properties accounted for 80.4% 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 and Changzhou 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 2014, the distribution of stores of the Group are as follows:

	Southern China	Southwestern China	Eastern China	Northern China	Total
No. of Stores	7	10	11	13	41
Gross Floor Area (sq.m)	230,364	283,832	436,154	584,657	1,535,007

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 share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Mission Statement

To become a leading department store chain operator in China

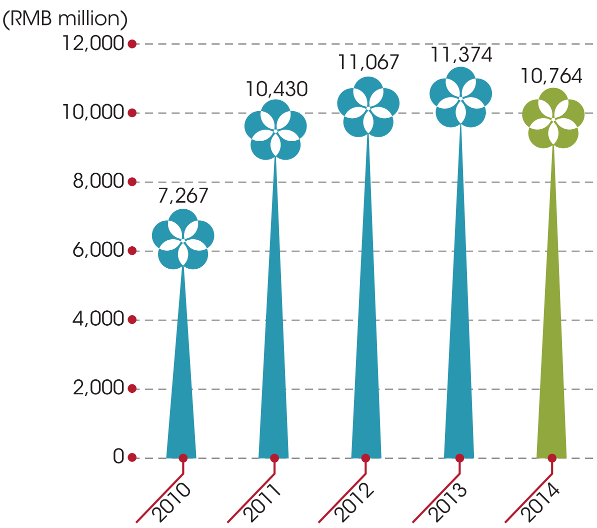
Financial Highlights

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

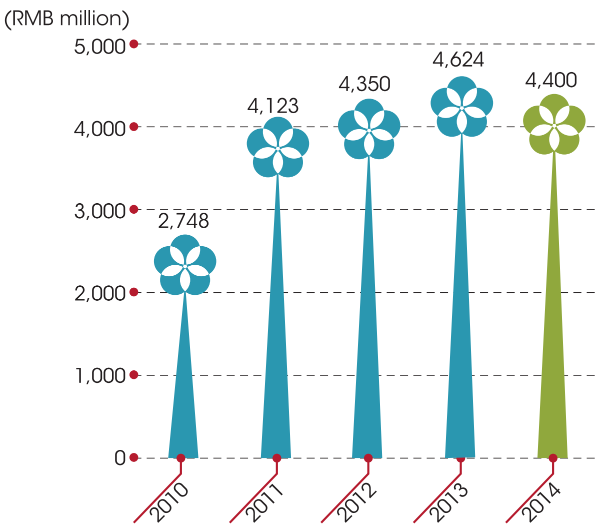
OPERATING RESULTS

	For the years ended 31 December				
	2014	2013	2012	2011	2010
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Total sales proceeds[1]	**10,764,137**	11,374,363	11,067,240	10,429,863	7,266,687
Total operating revenue[2]	**4,400,460**	4,623,593	4,349,858	4,123,332	2,748,350
Operating profit	**2,321,758**	1,458,662	1,369,805	1,206,063	917,441
Profit for the year	**1,449,203**	913,114	898,554	734,889	624,086
Profit attributable to:					
– Owners of the parent	**1,364,692**	802,041	801,820	640,312	576,597
– Non-controlling interests	**84,511**	111,073	96,734	94,577	47,489
Basic earnings per share (RMB)[3]	**0.263**	0.155	0.149	0.12	0.11
Total dividend per share for the year (HK cents)	**4.2**	5.8	5.5	5.9	1.8
– interim	**3.1**	2.8	3.2	—	1.8
– final	**1.1**	3.0	2.3	5.9	—

Total sales proceeds



Total operating revenue



Financial Highlights

HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Assets and liabilities					
Total assets	**24,458,655**	20,078,127	18,296,015	15,384,553	12,048,938
Total liabilities	**16,250,029**	12,747,263	11,251,136	8,639,435	7,108,387
Total equity	**8,208,626**	7,330,864	7,044,879	6,745,118	4,940,551
– Attributable to owners of the parent	**7,147,178**	5,862,147	5,670,659	5,452,796	3,899,584
– Minority interests	**1,061,448**	1,468,717	1,374,220	1,292,322	1,040,967

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 2014 is based on the net profit attributable to owners of the parent of approximately RMB1,364,692,000 and the weighted average number of ordinary shares of 5,197,910,878 in issue.

   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.

Retail Network

	Store (City)	Gross floor area (sq. m.)	Operation Period[1] (year)	Property ownership
1	Shenzhen Dongmen	47,436	17.8	Owned [4]
2	Shenzhen Outlet	23,048	15.3	Leased [2]
3	Zhuhai Xiangzhou	23,715	13.2	Leased [2]
4	Shenzhen Huaqiangbei	59,787	11.2	Leased [2]
5	Chongqing Jiangbei	52,281	10.2	Leased [2]
6	Chengdu Yanshikou	97,946	9.6	Owned
7	Chengdu Beizhan	7,204	9.6	Owned
8	Chengdu Wuhou	16,000	9.6	Leased [3]
9	Nanchong Wuxing	25,195	9.6	Owned
10	Chengdu Wenjiang	8,400	9.6	Leased [3]
11	Shenzhen Shennan	10,507	8.2	Leased [2]
12	Wuxi Qingyang	68,292	7.2	Managed
13	Mianyang Linyuan	21,731	7.0	Owned
14	Mianyang Xingda	27,535	6.3	Owned
15	Qinhuangdao Jindu	46,610	6.3	Owned
16	Taiyuan Liuxiang	31,448	6.2	Owned
17	Shenzhen Nanshan	44,871	5.3	Owned
18	Chengdu Longquanyi	8,373	5.3	Leased [3]
19	Taizhou Yibai	40,358	5.3	Owned
20	Changzhou Wujin	25,321	5.0	Managed
21	Shenzhen Friendship	21,000	4.7	Leased [2]
22	Qinhuangdao Hualian	10,355	4.6	Owned
23	Qinhuangdao Shangcheng	26,696	4.6	Owned
24	Qinhuangdao Jinyuan	10,800	4.6	Owned
25	Qinhuangdao Xiandai	36,897	4.6	Leased [3]
26	Zibo Maoye Complex	115,000	4.2	Owned
27	Zibo Moaye Shopping Plaza	36,791	4.1	Owned
28	Zibo Maoye Building	21,229	4.1	Owned

Retail Network

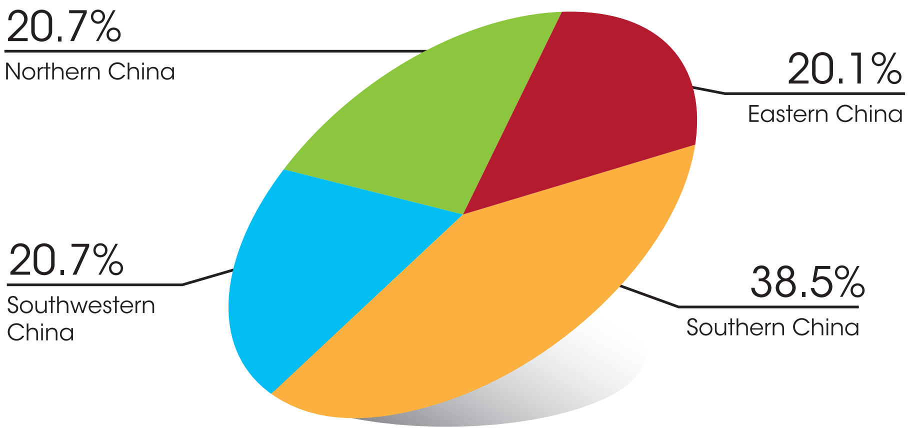
	Store (City)	Gross floor area (sq. m.)	Operation Period[1] (year)	Property ownership
29	Zibo Maoye Taikerong	25,337	4.1	Owned
30	Zibo Maoye Department Store	8,415	4.1	Leased [3]
31	Shenyang Jinlang	70,000	4.1	Managed
32	Baoding Guomao	24,826	4.1	Owned
33	Jiangsu Yangzhou	21,485	4.1	Owned
34	Chengshang Heze	29,426	3.8	Owned
35	Linyi Remin Plaza	44,500	3.3	Owned
36	Shenyang Tiexi I	49,600	2.5	Owned
37	Chengdu Chunxi	19,167	1.1	Owned
38	Shenyang Shangyecheng Zhongjie	104,321	1.0	Owned
39	Shenyang Tiexi II	25,110	1.0	Owned
40	Baoding Yanzhao	61,491	0.4	Owned
41	Taiyuan Maoye Complex	86,504	0.2	Owned

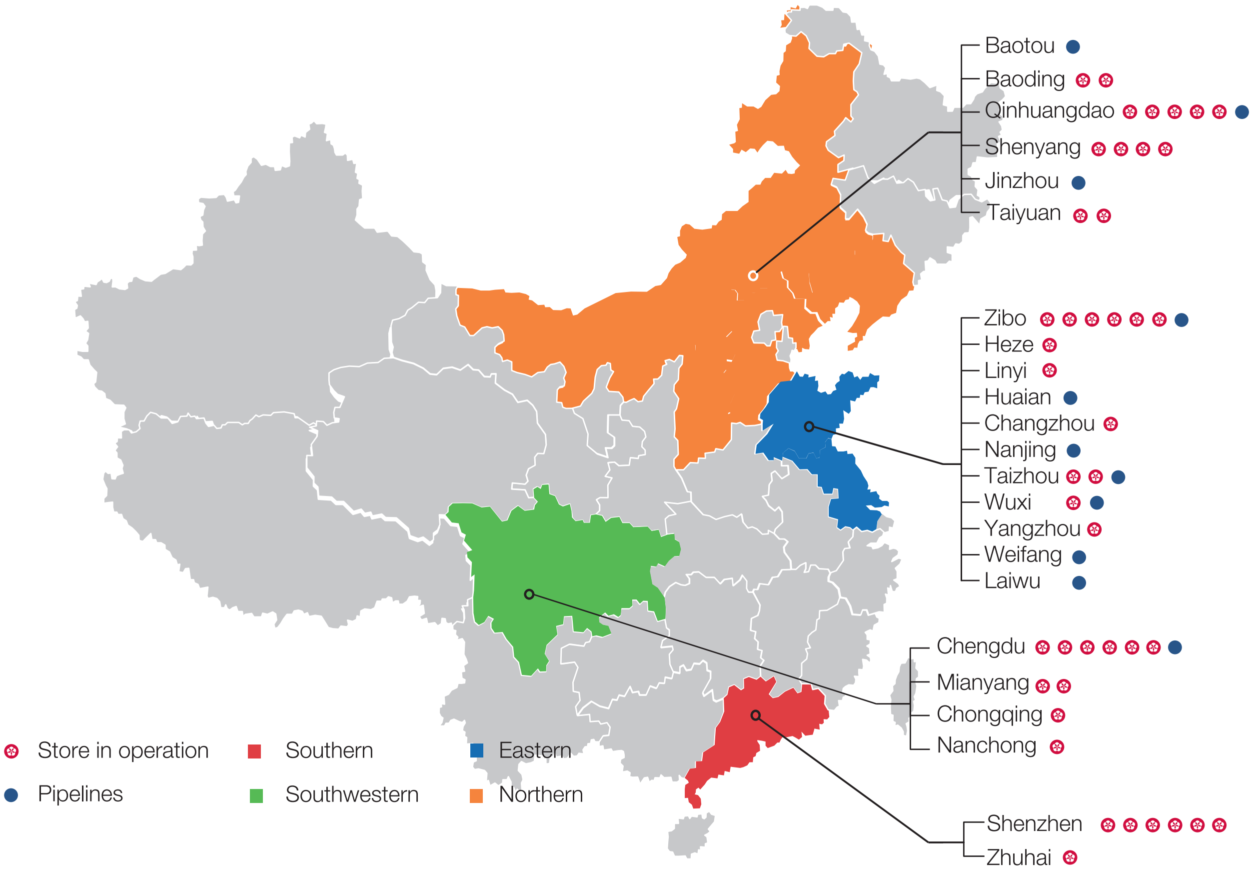
Notes:

1. Operation period was calculated till 31 December 2014.
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

TOTAL SALES PROCEEDS IN 2014 BY REGIONS (EXCLUDING MANAGED STORES)





Chairman's Statement

In 2014, with the continuous slowdown of China's macroeconomic growth, extraordinary supply of shopping centers and fierce competition brought by e-commerce, traditional retail industry remained to face a lot of challenges. In response to the grim market conditions, we have carried out a series of reforms and transformations to gradually adjust our business model and operation approach through implementation of management innovation, hence stabilizing the results of the Company.

In 2014, the Group continued to strengthen the strategy of transforming the department stores into shopping centers, and actively conducted industrial adjustment by upgrading existing stores. Meanwhile, through launching the major segments such as operation and finance of the information system online, we have fully enhanced the Group's operation and sales management level. In 2014, the Group also seized the opportunity of industrial downturn to implement acquisition and integration with peers. In respect of financing, the Group successfully issued US dollar bonds in 2014 which has further actively maximized the advantage of its overseas financing platform.

With China's GDP growth by 7.4% in 2014, "normalization of national economy" will become the consensus of the government and the private sectors for the next few years. While adjustment of consumption structure and industry structure will pose great challenges, unbalanced regional development also implies huge demand potential, and there are still a lot of development opportunities for the retail industry. We will spare no effort to fulfill our duties and overcome difficulties in pursuit of growth and excellence, so as to present satisfactory results before the market and the investors.

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

16 February 2015

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, China's traditional retail industry continued to face various challenges due to the continuous slowdown in the growth of the macro-economy of China, the abnormal excess supply of shopping centres and the keen competitions from e-business. To cope with the competitive market situation, the Group has undergone a series of reforms and transformation, gradually adjusted its business model and operation mode and implemented innovation in management. The business performance of the Company has been stabilised as a result.

Total sales proceeds were RMB10,764.1 million, representing a decrease of 5.4% compared to the same period last year; total operating revenue was RMB4,400.5 million, representing a decrease of 4.8% compared to the same period last year; same-store sales growth of concessionaire sales decreased by 2.4%; profit attributable to owners of the parent was RMB1,364.7 million, representing an increase of 70.2% compared to the same period last year, or a decrease of 28.9% as compared to the same period last year without taking into account the non-operating items.

Major Operating Highlights

The Group has continued to strengthen the strategy of "transforming department stores into shopping centres" which was commenced in 2012. The Group increased the proportion of supporting facilities such as catering, recreation and entertainment, provided one-stop consumer services and was committed to creating a social platform which builds customer loyalty. The Group provided various stores with integrated experience services to satisfy consumers' increasing demand for high-quality consumption. The percentages of areas comprising of supporting facilities of stores such as the Zibo Maoye Complex and the newly opened Taiyuan Maoye Complex exceeded 20% after adjustment.

As to the variety of products in department stores, the Group insisted on its business philosophy of focusing on stylish and medium- and high-end markets and has been introducing trendy brands and light luxury goods from 2014. Apart from Shenzhen Dongmen Store which continued to introduce trendy brands which are new to the Shenzhen market and adopted the strategy of competitive differentiation, Huaqiangbei Store also carried out large-scale renovation and adjustment to prepare for the introduction of various light luxury brands in the second half of 2015. In September 2014, the Yanzhao Store was opened in the core business district of Baoding City, Hebei, leading the local department store sector with its business philosophy focusing on stylish and light luxury goods. It was the first store to introduce various light luxury brands such as Pinko and Lee Cooper into the Hebei market. Since its opening in 2013, the Zibo Maoye Complex in Shandong has also introduced key international brands such as Armani Collezioni and Versace Collection. After 11 years of its opening, the Chongqing Jiangbei Store has also begun to make adjustments and introduced renowned brands such as Mannings, EXCEPTION and VASTO. The Chengdu Chunxi Store, which was closed for renovation in 2014, was reopened on 30 January 2015. Brands newly introduced in the store accounted for 60%, most of which were trendy brands that are popular among young people.

The Taiyuan Maoye Complex, which was opened in November 2014, has introduced various light luxury brands for the first time in Taiyuan and will soon introduce brands such as Apple Store and Fast Fashion which can attract a lot of customers. The opening of the store was a key milestone of the Group's development of new segments and city complex projects that were in line with the trend of city consumption. As a new landmark building in Taiyuan, the Taiyuan Maoye Complex was committed to establishing a flagship store in the north region which was the first international, integrated and all-inclusive one-stop shopping centre that highlighted lifestyle concepts in Shanxi.

Management Discussion and Analysis

As to the sub-segments of businesses, the Shenzhen Maoye Outlet Store has continued to be the role model and sustained its growth contrary to the trend. The Group has successfully transformed the Baoding Guomao Store into the Outlet Store in 2013, positioning it as a discount store for first- and second-tier brands in China covering the entire Hebei region. The store achieved a same-store growth of 21.1% in 2014.

Following the establishment of a strategic partnership with SAP in 2013, the Group has achieved significant progress in information management. Currently, ERP management modules such as operation, finance and human resources have been launched successfully. With the comprehensive standardisation of the stores' systems such as supply management, stock management and sales management, store positioning and business update were provided with fast and effective decision making support and accurate guidance was given for the evaluation of suppliers and sales promotion activities. These have provided effective means to the Group for the development of its diversified businesses and the standardisation of its management. Meanwhile, the subsequent launch of new models such as business intelligence analysis, member management system and bank and enterprise direct connection will have a material impact on the implementation of precise marketing and refined management of the Company.

In addition, most stores of the Group have allowed the use of online payment tools such as Alipay. In the future, the Group will continue to take advantage of the convenience offered by mobile internet in purchasing and connect it with the physical stores of the Company in order to increase the quality and comfortableness of customers' purchasing experience.

As to capital management, the Group has grasped the opportunity in light of the downturn of the industry and acquired and consolidated with various peers in the industry. In February 2014, the Group acquired 11.74% of the shares in Shenyang Commercial City Co. Ltd. (stock code 600306) from its original substantial shareholder for approximately RMB207 million. It has then become the largest shareholder of the company with a shareholding of 29.22%, including the shares previously held by the Group. As a result, the Group operates 4 stores in Shenyang, the largest city in the Northeast, which helps to increase the Group's competitiveness and influence in the north region.

The Group is optimistic about the development and position of Silver Plaza Group Co., Ltd (stock code 600858) ("**Silver Plaza**") in the Shandong region. The Group increased its stake in such company in the secondary market in December 2014 and continued to increase its stake to 10% in January 2015, with total costs of approximately RMB491 million.

In 2014, the Group's associated company, Maoye Logistics Corporation Limited ("**Maoye Logistics**") (stock code 000889), implemented major asset reorganisation and acquired 100% equity interest in Beijing TrustMeDu Sci-tech Co., Ltd. for a consideration of RMB878 million which was settled partly by issuing shares and partly by cash. The acquisition helped to optimise the business structure of the Company and to improve its profitability. Meanwhile, it provided the possibility of technical extension for the information flow platform and precise marketing analysis of the Group in its retail business.

In 2014, the Group has continued to explore diversified financing channels. In May 2014, the Group successfully issued three-year term US dollar senior notes in the amount of US$300 million for the first time. In February, June and July 2014, the Group's wholly-owned subsidiary, Shenzhen Maoye Shangsha Co., Ltd. ("**Maoye Shangsha**"), successfully issued three-year term medium notes in the amount of RMB700 million, one-year term financing notes in the amount of RMB400 million and RMB800 million, respectively, in the interbank market of China, with an annual interest rate of 6.7%, 5.3% and 5.0%, respectively. The above financing activities have provided long-term and stable capital support for the development of the Group, broadened the Group's financing channels through a number of ways and further optimised the Company's debt structure.

Management Discussion and Analysis

As the Group has already had 11 projects under construction and it is expected that the market will experience an adjustment, the Group has slowed down its expansion as early as 2011. In 2014, the Group has only acquired a land parcel with a total area of approximately 51,000 square metres situated in the core emerging business district of Qinhuangdao City. The Group planned to construct a city commercial complex on that land parcel.

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	1,562,897	-10.0%	11.2	59,787	986
2	Shenzhen Dongmen	940,884	-1.4%	17.8	47,436	901
3	Taizhou First Department	663,749	-5.3%	5.3	40,358	962
4	Chongqing Jiangbei	469,173	-15.8%	10.2	52,281	666
5	Shenzhen Nanshan	661,263	17.2%	5.3	44,871	1,161
6	Taiyuan Liuxiang	480,614	0.0%	6.2	31,448	688
7	Nanchong Wuxing	306,164	7.8%	9.6	25,195	666
8	Mianyang Xingda	254,883	-8.6%	6.3	27,535	634
9	Zhuhai Xiangzhou	336,445	6.8%	13.2	23,715	562
10	Shenzhen Outlet	282,660	17.0%	15.3	23,048	551
11	Zibo Maoye Plaza	270,486	0.4%	4.1	36,791	420

Notes:

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

2 Operating period was calculated till 31 December 2014.

PROPERTY DEVELOPMENT

As of 31 December 2014, the Group operated and managed 41 stores across 17 cities in China, including Shenzhen and Zhuhai in Guangdong Province; Chengdu, Nanchong and Mianyang in Sichuan Province; Chongqing; Wuxi, Taizhou, Yangzhou and Changzhou 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. The total gross floor area is approximately 1.54 million square metres, of which self-owned areas accounted for 80.4% (excluding the gross floor area of managed stores), areas leased from connected parties accounted for 13.9% and areas leased from independent third parties accounted for 5.7%. In addition, 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 2015, the Group will continue to maintain the strategy of steady development. It has already opened two new stores, Taizhou Maoye Complex and Zibo Maoye Time Square in January and February 2015 and plans to continue to open two to three stores in regions already developed by the Company and take more proactive and effective measures as set out below.

Firstly, it will continue to speed up the development of shopping centers, accelerate the transformation of department stores into shopping malls and expand various business portfolios, which will effectively increase the gross profit.

Secondly, it will further optimise the product mix and brand portfolio of its stores and proactively carry out brand differentiation in its operation in accordance with the demand of consumers and the positioning of its stores.

Thirdly, it will plan to connect online shopping and logistics services and improve the online shopping model in order to promote the establishment of an online to offline close circular marketing system.

Fourthly, it will continue to utilise the application of information system and incorporate the Internet element into its marketing concepts and management approach to enhance the Group's innovation and competitiveness.

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the year ended 31 December 2014, total sales proceeds of the Group was RMB10,764.1 million, representing a decrease of 5.4% as compared to the same period in 2013.

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**9,590,145**	10,060,753
Revenue from direct sales	**1,173,992**	1,313,610
Total sales proceeds	**10,764,137**	11,374,363

Among the total sales proceeds of the Group in the year of 2014, total sales proceeds derived from concessionaire sales accounted for 89.1% and those derived from direct sales accounted for 10.9%.

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 million	%	%
Southern China	4,140.1	38.5	-1.0
South-western China	2,232.1	20.7	-7.3
Eastern China	2,166.4	20.1	0.6
Northern China	2,225.5	20.7	-2.6
Total	10,764.1	100	-2.4

For the year ended 31 December 2014, same-store sales proceeds from concessionaire sales decreased to RMB7,935.4 million, representing a decrease of 2.4% compared to the same period in 2013. The Group's commission rates from concessionaire sales was 17.0%, representing an increase of 0.9% compared with 16.1% for the same period in 2013. In 2014, the Group carried out adjustment for brand differentiation and introduced innovative marketing strategies, which stabilized the commission rate.

Total sales proceeds in the year of 2014 comprised sales of apparel 48.3% (2013: 44.0%), cosmetics and jewelry 22.0% (2013: 22.8%), shoes and leather goods 12.9% (2013: 12.8%) and others such as children's wear and toys, household and electronic appliances, etc. 16.8% (2013: 20.4%). The change in the percentage attributable to each product category to total sales proceeds was primarily due to the introduction of more clothing brands, and the decrease in the standardized products such as home appliances.

For the year ended 31 December 2014, revenue of the Group amounted to RMB3,550.1 million, representing a decrease of 6.7% as compared with RMB3,805.5 million for the same period in 2013. The commissions from concessionaire sales increased by RMB4.2 million and revenue from direct sales decreased by RMB139.6 million. The decrease of revenue was mainly due to the decrease in the revenue from the direct sales of some stores.

Other Income

For the year ended 31 December 2014, other income of the Group amounted to RMB850.3 million, representing an increase of 3.9% as compared with RMB818.1 million for the same period in 2013. This was primarily resulted from the increase of income from promotional activities, administration and management fee income and interest income.

Cost of Sales

For the year ended 31 December 2014, cost of sales of the Group amounted to RMB1,365.7 million, representing a decrease of 4.2% as compared with RMB1,425.2 million for the same period in 2013. The decrease in cost of sales was primarily due to the decrease of direct sales in some stores.

Management Discussion and Analysis

Employee Expenses

For the year ended 31 December 2014, employee expenses of the Group amounted to RMB467.5 million, representing an increase of 5.2% as compared with RMB444.2 million for the same period in 2013. Employee expenses as percentage of total sales proceeds in 2014 increased to 4.3% as compared with 3.9% for the year of 2013. The increase of employee expenses was primarily due to the increase in employee remunerations arising from the pipeline stores, such as Taiyuan Qinxianjie Store, Baoding Yanzhao Store and Taizhou Maoye Complex.

Depreciation and Amortisation

For the year ended 31 December 2014, depreciation and amortisation of the Group amounted to RMB363.5 million, representing an increase of 2.7% as compared with RMB354.0 million for the same period in 2013, which was primarily due to the completion of new stores, rebuilding and upgrading of certain self-owned stores in 2014. The depreciation and amortisation as percentage of total sales proceeds in 2014 was 3.4%, representing a mild increase as compared with 3.1% for the year of 2013.

Operating Lease Rental Expenses

For the year ended 31 December 2014, operating lease rental expenses of the Group amounted to RMB225.6 million, representing an increase of 3.3% as compared with RMB218.3 million for the same period of 2013. This was primarily due to the cessation of business for renovation of Jinyuan Store in March 2014, as a result of which no rental was received from suppliers to compensate the lease rental expense. The operating lease rental expenses as percentage of total sales proceeds in the year of 2014 increased to 2.1% as compared with 1.9% for the year of 2013.

Other Operating Expenses

For the year ended 31 December 2014, other operating expenses of the Group amounted to RMB914.4 million, representing a decrease of 0.4% as compared with RMB917.9 million for the same period in 2013. This was primarily due to the decrease in other tax expense. The other operating expenses as percentage of total sales proceeds in 2014 increased to 8.5% from 8.1% in 2013.

Other Gains

For the year ended 31 December 2014, other gains of the Group amounted to RMB1,258.0 million, representing an increase of 546.0% as compared with RMB194.8 million for the same period in 2013. This was primarily due to the reorganization of Maoye Logistics in 2014, which was regarded as a deemed disposal, as a result of which an investment income of approximately RMB1,055.1 million was recognised.

Operating Profit

For the year ended 31 December 2014, operating profit of the Group amounted to RMB2,321.8 million, representing an increase of 59.2% as compared to RMB1,458.7 million for the same period in 2013. This was primarily due to the increase in the total amount of other gains of the Group.

Finance Costs

For the year ended 31 December 2014, finance costs of the Group amounted to RMB170.4 million, representing an increase of 27.3% as compared to RMB133.8 million for the same period in 2013. This was primarily due to the increase of loans as compared for the same period in 2013.

Management Discussion and Analysis

Income Tax Expense

For the year ended 31 December 2014, income tax expense of the Group was RMB637.3 million, representing an increase of 54.9% as compared to RMB411.3 million for the same period last year. During the year ended 31 December 2014, the effective tax rate applicable to the Group was 30.5% (for the year ended 31 December 2013: 31.1%). This was primarily due to the increase in the total amount of other gains.

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the year ended 31 December 2014:

— Profit attributable to owners of the parent increased by 70.2% to RMB1,364.7 million.

— Without taking into account the effect of non-operating gains and losses*, profit attributable to owners of the parent decreased by 28.9% to RMB487.9 million.

Among them, the results of the operation of department stores segment are as follows: Profit attributable to owners of the parent increased by 99.1% to RMB1,516.1 million compared with RMB761.6 million for the same period in 2013.

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

Liquidity and Financial Resources

As at 31 December 2014, the Group's cash and cash equivalents amounted to RMB662.1 million, which decreased by RMB316.3 million as compared to RMB978.4 million as at 31 December 2013. The main cash inflow and cash outflow are set out as follows:

(1) net cash inflow of RMB233.0 million arising from operating activities;

(2) net cash outflow arising from investing activities amounted to RMB1,762.5 million, mainly including payments for properties and equipment amounting to RMB1,059.1 million, prepayment and purchase of land lease prepayment amounting to RMB97.9 million, and purchase of available-for-sale equity investments amounting to RMB477.9 million; and

(3) net cash inflow arising from financing activities amounted to RMB1,216.0 million, mainly including (1) inflow resulting from bank loans and other borrowing of RMB5,072.6 million; (2) outflow resulting from redeemable convertible bond, repayment of bank loans, interest paid, final dividend for the year of 2013 paid and interim dividend for the six months ended 30 June 2014 paid of RMB13.4 million, RMB2,561.7 million, RMB548.1 million, RMB123.6 million and RMB128.1 million, respectively.

Management Discussion and Analysis

Interest-bearing Loans

Total bank loans, short-term and medium-term financing notes and convertible bonds of the Group as at 31 December 2014 amounted to RMB9,473.9 million, and the gearing ratio[1] and net gearing ratio[2] were 38.7% and 107.3%, respectively (as at 31 December 2013: 33.7% and 79.0%, 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 2014, and relevant summary information relating to these companies.

Investment	The Group's Shareholding	Principal Business	Geographical Location
Silver Plaza Group Co., Ltd. (銀座集團股份有限公司)	5.87%[1]	Owns a number of department stores in Northern China	Jinan City, Shandong 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 Silver Plaza after the reporting period. As at the date of this report, the Group's shareholding in Silver Plaza is approximately 10.0%.

The total cost of the investments of the Group in the above companies was RMB762.3 million, which was financed by the Group's cash inflow from operations. As at 31 December 2014, the total market value of the shares held by the Group in the two above-mentioned A share listed companies amounted to approximately RMB1,010.9 million, representing an increase of 32.6% 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 2014, the Group's interest-bearing bank loans amounting to RMB9,473.9 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 RMB952.8 million, RMB49.7 million, RMB741.5 million, RMB318.0 million and RMB349.6 million, respectively.

As at 31 December 2014, the Group's bills payables amounting to RMB0.52 million were pledged by the Group's deposits amounting to RMB0.15 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 RMB30.4 million.

For the year ended 31 December 2014, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to any foreign exchange fluctuation risks.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Mao Ru (黃茂如), aged 49, 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 59, 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). On 14 March 2014, Mr. Zhong has been appointed as a director of Shenyang Commercial City Co., Ltd. (瀋陽商業城股份有限公司, "Commercial City"), a company listed on the Shanghai Stock Exchange, stock code: 600306.

Ms. Wang Fuqin (王福琴), aged 44, is an Executive Director 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 had been appointed as a director of Chengshang Group since June 2006 and the Chairman of Chengshang Group on 9 February 2009 and resigned on 5 May 2014. She had 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 the Chairman of Maoye Logistics on 6 April 2010 and resigned on 29 April 2014. Ms. Wang had been appointed as the Vice President of the Company on 17 September 2012 and resigned from the position on 11 November 2014. On the same day, she has been appointed as the president of Commercial City and works in this position so far.

Directors and Senior Management

Mr. Wang Bin (王斌), aged 48, 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, a director of Maoye Logistics on 20 December 2010 and a director of Commercial City on 14 March 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Chan Lum (鄒燦林), aged 64, 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 is currently the Chairman of the Chinese Entrepreneurs Organization, the Chairman of the Chinese Opera Advisory Committee of the Government of the Hong Kong Special Administrative Region, a member of the Cantonese Opera Development Fund and the Treasurer of the Hong Kong Academy for Performing Arts. 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. As announced by China Electronics Corporation Holdings Company Limited (a company listed on the Stock Exchange, stock code: 85) on 20 August 2014, Mr. Chow is proposed to be appointed as its independent non-executive director, subject to the approval of its shareholders. 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 67, 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.

Directors and Senior Management

Mr. Leung Hon Chuen (梁漢全), aged 63, 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.

SENIOR MANAGEMENT

Mr. Chen Zheyuan (陳哲元), aged 43, 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 48, 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 Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2014, 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.

Board Composition

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

Board of Directors

Executive Directors

Mr. Huang Mao Ru, *Chairman of the Board and Chief Executive Officer*
Mr. Zhong Pengyi, *Vice Chairman*
Ms. Wang Fuqin
Mr. Wang Bin, *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 2014, the Board has at all times met with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board) with 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.

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 2014.

According to the Company's Articles of Association (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 next general meeting and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

In accordance with the Articles of Association, Mr. Zhong Pengyi, Mr. Chow Chan Lum and Mr. Leung Hon Chuen shall retire and, being eligible, offer themselves for re-election at the forthcoming 2015 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.

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

Corporate Governance Report

During the year ended 31 December 2014, 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 the Listing Rules and provided reading materials on regulatory update to all the directors for their reference and study. 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 2014 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 circumstance at the Company's expense.

Audit Committee

The Audit Committee comprises a total of three members, namely, Mr. Chow Chan Lum (Chairman), 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.

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 2014, 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 2013 and interim financial results and report for the six months ended 30 June 2014 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 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 with reference to corporate goals and objectives.

During the year ended 31 December 2014, the Remuneration Committee has held one meeting to review and discuss the remuneration policy of the Group and the remuneration packages of directors and senior management 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.

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.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate, board diversity aspects and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year ended 31 December 2014, the Nomination Committee has held one meeting to perform the following works:

- Review of the structure, size, composition and diversity 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 2014 annual general meeting of the Company; 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.

During the year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices, (ii) reviewed and monitored the training and continuous professional development of directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code and the Employee Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2014, the Board has held 9 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 2014 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. Huang Mao Ru	9/9	—	—	1/1	1/1
Mr. Zhong Pengyi	8/9	—	—	—	1/1
Ms. Wang Fuqin	7/9	—	1/1	—	1/1
Mr. Wang Bin	9/9	—	—	—	1/1
Mr. Chow Chan Lum	9/9	5/5	1/1	1/1	0/1
Mr. Pao Ping Wing	9/9	2/5	1/1	1/1	0/1
Mr. Leung Hon Chuen	9/9	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 2014.

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 2014 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 for the year ended 31 December 2014 amounted to RMB4,380,000 and RMB1,120,000 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 Mr. Wang Bin, an Executive Director of the Company. During the year ended 31 December 2014, 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:	36/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.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. 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 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.

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.

AWARD AND ACCREDITATION

In December 2014, the Company was awarded the "Best Information Disclosure Award for Listed Companies" by China Securities Golden Bauhinia Awards Committee in recognition of the Company's efforts in corporate governance and information disclosure.

The Board is pleased to present the audited consolidated results of the Company and the Group for the year ended 31 December 2014.

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 2014 are set out in the consolidated statement of profit or loss on page 49.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of 1.1 HK cents in cash per share for the year ended 31 December 2014 (the "**Proposed Final Dividend**") (2013: 3.0 HK cents), subject to the shareholders' approval at the annual general meeting of the Company to be held on Friday, 10 April 2015 (the "**2015 AGM**"). The Proposed Final Dividend will be paid in cash on Friday, 24 April 2015 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Friday, 17 April 2015.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the 2015 AGM

The Company's Register of Members will be closed from Thursday, 9 April 2015 to Friday, 10 April 2015 (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 2015 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 share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8 April 2015.

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

The Company's Register of Members will be closed from Thursday, 16 April 2015 to Friday, 17 April 2015 (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 share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 April 2015.

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.

Directors' Report

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 127 to 128 and note 37 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 36 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 2014 amounted to RMB9,473.9 million, details of which are set out in the heading under "Interest-bearing Loans" above and note 34 to the financial statements.

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
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. Zhong Pengyi, Mr. Chow Chan Lum and Mr. Leung Hon Chuen, the existing directors of the Company, will retire from office by rotation at the 2015 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 2015 AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

PENSION SCHEMES

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

The Group's contributions to retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended 31 December 2014 were RMB46.6 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 43 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 2014, 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)	80.81%
	Beneficial owner	50,000,000	0.96%
		4,250,000,000	81.77%
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 2014.

(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 2014.

(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 2014.

Save as disclosed above, as at 31 December 2014, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

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

As at 31 December 2014, 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 of substantial shareholder	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))	81.77%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	80.81%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	80.81%

Notes:

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

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

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, 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 that 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 9.1% of the issued share capital as at the date of this annual report.

As at 31 December 2014, the Company has no outstanding share options. During the year ended 31 December 2014, 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 35 to the financial statements.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2014, the Group had a total of approximately 6,582 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 25,442,000 shares on the Stock Exchange during the year ended 31 December 2014. 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
June 2014	7,474,000	1.28	1.22	9,371
July 2014	17,968,000	1.38	1.25	23,804
Total	25,442,000	1.38	1.22	33,175

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 2014. 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 2014, 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 5 May 2014, the Company entered into the new master management agreement (the "**New Master Management Agreement**") with Maoye Holdings Limited on 4 May 2014 to govern the terms upon which the Group will provide store management services to the Controlling Shareholder Group with respect to the Maoye Wuxi Store and/or 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 effect from 5 May 2014. 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 acquisition completed

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

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

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

As the parties to the transaction needed further time to complete the Acquisition, Maoye Department Stores China, Richon and Maoye China agreed on 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 RMB120.9 million (2013: RMB129.0 million) for the year ended 31 December 2014.

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.

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.

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).

On 19 September 2014, Shenyang Maoye entered into the termination agreement with Maoye Property to terminate the Jinlang Management Agreement. No party is required to pay any penalty or compensation to any other party in respect of the early termination of the 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 2014, the management fee income of the group amounted to approximately RMB0.065 million pursuant to Wujin Management Agreement.

Master Management Agreement

As the existing master management agreement has expired on 5 May 2014 and the Company expects to continue the continuing connected transactions thereafter, the Company entered into the New Master Management Agreement with Maoye Holdings Limited, a company wholly owned by Mr. Huang, on 4 May 2014 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 effect from 5 May 2014.

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 2014, the management fee income of the Group amounted to approximately RMB7.34 million (2013: RMB7.05 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:

- For the period from 1 May 2013 to 31 December 2013: RMB21,333,333 (on a pro-rata basis);
- For the period from 1 January 2014 to 31 December 2014: RMB32,000,000;
- For the period from 1 January 2015 to 31 December 2015: RMB32,000,000;
- For the period from 1 January 2016 to 30 April 2016: RMB10,666,667(on a pro-rata basis).

During the year ended 31 December 2014, the leasing expense borne by the Group under the above leasing agreement was approximately RMB26.5 million (2013: RMB26.4 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 and usual course of business of the Group;

(ii) entered into on normal commercial terms or on terms better than the normal commercial terms; 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 2014, 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 2014, 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 2014, 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 2014 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 47 to the financial statements.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51(B) OF THE LISTING RULES

(1) Ms. Wang Fuqin, an Executive Director of the Company, has been appointed as the President of Commercial City with effect from 11 November 2014.

(2) Mr. Pao Ping Wing, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of JC Group Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8326) with effect from 1 January 2015.

AUDITORS

Ernst & Young, the Company's auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2015 AGM to re-appoint Ernst & Young as auditors of the Company.

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

16 February 2015

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 49 to 152, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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
16 February 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
REVENUE	5	**3,550,111**	3,805,452
Other income	6	**850,349**	818,141
Total operating revenue		**4,400,460**	4,623,593
Cost of sales	7	**(1,365,726)**	(1,425,243)
Employee expenses	8	**(467,529)**	(444,232)
Depreciation and amortisation		**(363,458)**	(353,996)
Operating lease rental expenses	9	**(225,575)**	(218,285)
Other operating expenses	10	**(914,409)**	(917,926)
Other gains	11	**1,257,995**	194,751
Operating profit		**2,321,758**	1,458,662
Finance costs	12	**(170,354)**	(133,777)
Share of profits and losses of associates		**(64,927)**	(452)
PROFIT BEFORE TAX		**2,086,477**	1,324,433
Income tax expense	13	**(637,274)**	(411,319)
PROFIT FOR THE YEAR		**1,449,203**	913,114
Attributable to:			
Owners of the parent	14	**1,364,692**	802,041
Non-controlling interests		**84,511**	111,073
		1,449,203	913,114
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic			
– For profit for the year		**RMB26.3 cents**	RMB15.5 cents
Diluted			
– For profit for the year		**RMB26.3 cents**	RMB15.5 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 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	**1,449,203**	913,114
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	**311,208**	(134,121)
Reclassification adjustments for gain included in the consolidated statement of profit or loss		
– Gain on disposal	**—**	(78,635)
– Gain on deemed disposal	**(35,613)**	—
Income tax effect	**(68,899)**	48,730
	206,696	(164,026)
Exchange differences on translation of foreign operations	**(7,253)**	31,386
OTHER COMPREHENSIVE GAIN/(LOSS) FOR THE YEAR, NET OF TAX	**199,443**	(132,640)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,648,646**	780,474
Attributable to:		
Owners of the parent	**1,564,135**	669,401
Non-controlling interests	**84,511**	111,073
	1,648,646	780,474

Consolidated Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**5,919,957**	4,870,979
Investment properties	18	**373,023**	545,962
Land lease prepayments	19	**3,673,654**	4,408,731
Goodwill	20	**352,104**	637,348
Other intangible assets	21	**2,672**	4,571
Investments in associates	23	**2,418,096**	—
Available-for-sale equity investments	24	**1,161,503**	825,469
Prepayments	30	**437,158**	1,191,690
Deferred tax assets	25	**317,615**	253,579
Total non-current assets		**14,655,782**	12,738,329
CURRENT ASSETS			
Inventories	26	**179,199**	227,894
Completed properties held for sale		**701,595**	763,762
Properties under development	27	**7,059,699**	4,676,226
Equity investments at fair value through profit or loss	28	**173**	887
Trade receivables	29	**13,418**	52,562
Prepayments, deposits and other receivables	30	**998,891**	477,893
Due from related parties	43(b)	**132,880**	114,933
Pledged deposits	31	**54,949**	47,194
Cash and cash equivalents	31	**662,069**	978,447
Total current assets		**9,802,873**	7,339,798
CURRENT LIABILITIES			
Trade and bills payables	32	**2,174,127**	2,447,580
Deposits received, accruals and other payables	33	**3,283,478**	2,685,580
Interest-bearing bank loans and other borrowings	34	**1,825,220**	1,751,494
Convertible bonds	35	**—**	12,023
Due to related parties	43(b)	**74,094**	84,271
Income tax payable		**146,841**	167,636
Total current liabilities		**7,503,760**	7,148,584
NET CURRENT ASSETS		**2,299,113**	191,214
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,954,895**	12,929,543

Consolidated Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,954,895**	12,929,543
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	34	**7,648,656**	5,007,069
Deferred tax liabilities	25	**1,097,613**	591,610
Total non-current liabilities		**8,746,269**	5,598,679
Net assets		**8,208,626**	7,330,864
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**465,206**	467,449
Equity component of convertible bonds	35	**55,538**	56,546
Reserves	37(a)	**6,581,263**	5,214,581
Proposed final dividend	15	**45,171**	123,571
		7,147,178	5,862,147
Non-controlling interests		**1,061,448**	1,468,717
Total equity		**8,208,626**	7,330,864

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 36)	Share premium account RMB'000	Acquisition of non-controlling interests RMB'000	Equity component of convertible bonds RMB'000 (note 35)	Capital redemption reserve RMB'000	Contributed surplus RMB'000 (note 37)	Statutory surplus reserve RMB'000 (note 37)	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 2014	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
Profit for the year	–	–	–	–	–	–	–	–	–	1,364,692	–	1,364,692	84,511	1,449,203
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	311,208	–	–	–	311,208	–	311,208
Deemed disposal of available-for-sale equity investments	–	–	–	–	–	–	–	(35,613)	–	–	–	(35,613)	–	(35,613)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(7,253)	–	–	(7,253)	–	(7,253)
Tax effect of components of other comprehensive income	–	–	–	–	–	–	–	(68,899)	–	–	–	(68,899)	–	(68,899)
Total comprehensive income for the year	–	–	–	–	–	–	–	206,696	(7,253)	1,364,692	–	1,564,135	84,511	1,648,646
Acquisition of subsidiaries (note 38)	–	–	–	–	–	–	–	–	–	–	–	–	286,772	286,772
Deemed disposal of a subsidiary (note 39)	–	–	–	–	–	–	–	–	–	–	–	–	(739,868)	(739,868)
Cancelation of subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(12,312)	(12,312)
Profit appropriated to reserve	–	–	–	–	–	–	25,131	–	–	(25,131)	–	–	–	–
Repurchase of convertible bonds	–	–	–	(1,008)	–	–	–	–	–	–	–	(1,008)	–	(1,008)
Repurchase and cancellation of shares (note 36)	(2,243)	(24,151)	–	–	2,243	–	–	–	–	(2,243)	–	(26,394)	–	(26,394)
Final 2013 dividend paid	–	–	–	–	–	–	–	–	–	–	(123,571)	(123,571)	–	(123,571)
Interim 2014 dividend paid	–	–	–	–	–	–	–	–	–	(128,131)	–	(128,131)	–	(128,131)
Proposed final 2014 dividend (note 15)	–	–	–	–	–	–	–	–	–	(45,171)	45,171	–	–	–
Dividend paid by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(26,372)	(26,372)
At 31 December 2014	465,206	1,638,142*	(33,342) *	55,538	22,717*	1,806*	365,553*	186,390*	(4,839)*	4,404,836*	45,171	7,147,178	1,061,448	8,208,626

* These reserve accounts comprise the consolidated reserves of RMB6,581,263,000 (2013: RMB5,214,581,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 36)	Share premium account RMB'000	Acquisition of non-controlling interests RMB'000	Equity component of convertible bonds RMB'000 (note 35)	Capital redemption reserve RMB'000	Contributed surplus RMB'000 (note 37)	Statutory surplus reserve RMB'000 (note 37)	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 investments	–	–	–	–	–	–	–	(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	–	–	–	(62,579)	–	–	–	–	–	–	–	(62,579)	–	(62,579)
Profit appropriated to reserve	–	–	–	–	–	–	25,523	–	–	(25,523)	–	–	–	–
Repurchase and cancellation of shares	(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

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,086,477**	1,324,433
Adjustments for:			
Interest income	6	**(25,935)**	(21,187)
Depreciation and amortisation		**363,458**	353,996
Impairment of trade receivables	10	**15,489**	1,623
Provision of inventories	10	**6,179**	460
Impairment of other receivables	10	**34**	75
Impairment of goodwill	11	**24,179**	—
Loss on disposal of items of property, plant and equipment	11	**4,760**	7,162
Loss/(gain) on disposal of a subsidiary and associates	11	**(104,053)**	5,479
Gain on deemed disposal of a subsidiary	11	**(1,055,082)**	—
Loss on disposal of investment properties	11	**6,689**	—
Fair value loss/(gain) on equity investments at fair value through profit or loss	11	**(144)**	64
Gain on disposal of available-for-sale equity investments	11	**—**	(101,901)
Gain on deemed disposal of available-for-sale equity investments	11	**(35,613)**	—
Dividend income from available-for-sale equity investments	11	**(29,067)**	(26,099)
Finance costs	12	**170,354**	133,777
Share of profits and losses of associates		**64,927**	452
		1,492,652	1,678,334
Decrease in completed properties held for sale		**305,602**	226,716
Additions of properties under development		**(1,239,854)**	(1,083,756)
Decrease in inventories		**16,408**	50,793
Decrease/(increase) in trade receivables		**9,420**	(17,343)
Decrease/(increase) in prepayments and other receivables		**18,427**	(89,363)
Increase in amounts due from related parties		**(213,114)**	(18,279)
Increase/(decrease) in trade and bills payables		**(151,861)**	253,344
Increase in deposits received, accruals and other payables		**530,719**	594,535
Decrease in amounts due to related parties		**(191,697)**	(3,328)
Cash generated from operations		**576,702**	1,591,653
Interest received		**25,935**	28,687
PRC tax paid		**(369,616)**	(418,982)
Net cash flows from operating activities		**233,021**	1,201,358

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		**—**	346
Purchase of items of property, plant and equipment		**(1,059,137)**	(638,255)
Additions to investment properties		**(58,374)**	(77,583)
Proceeds from disposal of items of property, plant and equipment		**8,898**	17,346
Proceeds from disposal of investment properties		**470**	—
Proceeds from disposal of associates		**—**	12,019
Purchase of available-for-sale equity investments		**(477,878)**	(116,794)
Proceeds from disposal of available-for-sale equity investments		**—**	143,258
Purchase of land lease prepayments		**—**	(199,460)
Prepayment for land lease prepayments		**(97,939)**	(755,962)
Purchase of other intangible assets	21	**(463)**	(718)
Loan repayment from a fellow subsidiary		**—**	100,000
Acquisition of subsidiaries		**(83,438)**	(59,468)
Proceeds from disposal of a subsidiary	39	**100,249**	—
Deemed disposal of a subsidiary	39	**(123,975)**	—
Dividend income from available-for-sale equity investments	11	**29,067**	26,099
Net cash flows used in investing activities		**(1,762,520)**	(1,549,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**5,072,587**	3,151,352
Redeemable convertible bonds at the option of the bondholders		**(13,429)**	(914,948)
Repayment of bank loans		**(2,561,650)**	(1,844,320)
Interest paid		**(548,072)**	(115,416)
Repayment of bills payables		**(400,000)**	—
Final dividend paid		**(123,571)**	(98,134)
Interim dividend paid		**(128,131)**	(116,454)
Dividend paid by subsidiaries to non-controlling shareholders		**(26,372)**	(14,083)
Repurchase of shares	36	**(26,394)**	(198,962)
Increase in pledged bank deposits		**(28,997)**	(7,039)
Net cash flows from/(used in) financing activities		**1,215,971**	(158,004)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(313,528)**	(505,818)
Effect of foreign exchange rate changes, net		**(2,850)**	1,765
Cash and cash equivalents at beginning of year		**978,447**	1,482,500
CASH AND CASH EQUIVALENTS AT END OF YEAR		**662,069**	978,447
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	31	**662,069**	978,447
Cash and cash equivalents as stated in the statement of cash flows		**662,069**	978,447

Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	22	**139,761**	139,761
CURRENT ASSETS			
Prepayments and other receivables	30	**200**	12
Dividend receivable		**1,102,634**	621,477
Due from subsidiaries	22	**4,375,924**	2,693,990
Pledged deposits	31	**10,240**	10,203
Cash and cash equivalents	31	**11,036**	20,284
Total current assets		**5,500,034**	3,345,966
CURRENT LIABILITIES			
Other payables and accruals	33	**3,456**	386
Due to subsidiaries	22	**12,503**	12,461
Due to related parties		**—**	9,507
Convertible bonds	35	**—**	12,023
Total current liabilities		**15,959**	34,377
NET CURRENT ASSETS		**5,484,075**	3,311,589
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,623,836**	3,451,350
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	34	**3,020,635**	1,159,076
Total non-current liabilities		**3,020,635**	1,159,076
Net assets		**2,603,201**	2,292,274
EQUITY			
Issued capital	36	**465,206**	467,449
Equity component of convertible bonds	35	**55,538**	56,546
Reserves	37(b)	**2,037,286**	1,644,708
Proposed final dividend	15/37(b)	**45,171**	123,571
Total equity		**2,603,201**	2,292,274

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 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 2014. 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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in Annual Improvements 2010 - 2012 Cycle	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in Annual Improvements 2010 - 2012 Cycle	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in Annual Improvements 2010 - 2012 Cycle	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in Annual Improvements 2011 - 2013 Cycle	*Meaning of Effective IFRSs*

1 Effective from 1 July 2014

Other than explained below regarding the impact of (state the applicable standards) the adoption of the revised standards has had no significant effect on these financial statements.

(a) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group. Disclosure about the Group's impaired non-financial assets are included in note 20 to the financial statements.

2.3 NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDANDS NOT YET ADOPTED

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*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010 - 2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011 - 2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012 - 2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDANDS NOT YET ADOPTED (continued)

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirement, including disaggregation of total revenue, information about performance obligation, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 January as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to IFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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 Non-current Assets Held for sale and Discontinued Operation 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 recognised directly in the equity of the associate, the Group recognises 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group. Liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether 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 of 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. Goodwill is tested for impairment annually if events or charges in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. 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.

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 operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), 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 income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

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 losses. 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 derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– 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.

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

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.

The determination of what is "significant" or "prolonged" requires judgments. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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 is recognised 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 statements 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.

- *Useful lives of property, plant and equipment*

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

- *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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

- *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 (continued)

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Year ended 31 December 2014					
Segment revenue:					
Sales to external customers	3,012,141	533,073	4,897	–	3,550,111
Intersegment revenue	–	6,891	–	(6,891)	–
Other income	807,143	35,688	7,518	–	850,349
Cost of sales	(1,059,572)	(305,602)	(552)	–	(1,365,726)
Employee expenses	(396,307)	(65,331)	(5,891)	–	(467,529)
Depreciation and amortisation	(307,574)	(54,067)	(3,757)	1,940	(363,458)
Operating lease rental expenses	(210,590)	(14,644)	(165)	(176)	(225,575)
Other operating expenses	(771,877)	(140,037)	(7,622)	5,127	(914,409)
Other gains/(loss)	1,245,679	(315)	12,631	–	1,257,995
Operating profit/(loss)	2,319,043	(4,344)	7,059	–	2,321,758
Finance costs	(36,761)	(133,370)	(223)	–	(170,354)
Share of profits and losses of associates	(64,927)	–	–	–	(64,927)
Segment profit/(loss) before tax	2,217,355	(137,714)	6,836	–	2,086,477
Income tax expense	(611,997)	(22,583)	(2,694)	–	(637,274)
Segment profit/(loss) for the year	1,605,358	(160,297)	4,142	–	1,449,203
Attributable to:					
Owners of the parent	1,516,051	(157,688)	6,329	–	1,364,692
Non-controlling interests	89,307	(2,609)	(2,187)	–	84,511
	1,605,358	(160,297)	4,142	–	1,449,203
Other segment information					
Impairment losses recognised in the statement of profit or loss	6,692	15,010	–	–	21,702
Investments in associates	2,418,096	–	–	–	2,418,096
Capital expenditure*	1,268,678	3,359,087	23	–	4,627,788

* 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)

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Year ended 31 December 2013					
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.

5. REVENUE

	Group 2014 RMB'000	2013 RMB'000
Commissions from concessionaire sales	**1,626,820**	1,622,662
Direct sales	**1,173,992**	1,313,610
Rental income from the leasing of shop premises	**204,098**	178,195
Management fee income from the operation of department stores	**7,231**	7,046
Rental income from investment properties	**71,316**	236,400
Sale of properties	**461,757**	440,619
Others	**4,897**	6,920
	3,550,111	3,805,452

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

	Group 2014 RMB'000	2013 RMB'000
Total sales proceeds from concessionaire sales	**9,590,145**	10,060,753
Commissions from concessionaire sales	**1,626,820**	1,622,662

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

	Group 2014 RMB'000	2013 RMB'000
Rental income	**122,909**	104,805
Sublease rental income	**81,189**	73,390
	204,098	178,195

6. OTHER INCOME

	Group 2014 RMB'000	2013 RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**412,154**	404,470
– Promotion income	**242,256**	221,807
– Credit card handling fees	**126,798**	127,523
Interest income	**25,935**	21,187
Others	**43,206**	43,154
	850,349	818,141

7. COST OF SALES

	Group 2014 RMB'000	2013 RMB'000
Purchases of and changes in inventories	**1,059,572**	1,195,659
Cost of properties sold	**305,602**	228,906
Others	**552**	678
	1,365,726	1,425,243

8. EMPLOYEE EXPENSES

	Group 2014 RMB'000	2013 RMB'000
Wages and salaries	**409,688**	383,173
Retirement benefits	**46,557**	45,678
Other employee benefits	**11,284**	15,381
	467,529	444,232

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group 2014 RMB'000	2013 RMB'000
Fees	**614**	623
Other emoluments:		
Salaries and allowances	**2,533**	2,442
Retirement benefits	**50**	48
	2,583	2,490
	3,197	3,113

8. EMPLOYEE EXPENSES (continued)

(a) Independent non-executive directors

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

	Fees RMB'000	Total remuneration RMB'000
Year ended 31 December 2014		
Mr. Pao Ping Wing	**189**	**189**
Mr. Leung Hon Chuen	**142**	**142**
Mr. Chow Chan Lum	**283**	**283**
	614	**614**
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

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2014 (2013: Nil).

8. EMPLOYEE EXPENSES (continued)

(b) Executive and non-executive directors

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Year ended 31 December 2014				
Executive directors:				
Mr. Huang Mao Ru	–	120	–	120
Mr. Zhong Pengyi	–	120	–	120
Ms. Wang Fuqin	–	887	25	912
Mr. Wang Bin	–	1,406	25	1,431
	–	2,533	50	2,583
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

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2014 (2013: Nil).

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

8. EMPLOYEE EXPENSES (continued)

(c) Five highest paid employees

The five highest paid employees during the year included two (2013: 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 (2013: three) non-director highest paid employees for the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowances	2,287	1,884
Retirement benefits	74	70
	2,361	1,954

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

	2014	2013
Nil to HK$1,000,000	3	3
	3	3

9. OPERATING LEASE RENTAL EXPENSES

	Group 2014 RMB'000	Group 2013 RMB'000
Operating lease rental	198,820	190,030
Operating sublease rental	26,755	28,255
	225,575	218,285

10. OTHER OPERATING EXPENSES

	Notes	Group 2014 RMB'000	Group 2013 RMB'000
Utility expenses		**212,493**	202,009
Promotion and advertising expenses		**78,501**	74,734
Repair and maintenance expenses		**112,737**	109,400
Entertainment expenses		**14,995**	22,558
Office expenses		**49,512**	51,071
Other tax expenses		**286,351**	301,507
Professional service fees		**29,638**	40,315
Auditors' remuneration		**6,499**	6,900
Bank charges		**62,757**	75,997
Impairment of inventories	26	**6,179**	460
Impairment of trade receivables	29	**15,489**	1,623
Impairment of other receivables	30	**34**	75
Others		**39,224**	31,277
		914,409	917,926

11. OTHER GAINS

	Notes	Group 2014 RMB'000	Group 2013 RMB'000
Loss on disposal of items of property, plant and equipment		**(4,760)**	(7,162)
Gain/(loss) on disposal of a subsidiary and associates	39	**104,053**	(5,479)
Gain on deemed disposal of a subsidiary	39	**1,055,082**	—
Foreign exchange gain, net		**30,438**	1,765
Fair value gain/(loss) on equity investments at fair value through profit or loss		**144**	(64)
Loss on disposal of investment properties		**(6,689)**	—
Gain on disposal of available-for-sale equity investments		**—**	101,901
Gain on deemed disposal of available-for-sale equity investments	24	**35,613**	—
Loss of a department store operation shared by a fellow subsidiary of the Group		**—**	24,505
Dividend income from available-for-sale equity investments		**29,067**	26,099
Impairment of goodwill	20	**(24,179)**	—
Others		**39,226**	53,186
		1,257,995	194,751

12. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest on bank loans	**549,697**	357,125
Interest on convertible bonds (note 35)	**449**	43,147
Total interest expense on financial liabilities not at fair value through profit or loss	**550,146**	400,272
Less: Interest capitalised	**(379,792)**	(266,495)
	170,354	133,777

13. INCOME TAX EXPENSE

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

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

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

The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2014 (2013: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at a statutory rate of 25% (2013: 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 RMB20,416,000 was charged to the consolidated statement of profit or loss for the year ended 31 December 2014 (2013: RMB40,549,000).

	Group	
	2014	2013
	RMB'000	RMB'000
Group:		
Current – CIT	**347,049**	414,162
Current – LAT	**20,416**	40,549
Deferred (note 25)	**269,809**	(43,392)
Total tax charge for the year	**637,274**	411,319

13. INCOME TAX EXPENSE (continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective rates, are as follows:

Group – 2014	**Cayman**		**BVI**		**Hong Kong**		**Mainland China**		**Total**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Profit before tax	**(125,938)**		**(2)**		**90,413**		**2,122,004**		**2,086,477**	
Tax at the statutory tax rate	**–**	**–**	**–**	**–**	**14,918**	**16.5**	**530,501**	**25**	**545,419**	**26**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	**–**	**–**	**21,769**	**24**	**–**	**–**	**21,769**	**1**
Lower tax rates for specific districts or countries	**–**	**–**	**–**	**–**	**(9,263)**	**(10)**	**–**	**–**	**(9,263)**	**–**
Profits and losses attributable to associates	**–**	**–**	**–**	**–**	**–**	**–**	**16,232**	**1**	**16,232**	**1**
Income not subject to tax	**–**	**–**	**–**	**–**	**–**	**–**	**(10,471)**	**–**	**(10,471)**	**(1)**
Expenses not deductible for tax	**–**	**–**	**–**	**–**	**1,138**	**1**	**662**	**–**	**1,800**	**–**
Tax losses not recognised	**–**	**–**	**–**	**–**	**249**	**–**	**32,292**	**2**	**32,541**	**2**
LAT	**–**	**–**	**–**	**–**	**–**	**–**	**20,416**	**1**	**20,416**	**1**
Tax effect of LAT	**–**	**–**	**–**	**–**	**–**	**–**	**(5,104)**	**–**	**(5,104)**	**–**
Others	**–**	**–**	**–**	**–**	**(71)**	**–**	**24,006**	**1**	**23,935**	**1**
Tax charge at the Group's effective tax rate	**–**	**–**	**–**	**–**	**28,740**	**32**	**608,534**	**29**	**637,274**	**31**

Group – 2013	Cayman		BVI		Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	(54,473)		(7)		106,267		1,272,647		1,324,434	
Tax at the statutory tax rate	–	–	–	–	17,534	16.5	318,162	25	335,696	25
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	–	–	16,978	16	–	–	16,978	1
Lower tax rates for specific districts or countries	–	–	–	–	(6,768)	(6)	–	–	(6,768)	(1)
Profits and losses attributable to associates	–	–	–	–	–	–	452	–	452	–
Income not subject to tax	–	–	–	–	–	–	(1,563)	–	(1,563)	–
Expenses not deductible for tax	–	–	–	–	489	–	3,769	–	4,258	–
Tax losses not recognised	–	–	–	–	353	–	24,589	2	24,942	2
LAT	–	–	–	–	–	–	40,549	3	40,549	3
Tax effect of LAT	–	–	–	–	–	–	(10,137)	(1)	(10,137)	(1)
Others	–	–	–	–	(371)	–	7,283	1	6,912	1
Tax charge at the Group's effective tax rate	–	–	–	–	28,215	27	383,104	30	411,319	31

13. INCOME TAX EXPENSE (continued)

The share of tax attributable to associates amounting to RMB4,782,000 (2013: RMB452,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a profit of RMB580,200,000 (2013: loss of RMB54,473,000) which has been dealt with in the financial statements of the Company (note 37(b)).

15. DIVIDEND

	2014 RMB'000	2013 RMB'000
Proposed final dividend (not recognised as a liability as at 31 December)		
– HK1.1 cents (2013: HK3.0 cents) per ordinary share	**45,171**	123,571
	45,171	123,571

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

The calculation of the basic earnings per share is based on the profit for the year ended 31 December 2014 attributable to ordinary equity holders of the parent of RMB1,364,692,000 (2013: RMB802,041,000) and the weighted average number of ordinary shares of 5,197,910,878 in issue during the year (2013: 5,159,225,623).

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 2014							
At 31 December 2013 and at 1 January 2014:							
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
At 1 January 2014, net of accumulated depreciation and impairment	3,197,927	154,077	13,058	51,497	207,978	1,246,442	4,870,979
Additions	–	6,659	1,680	19,677	–	1,269,895	1,297,911
Disposals	(3,658)	(2,666)	(513)	(5,515)	(1,306)	–	(13,658)
Depreciation provided during the year	(153,670)	(24,689)	(1,892)	(15,153)	(65,781)	–	(261,185)
Transfer from properties under development (note 27)	–	–	–	–	–	134,819	134,819
Transfer to properties under development (note 27)	–	–	–	–	–	(41,094)	(41,094)
Transfer from investment properties (note 18)	–	–	–	–	–	13,553	13,553
Acquisition of subsidiaries (note 38)	226,392	826	541	1,705	388	–	229,852
Deemed disposal of a subsidiary (note 39)	(251,446)	(4,154)	(3,974)	(8,769)	(42,731)	(155)	(311,229)
Disposal of a subsidiary (note 39)	–	(106)	–	–	–	–	(106)
Transfers	674,899	–	–	–	95,475	(770,374)	–
Exchange realignment	115	–	–	–	–	–	115
At 31 December 2014, net of accumulated depreciation and impairment	3,690,559	129,947	8,900	43,442	194,023	1,853,086	5,919,957

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fittings and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2014:							
Cost	**4,563,989**	**384,020**	**18,268**	**188,829**	**522,530**	**1,859,700**	**7,537,336**
Accumulated depreciation and impairment	**(873,430)**	**(254,073)**	**(9,368)**	**(145,387)**	**(328,507)**	**(6,614)**	**(1,617,379)**
Net carrying amount	**3,690,559**	**129,947**	**8,900**	**43,442**	**194,023**	**1,853,086**	**5,919,957**

Amortisation of land lease payments of approximately RMB55,587,000 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 34.

Certificates of ownership in respect of certain buildings of the Group with a net carrying amount of approximately RMB203,239,000 as at 31 December 2014 (31 December 2013: RMB209,960,000) 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 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

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Land and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fittings and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
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

18. INVESTMENT PROPERTIES

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Cost at 1 January, net of accumulated depreciation		**545,962**	509,298
Additions		**58,374**	77,583
Deemed disposal of a subsidiary	39	**(172,418)**	—
Disposal of a subsidiary	39	**(24,545)**	—
Disposals		**(7,159)**	—
Transfer from property, plant and equipment	17	**—**	25,456
Transfer to property, plant and equipment	17	**(13,553)**	(51,627)
Depreciation provided during the year		**(13,638)**	(14,748)
At 31 December		**373,023**	545,962
At 31 December:			
Cost		**418,304**	623,664
Accumulated depreciation		**(45,281)**	(77,702)
Net carrying amount		**373,023**	545,962

The Group's investment properties consist of commercial properties in Mainland China. The director of the Company have determined that the investment properties consist of one class of assets, i.e., commercial properties, based on the nature, characteristics and risk of each property.

At 31 December 2014, the fair value of the Group's investment properties was approximately RMB377,679,000 (31 December 2013: RMB672,102,000), which was based on the valuation by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent professionally qualified valuer.

Each year, the Group's management decides, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

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 41(a).

Details of the Group's investment properties pledged to secure the Group's interest-bearing bank loans are set out in note 34.

18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Commercial properties	**—**	**—**	**377,679,000**	**377,679,000**
	—	**—**	**377,679,000**	**377,679,000**

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	—	—	672,102,000	672,102,000
	—	—	672,102,000	672,102,000

The fair values of the investment properties are determined using the comparison method by making references to comparable sale evidence as available in the relevant market. Comparable properties of similar size, character and location are analyzed and selected for each investment property in order to arrive at a fair comparison of their fair values. The fair value measurement is positively correlated to the market unit sale rate.

19. LAND LEASE PREPAYMENTS

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Carrying amount at 1 January		**4,574,372**	3,861,149
Deemed disposal of a subsidiary	39	**(563,109)**	—
Disposal of a subsidiary	39	**(17,555)**	—
Additions		**—**	149,857
Transfer to properties under development	27	**(32,177)**	—
Transfer from properties under development	27	**8,747**	728,483
		3,970,278	4,739,489
Amortisation provided during the year		**(159,470)**	(165,117)
Carrying amount at 31 December		**3,810,808**	4,574,372
Current portion included in prepayments, deposits and other receivables		**(137,154)**	(165,641)
Non-current portion		**3,673,654**	4,408,731

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 interest-bearing bank loans are set out in note 34.

The Group is in the process of applying for certificates for the land use right with an aggregate carrying amount of approximately RMB109,830,000 as at 31 December 2014 (31 December 2013: RMB112,405,000).

Included in the amortisation provided during the year was an amount of approximately RMB55,587,000, 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

	Notes	Group 2014 RMB'000	2013 RMB'000
At 1 January:			
Cost		**638,317**	647,449
Accumulated impairment		**(969)**	(5,769)
Net carrying amount		**637,348**	641,680
Cost at 1 January, net of accumulated impairment		**637,348**	641,680
Impairment provided during the year	11	**(24,179)**	—
Acquisition of subsidiaries	38	**82,647**	—
Amount written off during the year		**—**	(4,332)
Deemed disposal of a subsidiary	39	**(343,712)**	—
Cost and net carrying amount at 31 December		**352,104**	637,348
At 31 December:			
Cost		**377,252**	638,317
Accumulated impairment		**(25,148)**	(969)
Net carrying amount		**352,104**	637,348

Movements in the impairment for against goodwill are as follows:

	Group 2014 RMB'000	2013 RMB'000
At 1 January	**969**	5,769
Impairment provided during the year	**24,179**	—
Amount written off during the year	**—**	(4,800)
At 31 December	**25,148**	969

Impairment testing of goodwill

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

- *the operation of department stores*
- *property development*
- *"others"*

20. GOODWILL (continued)

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

	Operation of department stores RMB'000	Development of properties RMB'000	Others RMB'000	Total RMB'000
At 31 December 2013	637,167	—	181	637,348
At 31 December 2014	**269,276**	**82,647**	**181**	**352,104**

The provision for impairment is related to Hong Kong Maoye Department Store (Yangzhou) Co., Ltd. ("**Yangzhou Maoye**"), a subsidiary acquired through business combination, which engaged in the operation of a department store in Yangzhou City, Jiangsu Province, the PRC. After the completion of acquisition on 1 January 2011, Yangzhou Maoye has suffered continued losses for four years. During the year, the management has determined that there is an impairment of this business operation, and recognised an impairment charge of RMB24,179,000, which is recorded within other gains in the statement of profit or loss.

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections ranged from 11% to 13% (2013: 9% to 15%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from Nil to 3% (2013: Nil to 3%). 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 2014 and 2013. 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% (2013: Nil to 5%).

21. OTHER INTANGIBLE ASSETS

Group

		Computer software	
		2014	2013
	Note	**RMB'000**	RMB'000
Cost at 1 January, net of accumulated depreciation		**4,571**	5,818
Additions		**463**	718
Deemed disposal of a subsidiary	39	**(427)**	—
Amortisation provided during the year		**(1,935)**	(1,965)
At 31 December		**2,672**	4,571
At 31 December:			
Cost		**11,612**	12,088
Accumulated amortisation		**(8,940)**	(7,517)
Net carrying amount		**2,672**	4,571

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

22. INVESTMENTS IN SUBSIDIARIES

Company

	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**139,761**	139,761

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB4,375,924,000 (31 December 2013: RMB2,693,990,000) and RMB12,503,000 (31 December 2013: RMB12,461,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

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22. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Maoye Department Store Holdings Limited (茂業百貨控股有限公司)	British Virgin Islands 11 September 2007	US$2/US$50,000	100	–	Investment holding
Maoye Department Stores (China) Limited ("**Maoye China**") (茂業百貨(中國)有限公司)	Hong Kong 7 December 1993	HK$100,000	–	100	Investment holding
Zhongzhao Commercial Market Development (Shenzhen) Co., Ltd. (中兆商業市場開發(深圳)有限公司) **	PRC/Mainland China 18 June 2004	HK$1,000,000	–	100	Investment holding
Zhongzhao Investment Management Co., Ltd. ("**Zhongzhao**") (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 Department Co., Ltd. (山東省淄博市茂業百貨股份有限公司) **	PRC/Mainland China 7 January 1999	RMB143,887,180	–	80	Operation of a department store
Baoding Maoye Land and Real Estate Development Co., Ltd. (Formerly Baoding Lingchuang Land and Real Estate Development Co., Ltd. ("**Baoding Lingchuang**") (保定茂業房地產開發有限公司) **	PRC/Mainland China 18 December 2006	RMB50,000,000	–	100	Property development

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
Linyi Maoye Department Store Co., Ltd. (臨沂茂業百貨有限公司) **	PRC/Mainland China 3 November 2010	RMB5,000,000	–	100	Operation of a department store
Taizhou Maoye Property Co., Ltd. (泰州茂業置業有限公司) **	PRC/Mainland China 8 November 2010	HK$1,124,800,000	–	100	Property development
Hong Kong Maoye Department Store (Yangzhou) Co., Ltd. (香港茂業百貨(揚州)有限公司) **	PRC/Mainland China 16 May 1996	RMB64,643,046	–	70	Operation of a department store
Zibo Maoye Shangsha Co., Ltd. (淄博茂業商廈有限公司) **	PRC/Mainland China 25 June 1994	RMB81,800,000	–	80	Operation of department stores and supermarket chain stores
Zibo Dongtai Jianghao Logistics Co., Ltd. (淄博東泰江浩物流有限公司) **	PRC/Mainland China 4 September 2009	RMB6,000,000	–	80	Property leasing
Chengshang Group Co., Ltd. ("**Chengshang**") (成商集團股份有限公司) *	PRC/Mainland China 31 December 1993	RMB570,439,657	–	68.05	Investment holding and operation of department stores
Chengdu Renmin Automobiles Co., Ltd. (成都人民車業有限責任公司) **	PRC/Mainland China 18 March 1998	RMB48,000,000	–	63.80	Investment holding
Chengdu People's Department Store (Group) Nanchong Maoye Co., Ltd. ("**Nanchong Maoye**") (成都人民商場(集團)南充茂業有限公司) **	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 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

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
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
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
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	#
Shenyang Anli Real Estate Co., Ltd. ("**Shenyang Anli**") (瀋陽安立置業經營有限責任公司) **	PRC/Mainland China 4 August 2005	RMB133,000,000	–	100	Investment holding and property management
Shenyang Licheng Business Management Co., Ltd. (瀋陽立誠經營管理有限公司). **	PRC/Mainland China 24 August 2006	RMB7,750,000	–	96.77	#
Tianlun Regar Hotel Shenyang (瀋陽天倫瑞格酒店有限公司) **	PRC/Mainland China 30 August 2007	RMB10,000,000	–	99	Hotel business
Shenyang Commercial City Property Management Co., Ltd. (瀋陽商誠物業管理有限公司) **	PRC/Mainland China 24 August 2006	RMB500,000	–	100	Property management
Liaoning Logistics Co., Ltd. ("**Liaoning Logistics**") (遼寧物流有限公司) **	PRC/Mainland China 12 May 2003	RMB78,000,000	–	99.94	Investment holding and property development
Shenyang Zhanye Property Co., Ltd. ("**Zhanye**") (瀋陽展業置地有限公司) **	PRC/Mainland China 2 September 1999	RMB245,000,000	–	51	Property development
Shandong Weizhou Property Co., Ltd. (山東濰州置業有限公司) **	PRC/Mainland China 11 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	Property development
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.

** Companies registered as limited liability companies under PRC law.

The companies have not yet commenced operation.

22. INVESTMENTS IN SUBSIDIARIES (continued)

During the year, the Group acquired Shenyang Anli and Liaoning Logistics from an associate of the Company. Further details of this acquisition are included in notes 38(i) and 38(ii) to the financial statements.

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

Details of the Group's main subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Chengshang	**31.95%**	31.95%
Zhanye	**49%**	—

	2014	2013
	RMB'000	RMB'000
Profit/(loss)for the year/period allocated to non-controlling interests:		
Chengshang	**47,342**	70,482
Zhanye	**(82)**	—
Dividends paid to non-controlling interests at the reporting dates:		
Chengshang	**16,399**	—
Accumulated balances of non-controlling interests at the reporting dates:		
Chengshang	**544,527**	525,895
Zhanye	**286,299**	—

22. INVESTMENTS IN SUBSIDIARIES (continued)

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2014	**Chengshang RMB'000**	**Zhanye RMB'000**
Revenue and other income	**750,453**	**—**
Cost and expenses	**(535,777)**	**(167)**
Tax	**(64,106)**	**—**
Profit/(loss) for the year/period	**150,570**	**(167)**
Total comprehensive income/(loss) for the year	**150,570**	**(167)**
Current assets	**174,971**	**933,592**
Non-current assets	**2,348,285**	**245**
Current liabilities	**(690,345)**	**(614,165)**
Non-current liabilities	**(515,374)**	**(140,000)**
Net cash flows from/(used in) operating activities	**206,474**	**(5,433)**
Net cash flows used in investing activities	**(14,166)**	**(245)**
Net cash flows used in financing activities	**(181,143)**	**(17,281)**
Net increase/(decrease) in cash and cash equivalents	**11,165**	**(22,959)**

2013	Chengshang RMB'000	Zhanye RMB'000
Revenue and other income	943,129	—
Cost and expenses	(650,963)	—
Tax	(72,097)	—
Profit for the year	220,069	—
Total comprehensive income tor the year	220,069	—
Current assets	194,718	—
Non-current assets	2,385,411	—
Current liabilities	(783,850)	—
Non-current liabilities	(410,285)	—
Net cash flows from operating activities	177,517	—
Net cash flows used in investing activities	(62,778)	—
Net cash flows used in financing activities	(291,375)	—
Net decrease in cash and cash equivalents	(176,636)	—

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23. INVESTMENTS IN ASSOCIATES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Share of net assets of the associate excluding goodwill	**1,123,877**	—
Goodwill on acquisition	**1,294,219**	—
	2,418,096	—
Market value of listed shares	**2,519,032**	—

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenyang Commercial City Co., Ltd. ("**Commercial City**")	Ordinary shares of RMB1 each	PRC/ Mainland China	29.22%	Retail industry
Maoye Logistics Corporation Ltd. ("**Maoye Logistics**")	Ordinary shares of RMB1 each	PRC/ Mainland China	33.46%	Retail industry

23. INVESTMENTS IN ASSOCIATES (continued)

(i) Shenyang Commercial City Co., Ltd.

On 16 February 2014, Zhongzhao, a wholly-owned subsidiary of the Group, 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 Commercial City, representing 11.74% of the issued share capital of Commercial City. Commercial City is a company registered 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 RMB206,988,606. 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. Commercial City is recognised as an associate of the Group from 16 February 2014.

	31 December 2014 RMB'000
Current assets	2,466,045
Non-current assets	3,103,557
Current liabilities	(4,069,630)
Non-current liabilities	(12,497)
Non-controlling interests of associate	(308,375)
Net assets	1,179,100
Net assets, excluding goodwill	1,179,100
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	29.22%
Group's share of net assets of the associate, excluding goodwill	344,533
Goodwill on acquisition	39,103
Carrying amount of the investment	383,636

	2014 RMB'000
Revenue	928,597
Gain for the period	151,628
Other comprehensive income	—
Total comprehensive income for the period	151,628

23. INVESTMENTS IN ASSOCIATES (continued)

(ii) Maoye Logistics Corporation Ltd.

On 24 July 2014, Maoye Logistics Corporation Ltd. ("**Maoye Logistics**"), entered into an acquisition agreement with Xiaochang Yingxigu Investment Centre and Beijing Bosheng Yoshi Technology Development Co., Ltd. (the "**Vendors**") for the acquisition of Beijing TrustMeDu Sci-tech Co., Ltd. ("**Beijing TrustMeDu**"). Pursuant to the acquisition agreement, Maoye Logistics agreed to purchase and the Vendors agreed to sell a 100% equity interest in Beijing TrustMeDu by issue 149,859,439 shares to the Vendors and 26,445,783 shares to Shanghai Fengyou Investment Management Centre. After issuance of shares of Maoye Logistics, the shareholding in Maoye Logistics held by Zhongzhao, a wholly-owned subsidiary of the Company, had been diluted from approximately 46.70% to 33.54%. The issuance of shares completed on 19 December 2014, based on the current shareholding structure of Maoye Logistics and taking into account of the terms of the transaction, the management considered that Zhongzhao had lost the control over Maoye Logistics. Since 19 December 2014, the investment had been recognised as an investment in an associate.

	31 December 2014 RMB'000
Current assets	1,641,387
Non-current assets	2,129,658
Current liabilities	(639,850)
Non-current liabilities	(4,454)
Non-controlling interests of an associate	(3,773)
Net assets excluding non-controlling interests	3,122,968
Goodwill of an associate	(793,787)
Net assets, excluding goodwill	2,329,181
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	33.46%
Group's share of net assets of the associate, excluding goodwill	779,344
Goodwill on acquisition	1,255,116
Carrying amount of the investment	2,034,460

23. INVESTMENTS IN ASSOCIATES (continued)

(ii) Maoye Logistics Corporation Ltd. (continued)

	2014 RMB'000
Revenue	**724,797**
Gain for the period	**19,403**
Other comprehensive income	**–**
Total comprehensive income for the period	**19,403**

24. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group 2014 RMB'000	2013 RMB'000
Listed equity investments, at fair value		
Shanghai	**1,010,862**	669,827
Unlisted equity investments, at cost	**156,526**	161,527
	1,167,388	831,354
Provision for impairment	**(5,885)**	(5,885)
	1,161,503	825,469

During the year, the gross gain in respect of the Group's available-for-sale equity investments recognised in other comprehensive income amounted to RMB311,208,000 (the gross loss in 2013: RMB134,121,000), of which RMB35,613,000 (2013: RMB78,635,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

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 2014, certain unlisted equity investments with a carrying amount of RMB156,526,000 (2013: RMB161,527,000) were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not 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 current assets 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	Advance from customers RMB'000	Total RMB'000
At 1 January 2013	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
Deferred tax credited/(charged) to the consolidated income statement during the year (note 13)	**(4,107)**	**(4,567)**	**–**	**(15,866)**	**85,271**	**24,666**	**85,397**
Deferred tax credited to equity during the year	**–**	**–**	**(16,840)**	**–**	**–**	**–**	**(16,840)**
Acquisition of subsidiaries (note 38)	**–**	**–**	**–**	**–**	**16,936**	**–**	**16,936**
Disposal of a subsidiary (note 39)	**–**	**–**	**–**	**(2,907)**	**–**	**–**	**(2,907)**
Deemed disposal of a subsidiary (note 39)	**(711)**	**(7,756)**	**–**	**(66)**	**(10,017)**	**–**	**(18,550)**
At 31 December 2014	**10,240**	**5,540**	**–**	**85,698**	**191,471**	**24,666**	**317,615**

The Group had tax losses of approximately RMB554,973,000 as at 31 December 2014 (31 December 2013: RMB597,387,000), 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 RMB212,181,000 as at 31 December 2014 (31 December 2013: RMB179,243,000) 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.

The Group has recognised deferred tax assets of approximately RMB65,060,000 as at 31 December 2014 (31 December 2013: RMB88,799,000), the utilization of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary difference. The amount of deferred tax assets is based on the profit forecast approved by the management of the Group.

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	Deemed disposal of available-for-sale equity investments	Deemed disposal of a subsidiary	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 2013	447,085	41,961	–	–	17,253	8,786	55,690	570,775
Deferred tax debited 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
Acquisition of subsidiaries(note 38)	**153,219**	**–**	**–**	**–**	**–**	**–**	**7,653**	**160,872**
Deemed disposal of a subsidiary (note 39)	**(62,133)**	**–**	**–**	**–**	**–**	**–**	**–**	**(62,133)**
Deferred tax credited to equity during the year	**–**	**52,058**	**–**	**–**	**–**	**–**	**–**	**52,058**
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 13)	**(17,817)**	**–**	**8,903**	**263,781**	**(31)**	**13,237**	**87,133**	**355,206**
At 31 December 2014	**504,445**	**62,129**	**8,903**	**263,781**	**25,325**	**20,976**	**212,054**	**1,097,613**

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 Mainland China and jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, the amount of undistributed profits for which deferred tax liabilities were not provided was RMB218,004,000 (2013: RMB167,209,000).

There are no income tax consequences attaching to the payment of dividends by the company to its shareholders.

26. INVENTORIES

	Group 2014 RMB'000	2013 RMB'000
Merchandise for resale	**186,282**	230,285
Provision against slow-moving inventories	**(7,083)**	(2,391)
	179,199	227,894

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

	Group 2014 RMB'000	2013 RMB'000
At 1 January	**2,391**	2,000
Provision recognised during the year (note 10)	**6,179**	460
Amount written off during the year	**(1,487)**	(69)
At 31 December	**7,083**	2,391

27. PROPERTIES UNDER DEVELOPMENT

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Land lease prepayments, at cost			
At beginning of year		**2,638,722**	2,968,650
Additions		**690,788**	225,512
Acquisition of subsidiaries	38	**187,056**	309,590
Transfer from land lease prepayments	19	**32,177**	—
Transfer to land lease prepayments	19	**(8,747)**	(728,483)
Transfer to completed properties held for sale		**(131,614)**	(136,547)
Deemed disposal of a subsidiary	39	**(111,841)**	—
At 31 December		**3,296,541**	2,638,722
Development expenditure, at cost			
At beginning of year		**2,037,504**	1,100,923
Additions		**1,439,460**	1,179,526
Transfer from property, plant and equipment	17	**41,094**	—
Transfer to property, plant and equipment	17	**(134,819)**	(6,881)
Transfer to completed properties held for sale		**(348,818)**	(236,064)
Acquisition of subsidiaries	38	**960,997**	—
Deemed disposal of a subsidiary	39	**(232,260)**	—
At 31 December		**3,763,158**	2,037,504
		7,059,699	4,676,226

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 34.

The Group is in the process of applying for the certificate for land use right included in properties under development with an aggregate carrying amount of approximately RMB556,896,000 as at 31 December 2014 (31 December 2013: RMB118,450,000).

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	RMB'000	RMB'000
Listed equity investments	**173**	887

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	
	2014	2013
	RMB'000	RMB'000
Within 60 days	**9,619**	22,002
61 to 90 days	**2,245**	1,751
91 to 180 days	**1,572**	3,423
181 to 270 days	**–**	509
271 to 360 days	**–**	1,134
Over 360 days	**452**	32,316
	13,888	61,135
Impairment of trade receivables	**(470)**	(8,573)
	13,418	52,562

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	
	2014	2013
	RMB'000	RMB'000
At 1 January	**8,573**	7,005
Impairment losses recognised during the year (note 10)	**15,489**	1,623
Amount written off during the year	**(4,687)**	—
Amount transferred out during the year	**(18,905)**	(55)
At 31 December	**470**	8,573

Included in the above provision for impairment of trade receivables as at 31 December 2014 was a provision for individually impaired trade receivables of RMB470,000 (31 December 2013: RMB8,573,000) with a gross carrying amount before provision of approximately RMB470,000 (31 December 2013: RMB8,573,000). The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interests 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Prepayments	**437,158**	1,191,690	**—**	—
Current assets				
Prepayments	**259,682**	284,013	**200**	12
Other receivables	**753,816**	218,412	**—**	—
	1,013,498	502,425	**200**	12
Impairment of other receivables	**(14,607)**	(24,532)	**—**	—
	998,891	477,893	**200**	12

Included in the Group's prepayments and other receivables under current assets as at 31 December 2014 were prepayments for operating lease rental expenses of RMB71,858,000 covering the period from January to December 2014 (31 December 2013: RMB64,157,000) and rental deposits of RMB15,619,000 (31 December 2013: RMB15,619,000), which were paid to certain fellow subsidiaries of the Company.

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

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**24,532**	32,480
Impairment losses recognised during the year (note 10)	**34**	75
Amount written off during the year	**(9,959)**	(8,023)
At 31 December	**14,607**	24,532

Included in the above provision for impairment of other receivables as at 31 December 2014 was a provision for individually impaired other receivables of approximately RMB14,607,000 (31 December 2013: RMB24,532,000) with a gross carrying amount of approximately RMB14,607,000 (31 December 2013: RMB24,532,000). 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. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Cash and bank balances		**662,069**	935,641	**21,276**	30,487
Time deposits		**54,949**	90,000	**—**	—
		717,018	1,025,641	**21,276**	30,487
Less: Pledged time deposits for bills payable	32	**(150)**	(465)	**—**	—
Pledged time deposits for bank loans		**(10,240)**	(10,203)	**(10,240)**	(10,203)
Pledged bank balances for construction in progress		**(41,490)**	(16,799)	**—**	—
Other pledged bank balances		**(3,069)**	(19,727)	**—**	—
Cash and cash equivalents		**662,069**	978,447	**11,036**	20,284

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

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
RMB	**693,590**	975,350	**—**	—
Hong Kong dollar	**7,303**	43,727	**5,324**	13,894
United States dollar	**16,113**	6,552	**15,952**	16,593
Great Britain pound	**12**	12	**—**	—
	717,018	1,025,641	**21,276**	30,487

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 RMB693,590,000 (2013: RMB975,350,000). 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.

32. 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	
	2014	2013
	RMB'000	RMB'000
Within 90 days	**1,666,599**	1,939,607
91 to 180 days	**159,381**	227,599
181 to 360 days	**182,218**	159,272
Over 360 days	**165,929**	121,102
	2,174,127	2,447,580

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

The Group's bills payable amounting to RMB520,000 as at 31 December 2014 (31 December 2013: RMB1,550,000) were secured by the Group's time deposits amounting to RMB150,000 (31 December 2013: RMB465,000).

33. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income	**1,889,616**	1,877,605	**—**	—
Deposits received	**223,068**	200,866	**—**	—
Accrued operating lease rental expenses	**46,861**	93,763	**—**	—
Accrued utilities	**20,606**	20,875	**—**	—
Accrued liabilities	**161,963**	124,354	**—**	233
Accrued staff costs	**55,445**	53,192	**179**	153
Provision for coupon liabilities	**9,516**	10,200	**—**	—
Value-added tax and other tax payables	**(244,188)**	(244,445)	**—**	—
Other payables	**1,120,591**	549,170	**3,277**	—
	3,283,478	2,685,580	**3,456**	386

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 2014 were accrued operating lease rental expenses of RMB46,861,000 covering the period from January to December 2014 (31 December 2013: RMB93,763,000) which will receive from certain fellow subsidiaries of the Company.

34. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group	2014 Effective interest rate (%)	2014 Maturity	2014 RMB'000	2013 Effective interest rate (%)	2013 Maturity	2013 RMB'000
Current						
Interest-bearing bank loans – secured	**6.30-8.80**	**2015**	**340,000**	6.00-7.38	2014	345,000
Interest-bearing bank loans – unsecured	**–**	**–**	**–**	6.90	2014	1,000
Current portion of long term interest-bearing bank loans – secured	**5.00-5.30**	**2015**	**287,583**	6.55-7.86	2014	456,372
Convertible bonds (note 35)	**–**	**–**	**–**	6.51	2014-2015	12,023
Other loans	**6.22-8.80**	**2015**	**1,197,637**	4.59-4.60	2014	949,122
			1,825,220			1,763,517
Non-current						
Non-current portion of interest-bearing bank loans – secured	**3.33-8.80, 3.1 over LIBOR**	**2016-2020**	**3,619,735**	6.15-7.86, 3.1 over LIBOR	2016-2022	3,517,528
Interest-bearing bank loans – unsecured	**5.52-6.70**	**2016-2017**	**2,189,323**	5.52-6.05	2016	1,489,541
US Senior Notes –secured	**7.75**	**2017**	**1,839,598**	–	–	–
			7,648,656			5,007,069
			9,473,876			6,770,586

Notes to Financial Statements

31 December 2014

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

Company	2014 Effective interest rate (%)	2014 Maturity	2014 RMB'000	2013 Effective interest rate (%)	2013 Maturity	2013 RMB'000
Current						
Convertible bonds (note 35)	**–**	**–**	**–**	6.51	2014-2015	12,023
Non-current						
Long term interest-bearing bank loans – secured	**3.1 over LIBOR**	**2016**	**1,181,037**	3.1 over LIBOR	2016	1,159,076
US Senior Notes –secured	**7.75**	**2017**	**1,839,598**	–	–	–
			3,020,635			1,159,076

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Analysed into:				
Bank and other loans repayable:				
Within one year	**1,825,220**	1,751,494	**–**	–
In the second year	**2,847,883**	1,973,308	**538,319**	238,389
In the third to fifth years, inclusive	**4,394,148**	2,625,963	**2,482,316**	953,555
Beyond five years	**406,625**	440,666	**–**	–
	9,473,876	6,791,431	**3,020,635**	1,191,944

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Analysed into:				
Convertible bonds:				
Within one year	**–**	12,023	**–**	12,023
	–	12,023	**–**	12,023

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

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB952,770,000 (31 December 2013: RMB607,468,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB49,703,000 (31 December 2013: RMB4,321,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB741,454,000 (31 December 2013: RMB856,653,000);

(d) certain completed properties held for sale of the Group with a net carrying amount of approximately RMB317,987,000 (31 December 2013: RMB317,987,000); and

(e) certain properties under development of the Group with a net carrying amount of approximately RMB 349,612,000 (31 December 2013: RMB730,843,000).

In addition, Shenzhen Maoye Shangsha, Zhongzhao, Maoye Department Store Holdings Limited, Maoye China, Maoye Shangsha Investment Limited, Dahua Investment (China) Limited, Shenzhen Maoye Group, 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 RMB3,402,244,000 (2013: RMB1,786,296,000) as at the end of the reporting period.

The Group had the following undrawn banking facilities:

	Group	
	2014	2013
	RMB'000	RMB'000
Amount of undrawn banking facilities	**3,276,890**	394,274

35. 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.

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 2013	12,023	56,546	68,569
Imputed Interest expense (note 12)	449	—	449
Interest paid	(194)	—	(194)
Exchange realignment	143	—	143
Repurchase	(12,421)	(1,008)	(13,429)
Carrying amount at 31 December 2014	**—**	**55,538**	**55,538**

* On 30 July 2014, the outstanding convertible bonds was redeemed by bondholders at a principal amount together with interest accrued and unpaid of HK$16,445,000, equivalently to RMB13,429,000.

36. ISSUED CAPITAL

	2014 HK$'000	2013 HK$'000
Authorised:		
9,000,000,000 (31 December 2013: 9,000,000,000) ordinary shares of HK$0.10 each	**900,000**	900,000
Issued and fully paid:		
5,197,632,000 (31 December 2013: 5,223,074,000) ordinary shares of HK$0.10 each	**519,763**	522,307
Equivalent to RMB'000	**465,206**	467,449

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 2014	**5,223,074,000**	**467,449**	**1,662,293**	**2,129,742**
Repurchase and cancellation of shares	**(25,442,000)**	**(2,243)**	**(24,151)**	**(26,394)**
At 31 December 2014	**5,197,632,000**	**465,206**	**1,638,142**	**2,103,348**

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$30,630,210 (equivalent to RMB24,151,089) 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.

36. 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	Lowest	Aggregate consideration paid	
		HK$	HK$	HK$'000	RMB'000
2014/6/25	3,070,000	1.24	1.22	3,788	3,013
2014/6/26	2,411,000	1.26	1.25	3,034	2,412
2014/6/27	1,993,000	1.28	1.27	2,549	2,027
2014/7/2	2,791,000	1.28	1.25	3,559	2,830
2014/7/3	2,602,000	1.31	1.28	3,383	2,692
2014/7/4	2,799,000	1.33	1.30	3,685	2,935
2014/7/7	3,300,000	1.35	1.32	4,418	3,520
2014/7/17	6,476,000	1.38	1.30	8,758	6,965
	25,442,000			33,174	26,394

37. 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, a wholly-owned subsidiary of the Group, entered into an asset transfer agreement with the Group's 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 the 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, each wholly-owned foreign enterprise ("**WOFE**") registered in the PRC is required to transfer not less than 10% of its 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.

37. RESERVES (continued)

(a) Group (continued)

(ii) Statutory surplus reserve (continued)

In accordance with the relevant PRC laws and regulations, each PRC domestic company is required to transfer 10% of its 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
Balance at 1 January 2013		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		(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
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**9,831**	**580,200**	**–**	**590,031**
Repurchase and cancellation of shares	36	**(24,151)**	**–**	**–**	**2,243**	**–**	**–**	**(2,243)**	**–**	**(24,151)**
Repurchase of convertible bonds		**–**	**(1,008)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,008)**
Final 2013 dividend		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(123,571)**	**(123,571)**
Interim 2014 dividend paid		**–**	**–**	**–**	**–**	**–**	**–**	**(128,131)**	**–**	**(128,131)**
Proposed final dividend		**–**	**–**	**–**	**–**	**–**	**–**	**(45,171)**	**45,171**	**–**
As at 31 December 2014		**1,638,142**	**55,538**	**–**	**22,717**	**152,671**	**(292,582)**	**514,421**	**47,088**	**2,137,995**

38. BUSINESS COMBINATION

(i) Acquisition of a 100% equity interest in Shenyang Anli.

On 19 December 2014, the Group acquired a 100% equity interest in Shenyang Anli and its subsidiaries ("**Shenyang Anli group**") from Commercial City at a consideration of RMB29,269,458. Shenyang Anli Group is engaged in the operation of property development and hotel business in Shenyang, Liaoning Province, the PRC.

The fair values of the identifiable assets and liabilities of Shenyang Anli Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	17	229,596
Trade receivables		826
Inventories		960
Prepayments and other receivables		2,849
Cash and cash equivalents		2,724
Due to a shareholder		(195,167)
Trade and bills payables		(4,190)
Deposits received, accruals and other payables		(3,243)
Deferred tax liabilities	25	(19,213)
		15,142
Non-controlling interest on acquisition		(350)
Total identifiable net assets at fair value		14,792
Goodwill on acquisition	20	14,477
Satisfied by cash		29,269

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB826,092 and RMB2,848,826, respectively.

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

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

	RMB'000
Cash paid	(29,269)
Cash and cash equivalents acquired	2,724
Net outflow of cash and cash equivalents included in cash flows from investing activities	(26,545)

Since the acquisition, Shenyang Anli Group has contributed RMB1,147,000 to the Group's revenue and caused a loss of RMB1,072,000 to the consolidated profit for the year ended 31 December 2014.

38. BUSINESS COMBINATION (continued)

(ii) Acquisition of an 99.94% equity interest in Liaoning Logistics

On 29 December 2014, the Group acquired a 99.94% equity interest in Liaoning Logistics and its subsidiary ("**Liaoning Logistics Group**") from Commercial City at a consideration of RMB282,664,377, Liaoning Logistics Group is engaged in the operation of property development in Shenyang, Liaoning Province, the PRC.

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

The fair values of the identifiable assets and liabilities of Liaoning Logistics Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	17	256
Deferred tax assets	25	16,936
Property under development	27	1,148,053
Prepayments and other receivables		407,749
Cash and cash equivalents		225,771
Interest-bearing bank loans		(200,000)
Trade and bills payables		(408,877)
Deposits received, accruals and other payables		(365,793)
Due to related party		(181,520)
Deferred tax liabilities	25	(141,659)
		500,916
Non-controlling interests on acquisition		(286,422)
Total identifiable net assets at fair value		214,494
Goodwill on acquisition	20	68,170
Satisfied by cash		282,664

The fair values of the prepayments and other receivables as at the date of acquisition amounted to RMB407,749,000.

38. BUSINESS COMBINATION (continued)

(ii) Acquisition of an 99.94% equity interest in Liaoning Logistics (continued)

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

	RMB'000
Cash paid	(282,664)
Cash and cash equivalents acquired	225,771
Net outflow of cash and cash equivalents included in cash flows from investing activities	(56,893)

Since the acquisition, Liaoning Logistics Group caused a loss of RMB168,438 to the consolidated profit for the year ended 31 December 2014.

39. DISPOSALS OF SUBSIDIARIES

(i) Deemed disposal of Maoye Logistics

On 24 July 2014, Maoye Logistics, a subsidiary of the Company, entered into an acquisition agreement with Xiaochang Yingxigu Investment Centre and Beijing Bosheng Yoshi Technology Development Co., Ltd. (the "**Vendors**") for the acquisition of Beijing TrustMeDu Sci-tech Co., Ltd. ("**Beijing TrustMeDu**"). Pursuant to the acquisition agreement, Maoye Logistics agreed to purchase and the Vendors agreed to sell a 100% equity shares in Beijing TrustMeDu by issue 149,859,439 shares to the Vendors and 26,445,783 shares to Shanghai Fengyou Investment Management Centre. After issuance of shares of Maoye Logistics, the shareholding in Maoye Logistics held by Zhongzhao, a wholly-owned subsidiary of the Company, had been diluted from approximately 46.70% to 33.54%. The issuance of shares completed on 19 December 2014, based on the current shareholding structure of Maoye Logistics and taking into account of the terms of the transaction, the management considered that Zhongzhao had lost the control over Maoye Logistics. Since 19 December 2014, the investment had been recognised as an investment in an associate.

39. DISPOSALS OF SUBSIDIARIES (continued)

(i) Deemed disposal of Maoye Logistics (continued)

	Notes	19 December 2014 RMB'000
Net assets disposed of:		
Property, plant and equipment	17	**311,229**
Investment properties	18	**172,418**
Land lease prepayments	19	**563,109**
Other intangible assets	21	**427**
Goodwill	20	**343,712**
Available-for-sale equity investments		**5,000**
Prepayments		**62,549**
Deferred tax assets	25	**18,550**
Inventories		**27,066**
Completed properties held for sale		**237,606**
Properties under development	27	**344,101**
Equity investments at fair value through profit or loss		**859**
Trade receivables		**15,061**
Pledged deposit		**21,242**
Cash and cash equivalents		**123,975**
Trade and bills payables		**(134,039)**
Deposits received, accruals and other payables		**(311,841)**
Income tax payable		**(19,169)**
Deferred tax liability	25	**(62,133)**
		1,719,722
Deemed disposal of Non-controlling interests		**(739,868)**
Gain on deemed disposal of a subsidiary	11	**1,055,082**
		2,034,936
Satisfied by:		
Cash		**–**
		–

39. DISPOSALS OF SUBSIDIARIES (continued)

(i) Deemed disposal of Maoye Logistics (continued)

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

	2014 RMB'000
Cash received	–
Cash and cash equivalents disposed	(123,975)
New outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary	(123,975)

(ii) Disposal of Nanchong Shangye Co., Ltd. ("Nanchong Shangye")

On 28 May 2014, Nanchong Maoye, the subsidiary of the Group, entered into an agreement with Nanchong Junfan Department Management Co., Ltd. ("**Nanchong Junfan**"), an independent third party. According to the agreement, Nanchong Maoye transfer 100% of the share of its subsidiary Nanchong Shangye to Nanchong Junfan. The transaction completed on 26 June 2014.

Nanchong Maoye operates a department store, located in the Nanchong, Sichuan Province.

	Notes	26 June 2014 RMB'000
Net assets disposed of:		
Property, plant and equipment	17	106
Investment properties	18	24,545
Land lease prepayments	19	17,555
Deferred tax assets	25	2,907
Prepayments and other receivables		5
Inventory		2
Cash and cash equivalents		31
Trade and bills payables		(621)
Deposits received, accruals and other payables		(48,828)
Tax payable		525
		(3,773)
Gain on disposal of a subsidiary	11	104,053
Satisfied by:		
Cash		100,280

39. DISPOSALS OF SUBSIDIARIES (continued)

(ii) Disposal of Nanchong Shangye Co., Ltd. ("Nanchong Shangye") (continued)

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

	2014 RMB'000
Cash consideration	100,280
Cash and bank balances disposed of	(31)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	100,249

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

Pursuant to the agreement on acquisition of Beijing TrustMeDu, Maoye Logistics purchased the 100% equity shares in Beijing TrustMeDu by issue 149,859,439 shares to the Vendors and 26,445,783 shares to Shanghai Fengyou Investment Management Centre. After issuance of shares of Maoye Logistics, the shareholding in Maoye Logistics held by the Group had been diluted from approximately 46.70% to 33.54% and the investment had been recognised as an investment in an associate.

41. 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 fourteen years.

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

Group	2014 RMB'000	2013 RMB'000
Within one year	116,679	117,756
In the second to fifth years, inclusive	205,132	168,246
After five years	74,663	92,089
	396,474	378,091

41. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

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

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

Group	2014 RMB'000	2013 RMB'000
Within one year	**172,474**	187,071
In the second to fifth years, inclusive	**497,488**	717,563
After five years	**167,533**	224,198
	837,495	1,128,832

42. COMMITMENTS

In addition to the operating lease commitments as set out in note 41(b) above, the Group had the following capital commitments:

Group	2014 RMB'000	2013 RMB'000
Contracted, but not provided for, in respect of land and buildings	**3,669,944**	2,239,979

43. 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:

	2014 RMB'000	2013 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye Group (i) & (v)	**22,732**	21,184
Zhong Zhao Investment (Group) Limited (中兆投資(集團)有限公司) (i) & (v)	**8,537**	8,537
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (v)	**57,089**	54,689
Shenzhen Chongde Real Estate Co., Ltd. (深圳市崇德地產有限公司) (i) & (v)	**305**	424
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (v)	**6,481**	6,492
Chongqing Maoye Real Estate Co., Ltd. (重庆茂業地產有限公司) (i) & (v)	**25,759**	22,402
Shenzhen Friendship Trading Centre Co., Ltd. ("**Shenzhen Friendship**") (深圳友誼貿易中心有限公司) (iv) & (v)	**26,509**	26,373
Changzhou Taifu Real Estate Development Co., Ltd. ("**Changzhou Taifu**") (常州泰富房地產開發有限公司) (i) & (v)	**—**	3,540
Shenyang Maoye Property Company Limited ("**Shenyang Maoye Property** ") (瀋陽茂業置業有限公司) (i) & (v)	**—**	11,771
	147,412	155,412
Management fee income from the operation of department stores:		
Wuxi Maoye Department Store Co., Ltd. (无錫茂業百貨有限公司) (i) & (vi)	**4,350**	4,080
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) & (vi)	**2,924**	2,780
Changzhou Taifu (i) & (vi)	**65**	185
	7,339	7,045
Management fee expenses from the operation of a department store:		
Commercial City (ii) & (vi)	**54**	—
Share of loss of a department store operation by:		
Shenyang Maoye Property (i)	**—**	24,505

43. 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)

	2014	2013
	RMB'000	RMB'000
(2) Non-recurring transactions		
Rental exempted by:		
Changzhou Taifu (i)	–	23,951
Acquisition of a subsidiary from:		
Shenzhen Maoye Group (i)	–	5,000
Loan and receivable to/(withdraw):		
Shenzhen Maoye Group (i)	–	(100,000)
Interest charged to:		
Shenzhen Maoye Group (i)	–	9,125
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i) & (vii)	**1,250,000**	950,000
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (iii) & (vii)	**1,600,000**	1,600,000
	2,850,000	2,550,000

(i) They are fellow subsidiaries of the Company.

(ii) It is an associate company of the Company.

(iii) Mr. Huang Mao Ru is a director of the Company.

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

(v) The operating lease rental expenses charged by the fellow subsidiaries of the Company and the management fee charged by the associate company were determined based on the underlying contracts as agreed between the Group and these fellow subsidiaries or the associate company.

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

(vii) 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.

43. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2014 RMB'000	2013 RMB'000
Due from related parties		
Due from fellow subsidiaries	**128,653**	103,436
Due from a non-controlling shareholder of a subsidiary	**339**	11,497
Due from associates	**3,888**	—
	132,880	114,933
Due to related parties		
Due to fellow subsidiaries	**9,252**	19,265
Due to a non-controlling shareholder of a subsidiary	**64,842**	64,842
Due to a company significantly influenced by a director of the Company	**—**	164
	74,094	84,271

Included in the balances due from related parties and due to related parties as at 31 December 2014 were amounts of approximately RMB132,880,000 (31 December 2013: RMB114,933,000) and RMB9,252,000 (31 December 2013: RMB19,429,000), 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.

43. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management

	2014 RMB'000	2013 RMB'000
Salaries and allowances	**4,820**	4,326
Retirement benefits	**124**	118
	4,944	4,444

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

The related party transactions in respect of items 43(a)(1) and 43(a)(2) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(d) Commitments with related parties

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

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

Group	2014 RMB'000	2013 RMB'000
Within one year	**143,162**	140,303
In the second to fifth years, inclusive	**384,146**	505,074
	527,308	645,377

44. 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:

2014

	Group			
Financial assets	**Financial assets at fair value through profit or loss held for trading RMB'000**	**Loans and receivables RMB'000**	**Available-for-sale financial assets RMB'000**	**Total RMB'000**
Available-for-sale equity investments	–	–	1,161,503	1,161,503
Trade receivables	–	13,418	–	13,418
Financial assets included in prepayments, deposits and other receivables	–	739,209	–	739,209
Equity investments at fair value through profit or loss	173	–	–	173
Due from related parties	–	132,880	–	132,880
Pledged deposits	–	54,949	–	54,949
Cash and cash equivalents	–	662,069	–	662,069
	173	1,602,525	1,161,503	2,764,201

Financial liabilities	**Financial liabilities at amortised cost RMB'000**
Trade and bills payables	2,174,127
Financial liabilities included in other payables and accruals	1,628,534
Due to related parties	74,094
Interest-bearing bank loans and other borrowings	9,473,876
	13,350,631

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2013

Financial assets	Group Financial assets at fair value through profit or loss held for trading 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

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company					
	2014			2013		
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**total RMB'000**	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	total RMB'000
Available-for-sale investment	**–**	**–**	**–**	–	–	–
Due from subsidiaries	**139,761**	**–**	**139,761**	139,761	–	139,761
Financial assets included in prepayments deposits and other receivables	**10,440**	**–**	**10,440**	10,215	–	10,215
Dividends receivable	**1,102,634**	**–**	**1,102,634**	621,477	–	621,477
Due from related parties	**4,375,924**	**–**	**4,375,924**	2,693,990	–	2,693,990
Cash and cash equivalents	**11,036**	**–**	**11,036**	20,284	–	20,284
	5,639,795	**–**	**5,639,795**	3,485,727	–	3,485,727

Financial liabilities

	2014 Financial liabilities at amortised cost RMB'000	2013 Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	**3,456**	386
Due to subsidiaries	**12,503**	12,461
Due to related parties	**–**	9,507
Convertible bonds	**–**	12,023
	15,959	34,377

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

Group	Carrying amounts 2014 RMB'000	Carrying amounts 2013 RMB'000	Fair values 2014 RMB'000	Fair values 2013 RMB'000
Financial assets				
Available-for-sale investments – listed equity investments	**1,010,862**	669,827	**1,010,862**	669,827
Equity investments at fair value through profit or loss	**173**	887	**173**	887
	1,011,035	670,714	**1,011,035**	670,714
Financial liabilities				
Convertible bonds	**–**	12,023	**–**	12,023
Interest-bearing bank loans and other borrowings	**9,473,876**	6,758,563	**9,473,876**	6,758,563
	9,473,876	6,770,586	**9,473,876**	6,770,586

Company	Carrying amounts 2014 RMB'000	Carrying amounts 2013 RMB'000	Fair values 2014 RMB'000	Fair values 2013 RMB'000
Financial liabilities				
Convertible bonds	**–**	12,023	**–**	12,023
	–	12,023	**–**	12,023

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposit and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, dividend receivable and due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officegr and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss:				
Trading securities	**173**	**–**	**–**	**173**
Available-for-sale equity investments:				
Equity shares	**1,010,862**	**–**	**–**	**1,010,862**
	1,011,035	**–**	**–**	**1,011,035**

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

Group (continued)

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs 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

The Company did not have any financial assets measured at fair value as at 31 December 2014 (2013: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2014 (2013: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into and out of Level 3 for both financial assets and financial liabilities (2013: Nil).

46. 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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 34 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			Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2014					
RMB	**100**	**(44,311)**	**–**	**100**	**(538)**
RMB	**(100)**	**44,311**	**–**	**(100)**	**538**
31 December 2013					
RMB	100	(67,043)	–	100	(1,294)
RMB	(100)	67,043	–	(100)	1,294

* Excluding retained profits

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's exposure to foreign currency risk primarily relates to the Group's foreign interest-bearing bank borrowings, the currencies of which are different from the functional currencies.

It is the Group's policy to negotiate the terms of the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The following table demonstrates the sensitivities at the end of the reporting period to a reasonable possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in fair value of monetary assets and liabilities).

	Increase/ (decrease) in USD rate	Increase/ (decrease) in profit before (or after) tax
	%	RMB'000
2014		
If RMB weakens against the United State dollar	(5%)	(150,226)
If RMB strengthens against the United State dollar	5%	150,226
2013		
If RMB weakens against the United State dollar	(5%)	(57,626)
If RMB strengthens against the United State dollar	5%	57,626

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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2014		
		Less than		
Group	**On demand**	**1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and bills payables	**—**	**2,174,127**	**—**	**2,174,127**
Deposits received, accruals and other payables	**—**	**1,628,534**	**—**	**1,628,534**
Due to related parties	**74,094**	**—**	**—**	**74,094**
Interest-bearing bank and other borrowings	**—**	**2,363,898**	**8,230,506**	**10,594,404**
	74,094	**6,166,559**	**8,230,506**	**14,471,159**

		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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	31 December 2014			
Company	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Convertible bonds	**—**	**—**	**—**	**—**
Other payables and accruals	**3,456**	**—**	**—**	**3,456**
Due to subsidiaries	**12,503**	**—**	**—**	**12,503**
Interest-bearing bank loans	**—**	**182,447**	**3,244,806**	**3,427,253**
	15,959	**182,447**	**3,244,806**	**3,443,212**

	31 December 2013			
Company	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible bonds	—	12,023	—	12,023
Other payables and accruals	386	—	—	386
Due to subsidiaries	12,461	—	—	12,461
Interest-bearing bank loans	—	40,429	1,226,794	1,267,223
	12,847	52,452	1,226,794	1,292,093

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain 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 and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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 and other borrowings less cash and cash equivalents and pledged deposits. Capital includes the liability component of 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 2014 and 2013 were as follows:

Group	**2014** RMB'000	2013 RMB'000
Interest-bearing bank loans and other borrowings	**9,473,876**	6,758,563
Less: Cash and cash equivalents and pledged deposits	**(717,018)**	(1,025,641)
Net debt	**8,756,858**	5,732,922
Convertible bonds, the liability component	**–**	12,023
Equity attributable to owners of the parent	**7,147,178**	5,862,147
Adjusted capital	**7,147,178**	5,874,170
Capital and net debt	**15,904,036**	11,607,092
Gearing ratio	**55%**	49%

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 2014**	**Year ended 31 December 2014 High/low**	31 December 2013	Year ended 31 December 2013 High/low
Shenzhen – A Share Index	**1,479**	**1,479/1,455**	1,104	1,155/850
Shanghai – A Share Index	**3,389**	**3,394/3,308**	2,214	2,559/1,936

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 2014 and 2013.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

Group		**Increase/ decrease in profit before tax RMB'000**	**Increase/ decrease in equity* RMB'000**
31 December 2014			
Equity investments listed in:			
Shanghai	– available-for-sale	**—**	**48,136**
	– at fair value through profit or loss	**—**	**—**
31 December 2013			
Equity investments listed in:			
Shanghai	– available-for-sale	—	31,897
	– at fair value through profit or loss	42	—

* Excluding retained profits

47. EVENTS AFTER THE REPORTING PERIOD

(i) From 5 January 2015 to 9 January 2015, the Company had acquired in aggregate 21,487,729 shares of Silver Plaza Group Co., Ltd. ("**Silver Plaza**") representing approximately 4.1% of the issued share capital of Silver Plaza, through on-market purchases on the Shanghai Stock Exchange. As of 9 January 2015, the Company had acquired a total of 52,000,875 shares in Silver Plaza, representing approximately 10.0% of the issued share capital of Silver Plaza. The aggregate cost of the acquiring such 10% of the issued share capital of Silver Plaza (the "**Acquisitions**") is approximately RMB491,211,011.

(ii) On 21 January 2015, Maoye Shangsha completed the issue of the financial notes in the PRC with a principal amount of RMB800 million and with a term of 365 days in the PRC on 21 January 2015. The interest rate is 5.23% per annum.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 February 2015.

Corporate Information

BOARD OF DIRECTORS

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

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

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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)*

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