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)

2016 ANNUAL REPORT

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

CONTENTS

Corporate Profile

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

The Group is positioned at the medium to high-end department store merchandise and shopping mall and offers a stylish and diversified merchandise and service 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 five regions: Guangdong Province which is highly economically developed, Sichuan Province which is one of the most densely populated regions, Jiangsu Province and Shandong Province which ranks among the top three regions in terms of GDP, and the Bohai Rim region.

As at 31 December 2016, the Group operated and managed 66 stores in 19 cities across the nation with total gross floor area of 2.86 million square metres, of which self-owned properties accounted for approximately 76% in gross floor area. The major cities under its coverage include Shenzhen and Zhuhai in Guangdong Province; Chengdu, Nanchong and Mianyang in Sichuan Province; Chongqing; Wuxi, Taizhou and Nanjing in Jiangsu Province; Zibo and Heze in Shandong Province; Qinhuangdao and Baoding in Hebei Province; Shenyang in Liaoning Province; Taiyuan in Shanxi Province; and Baotou and Hohhot in Inner Mongolia.

As at 31 December 2016, the distribution of stores of the Group are as follows:

	Southern China	Southwestern China	Eastern China	Northern China	Total
No. of Stores	6	11	13	36	66
Gross Floor Area (sq.m)	213,584	368,054	712,895	1,564,711	2,859,244

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

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (including but not limited to annual reports, interim reports and circulars) by sending reasonable prior notice in writing to the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive the Company's corporate communications in either English or Chinese version will receive both English and Chinese versions of this annual report since both languages are bound together into one booklet.

Mission Statement

To become a LEADING department store chain operator in China

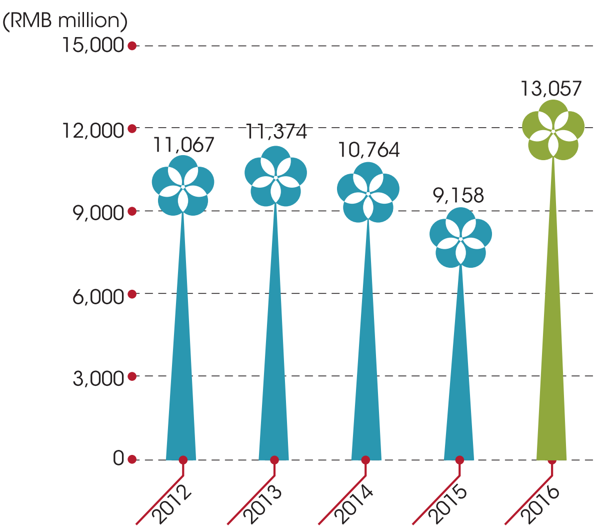
Financial Highlights

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

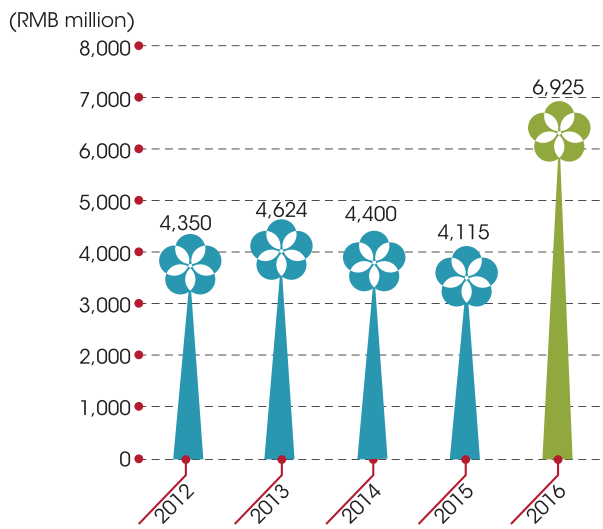
OPERATING RESULTS

	For the years ended 31 December				
	2016	2015	2014	2013	2012
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
		(Restated [4])	(Restated [5])		
Total sales proceeds[1]	**13,057,334**	9,157,532	10,764,137	11,374,363	11,067,240
Total operating revenue[2]	**6,925,377**	4,115,464	4,400,460	4,623,593	4,349,858
Operating profit	**1,359,829**	995,013	2,322,984	1,458,662	1,369,805
Profit for the year	**112,061**	289,533	1,449,933	913,114	898,554
Profit attributable to:					
– Owners of the parent	**46,382**	298,627	1,365,189	802,041	801,820
– Minority interests	**65,679**	(9,094)	84,744	111,073	96,734
Basic earnings per share (RMB)[3]	**0.009**	0.058	0.263	0.155	0.149

Total sales proceeds



Total operating revenue



Financial Highlights

HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB' 000	RMB' 000 (Restated [4])	RMB' 000 (Restated [5])	RMB' 000	RMB' 000
Assets and liabilities					
Total assets	**45,975,332**	31,774,937	24,461,197	20,078,127	18,296,015
Total liabilities	**33,898,763**	22,128,489	16,260,197	12,747,263	11,251,136
Total equity	**12,076,569**	9,646,448	8,201,000	7,330,864	7,044,879
– Attributable to owners of the parent	**10,135,809**	8,256,505	7,141,989	5,862,147	5,670,659
– Attributable to Minority interests	**1,940,760**	1,389,943	1,059,011	1,468,717	1,374,220

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 2016 is based on the net profit attributable to owners of the parent of approximately RMB46,382,000 and weighted average number of ordinary shares of 5,141,489,556.

   The calculation of basic earnings per share for the year ended 31 December 2015 is based on the net profit attributable to owners of the parent of approximately RMB298,627,000 and weighted average number of ordinary shares of 5,160,924,290.

   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 RMB1,365,189,000 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.

4. For the year ended 31 December 2016, the Group has changed the accounting policy for investment properties from the cost model to the fair value model, and accordingly restated the financial report of 2015.

5. Restated the comparable figures for the year 2014 according to the actuarial valuation report of defined benefit plan.

Retail Network

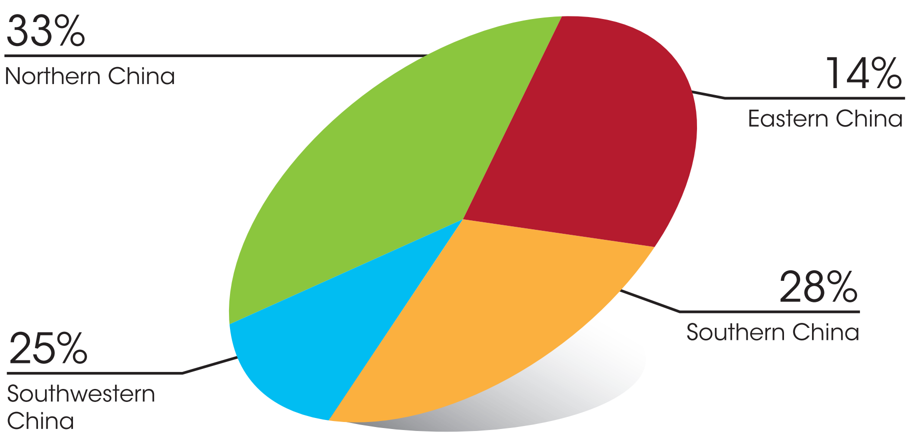
	Store Name	Region	Total GFA (sq.m.)	Open Date	Ownership	Retail Format
1	Shenzhen Dongmen	Guangdong	40,979	03-1997	Owned	Department Store
2	Shenzhen Outlet	Guangdong	23,048	10-1999	Leased	Department Store
3	Shenzhen Huaqiangbei	Guangdong	63,243	10-2003	Leased	Department Store
4	Shenzhen Shennan	Guangdong	10,507	12-2004	Leased	Department Store
5	Shenzhen Nanshan	Guangdong	44,871	09-2009	Owned	Department Store
6	Zhuhai Xiangzhou	Guangdong	30,936	11-2001	Leased	Department Store
7	Chengdu Yanshikou Maoye Complex	Sichuan	81,477	06-2005	Owned	Department Store
8	Chengdu Yanshikou Supermarket	Sichuan	6,358	01-2006	Owned	Supermarket
9	Chengdu Longquanyi	Sichuan	8,373	09-2009	Leased	Supermarket
10	Renhe Chuntian Rendong	Sichuan	38,278	09-1998	Owned	Department Store
11	Chengdu Wuhou	Sichuan	16,000	06-2005	Leased	Supermarket
12	Chengdu Wenjiang	Sichuan	8,400	06-2005	Leased	Supermarket
13	Renhe Chuntian Guanghua	Sichuan	62,498	12-2009	Owned	Department Store
14	Chengdu Chunxi	Sichuan	22,463	11-2013	Owned	Department Store
15	Chongqing Jiangbei	Chongqing	68,138	10-2004	Leased	Department Store
16	Nanchong Wuxing	Sichuan	24,365	11-2001	Owned	Department Store
17	Mianyang Xingda	Sichuan	27,595	09-2008	Owned	Department Store
18	Chengshang Heze	Shandong	29,426	03-2011	Owned	Department Store
19	Zibo Maoye Complex	Shandong	115,000	10-2010	Owned	Department Store
20	Zibo Maoye Plaza	Shandong	36,791	11-2010	Owned	Department Store
21	Zibo Maoye Taikerong Mall	Shandong	25,337	11-2010	Owned	Department Store
22	Zibo Maoye Shopping Mall	Shandong	8,415	11-2010	Leased	Department Store
23	Zibo Maoye Times Square	Shandong	88,923	02-2015	Owned	Shopping Center
24	Yangzhou	Jiangsu	21,485	01-2011	Leased	Department Store
25	Wuxi Qingyang	Jiangsu	68,292	10-2007	Managed	Department Store
26	Wuxi Yibai	Jiangsu	78,695	03-2016	Owned	Department Store
27	Taizhou Yibai	Jiangsu	40,358	10-2009	Owned	Department Store
28	Taizhou Maoye Complex	Jiangsu	86,066	01-2015	Owned	Shopping Center
29	Nanjing Confucius Temple Maoye Complex	Jiangsu	88,786	11-2016	Owned	Department Store
30	Changzhou Wujin	Jiangsu	25,321	01-2010	Managed	Department Store
31	Shenyang Tiexi I	Liaoning	49,600	07-2012	Owned	Department Store
32	Shenyang Commercial City Zhongjie	Liaoning	104,321	03-2014	Owned	Department Store
33	Shenyang Tiexi II	Liaoning	25,110	03-2014	Owned	Department Store
34	Shenyang Jinlang	Liaoning	70,000	12-2010	Managed	Department Store
35	Taiyuan Liuxiang	Shanxi	31,448	10-2008	Owned	Department Store
36	Taiyuan Maoye Complex Phase I	Shanxi	86,504	11-2014	Owned	Department Store

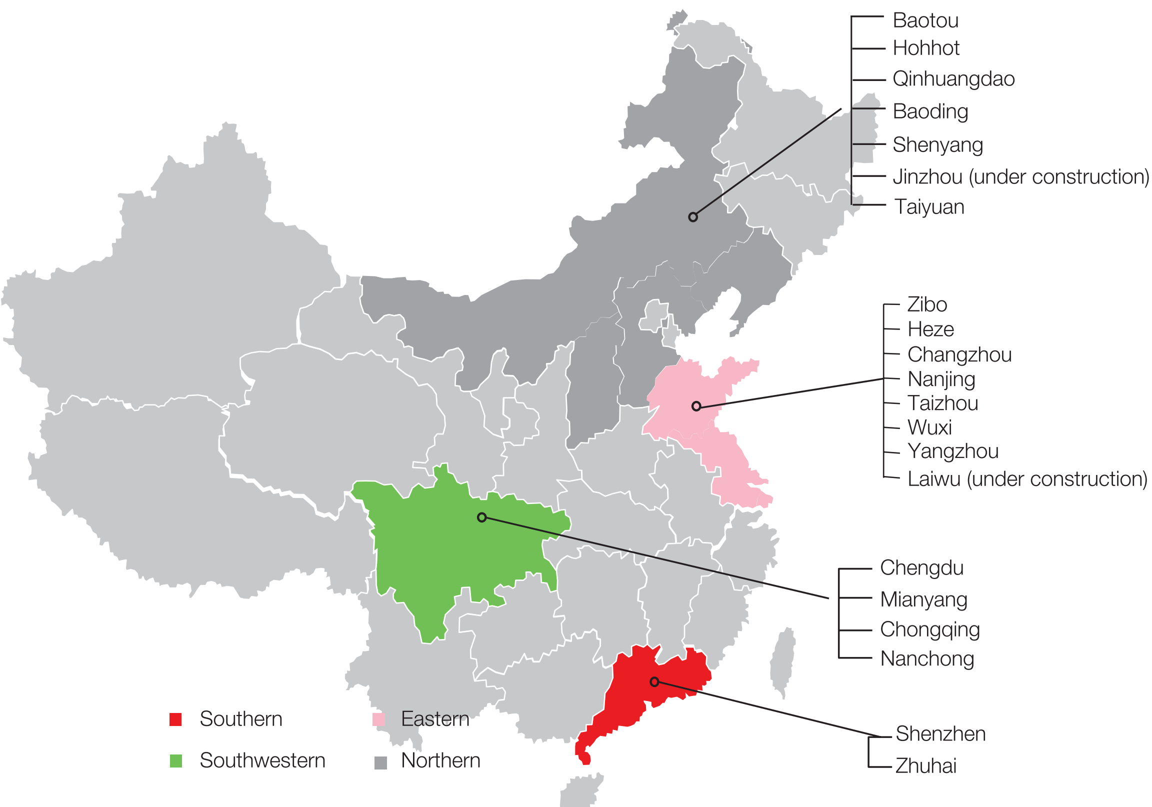
Retail Network

	Store Name	Region	Total GFA (sq.m.)	Open Date	Ownership	Retail Format
37	Taiyuan Maoye Complex Phase II	Shanxi	159,720	12-2016	Owned	Shopping Center
38	Victory Commercial Building	Inner Mongolia	54,946	05-2003	Owned	Department Store
39	Zhongshan	Inner Mongolia	6,760	05-2003	Owned	Supermarket
40	Nanchafang	Inner Mongolia	5,470	12-2015	Leased	Supermarket
41	Victory Shopping Center	Inner Mongolia	58,215	09-2006	Owned	Shopping Center
42	Shoufu	Inner Mongolia	6,680	09-2007	Leased	Supermarket
43	Victory International Plaza	Inner Mongolia	84,538	01-2008	Owned	Shopping Center
44	Xilongwang Temple	Inner Mongolia	1,000	01-2010	Leased	Supermarket
45	Victory Times City	Inner Mongolia	190,454	11-2010	Leased	Shopping Center
46	International Square	Inner Mongolia	1,116	11-2011	Owned	Supermarket
47	Jinqiao	Inner Mongolia	16,887	01-2012	Leased	Supermarket
48	Chezhan	Inner Mongolia	3,300	01-2013	Leased	Supermarket
49	University East Road	Inner Mongolia	11,000	01-2013	Leased	Supermarket
50	Stadium	Inner Mongolia	5,600	05-2013	Leased	Supermarket
51	North Gate	Inner Mongolia	1,692	06-2013	Leased	Supermarket
52	Victory Mall City	Inner Mongolia	140,060	12-2013	Owned	Shopping Center
53	Mall City	Inner Mongolia	9,800	12-2013	Owned	Supermarket
54	Jinchuan	Inner Mongolia	7,472	01-2014	Leased	Supermarket
55	Baotou Victory Commercial Building	Inner Mongolia	64,644	01-2010	Owned	Department Store
56	Baotou I	Inner Mongolia	14,356	01-2010	Owned	Supermarket
57	Baotou Donghe Victory Plaza	Inner Mongolia	69,998	11-2014	Owned	Shopping Center
58	Baotou II	Inner Mongolia	5,980	11-2014	Owned	Supermarket
59	Baotou Maoye Complex Phase I	Inner Mongolia	60,366	01-2017	Owned	Shopping Center
60	Qinhuangdao Shangcheng	Hebei	26,696	06-2010	Owned	Department Store
61	Qinhuangdao Jinyuan	Hebei	10,800	06-2010	Owned	Department Store
62	Qinhuangdao Xiandai Shopping Plaza	Hebei	36,897	06-2010	Leased	Shopping Center
63	Qinhuangdao Jindu	Hebei	46,610	09-2008	Owned	Department Store
64	Qinhuangdao Hualian	Hebei	10,355	06-2010	Owned	Department Store
65	Baoding Outlet	Hebei	24,826	12-2010	Owned	Department Store
66	Baoding Yanzhao	Hebei	61,491	09-2014	Owned	Department Store

Retail Network

TOTAL SALES PROCEEDS IN 2016 BY REGIONS





Chairman's Statement

In 2016, against a low domestic economic growth rate, the retail market was less prosperous in general. As e-commerce develops, shopping mall emerges, new retail sector transforms and e-commerce converges with physical retail industry, which in turn are rewriting the industry's development trend, the industry has entered into a critical point for transformation and reshuffle.

In 2016, the Group, despite being inevitably affected by the overall environment, took initiative to seek transformation under great pressures and challenges through business model innovation and technological upgrade, to focus on upgrading consumers' consumption quality and experience while optimizing its upstream commodity industrial chain.

In 2016, the Group continued to deepen the strategy of transforming department stores into shopping centers by re-developing the existing outlets and positively promoting the construction and opening of Maoye Complex projects in key cities, thereby providing consumers with diversified commodities and consumption experience. Moreover, the Group captured the opportunities arising from industry downturn to conduct mergers and acquisitions within the industry. Through the acquisition of two department stores under Chengdu Renhe Chuntian and Inner Mongolia Victory's chain enterprise, the Group has significantly enhanced its market share in the said area to develop itself into a leading retailer in the region. In terms of financing, Maoye Shangsha successfully issued corporate bonds in the PRC in 2016 to broaden its source of financing while optimizing cost of funding.

In the future, the Group will revert to the essence of retail by further optimizing its channels, services and management to meet consumers' diversified and individualized demand for consumption.

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

21 March 2017

Management Discussion and Analysis

MACRO ECONOMY OVERVIEW

After a stable growth of 6.9% in 2015, the gross domestic product of the PRC experienced a further slide in growth to 6.7% in 2016. The overall operation of the national economy showed a trend of slow stabilization and steady recovery. In 2016, the market sales grew steadily, with the total retail sales of social consumer goods amounting to RMB33,231.6 billion in the whole year, representing an annual growth rate of 10.4%, which was slightly lower as compared with the growth rate of 10.7% in 2015.

According to China National Commercial Information Centre (全國商業信息中心), in 2016, retail sales of 100 key large retailing enterprises across the country decreased by 0.5% year-on-year, a decrease of 0.4 percentage point as compared to last year, indicating continuing challenging operating conditions faced by physical retail industry. Electronic commerce also slowed down in pace with online retail sales of RMB5,155.6 billion in 2016, an increase of 26.2% over last year and a lower growth rate than 33.3% in 2015. Online retail sales accounted for 15.5% of the total retail sales of social consumer goods, while physical retail sales accounted for 84.5% of the total retail sales of social consumer goods, showing the physical retail industry's continuing role as the mainstay of social consumption patterns. For one thing, the domestic consumer market is weakening in general and performances of the physical retail industry, as the major player, is declining for another. With the continuous impact from shopping malls and electronic commerce, the industry's competition has become fiercer with further increased differentiation in operations.

Amidst the general slowdown of the macro economy, the government prioritized the expansion of domestic demand and the stimulation of consumption as the strategic focus for its economic transition. The implementation of favourable policies, such as urbanization development strategy and allowing couples to have a second child, has stimulated the diversification of consumption demand. Opinions on Promoting Innovative Transition of Physical Retail (《關於推動實體零售創新轉型的意見》), issued by the General Office of the State Council in November 2016, expressly guided the development and revolution of the physical retail industry, formulating some favourable policies for the development of the physical retail sector, ranging from industry and commerce, taxation, urban planning, etc. Along with the rise of the emerging middle class, the upgraded consumption needs are going to provide a broad development prospect and stimulate the recovery of the domestic consumption market.

OPERATION REVIEW

In a market with opportunities and challenges, the Group has presented remarkable cost advantage and strong risk resistance ability by leveraging its unique advantage in the operation model of department store plus commercial real estate. During the reporting period, while maintaining its leading position in the core market of Southern China, the Group actively organised its layout in major cities in Southwestern China, Eastern China and Northern China by developing shopping centers in tier 2 and tier 3 cities with consumption potential; strengthened the integration of Chengdu Renhe Chuntian Department Store Ltd. ("**Rendong Department Store**") and Chengdu Qingyang District Renhe Chuntian Department Store Ltd. ("**Guanghua Department Store**") (collectively "**Renhe**") upon completion of their acquisitions; and captured the opportunity to acquire Inner Mongolia Victory Commercial (Group) Co., Ltd. ("**Victory**"), a leading retailer in Inner Mongolia, in order to establish its leadership in major cities within relevant regions. In addition, the Group further promoted its business transforming and upgrading to deepen its strategy of transforming core stores into shopping centers, providing experiential, interactive, educational and perceptible content for consumption, and satisfying consumers' demand for spiritual consumption. On the other hand, the Group took initiatives to apply internet tools in information push, payment and outlets' convenient ser es, thus achieving an effective integration of online and offline businesses and improving consumers' consumption experience.

Management Discussion and Analysis

MAJOR OPERATING HIGHLIGHTS

During the reporting period, the Group has continued to conduct proactive and prudent expansion, developed "Maoye Complex" shopping mall store network in major regions, and kept promoting the strategy of transforming department stores into shopping centers.

1. Acquisition of Victory

In the first half of 2016, Maoye Commercial Co., Ltd. (茂業商業股份有限公司) (formerly known as "Chengshang Group Co., Ltd.") ("**Maoye Commercial**"), a company listed on the Shanghai Stock Exchange (stock code: 600828) and a subsidiary of the Group, underwent a material asset reorganisation to acquire 70% equity interest in Inner Mongolia Victory Commercial (Group) Co., Ltd. ("**Victory**") at a cash consideration of RMB1,565.3 million.

Established in 2003, Victory has 13 years of commercial experience and is the largest commercial group in the Inner Mongolia Autonomous Region. It is principally engaged in owning and operating department stores, supermarkets and commercial real estate in Baotou and Hohhot, with extensive brand influence and recognition in the region. It is also a leading enterprise in the physical retail industry in Inner Mongolia. Such acquisition involved the acquisition of 21 stand-alone entities in total, including 7 stores and 14 supermarkets. A number of stores are located at core business circles with heavy consumer traffic and strong consumption power. Moreover, each of such stores has extensive brand portfolio, diversified product offerings and established living facilities.

Upon completion of such transaction, leveraging on its own resource advantage, extensive management experience and information system advantage throughout the nation, the Group, has facilitated rapid adjustments to the operational, financial and management strategies of Victory's stores and improved its overall profitability, which further increased the Group's market share in major cities in Northern China and expanded the Group's operation scope of department stores and commercial property into the Northern region. Victory has become an important pillar of the Group in expanding its commercial presence in the Northern region.

2. Promoting construction and opening of "Maoye Complex" shopping malls

During the reporting period, capitalising interactive effects with the existing stores in regions, the Group has continued to construct "Maoye Complex" projects in key cities, actively promoted business solicitation for and opening of the new projects, and generated synergies with existing stores, in order to consolidate its leading position in regional markets.

The Group's Maoye Complex Yibai Store, located at the core business circle of Zhongshan Road, Wuxi, commenced operation officially in May 2016. The entire Wuxi Yibai project is planned to be a complex comprising shopping mall, grade A office building and high-end apartments, with a total gross floor area of 140,000 square metres, of which, the shopping mall area is 78,000 square metres. The area for catering and entertainment facilities, accounting for 60% of the shopping mall, properly made up the deficiency in commercial facilities at Zhongshan Road, contributing to a continuous steady increase in foot traffic since its opening. The opening of Wuxi Maoye Complex Yibai Store indicated a further increase of the Group's market share in the Eastern China region, and helped the Group to increase competitiveness and market integrating capability.

The Group's Maoye Complex project, located at Confucius Temple, a historic urban area of Nanjing, commenced operation officially in November 2016. The project in the vicinity of Confucius Temple, the foremost scenic spot in Nanjing, has a total gross floor area of 88,000 square metres. Confucius Temple Maoye Complex is the first commercial complex of Late Qing Dynasty style in Nanjing that preserves the original historical architecture style while incorporating modern commerce. In the shopping mall, landscaping, commercial streets resembling Late Qing Dynasty architectures and catering streets all break the traditional form of a department store. Theme restaurant, sky restaurant and top-floor sunshine interactive area and other special areas are planned and scattered within the shopping mall. Catering and entertainment facilities overall accounted for 60% of the shopping center, including the first shop of many brands in Nanjing such as Yonghui Bravo Supermarket and FOREVER 21, realizing personalized and diversified brand category combination. The opening of Nanjing Confucius Temple Maoye Complex marked further consolidation of the Group's market position in the Eastern China region, increasing its brand influence in Jiangsu Province immensely.

The Group's Taiyuan Maoye Complex, a landmark project located at the core business circle of Qinxian Street, Taiyuan, Shanxi Province, is the first large city complex and commercial property project in Taiyuan City, with its general plan integrated with 5A-grade office building, five-star hotel and large shopping mall. Phase I of the project attracted high customer traffic flow since its opening in November 2014, and created great potential and influence over the consumer market in the Northern China region. Phase II of the shopping mall commenced operation in December 2016, having a total gross floor area of approximately 150,000 square metres, and introduced nearly 800 domestic and international major brands, with the ancillary catering and entertainment area accounting for over 40% of the area. The shopping mall accommodates nearly 120 catering stores, a 5000 -square metres one-stop children entertainment and growth centre, as well as supporting facilities from soup to nuts, such as IMAX cinema, fitness, education and supermarkets. It has the most comprehensive portfolio and the strongest brand influence in Taiyuan. The opening of Phase II of Maoye Complex further increased the market share of the Group in the Northern China region, and accordingly, consolidated its industry-leading position in the regional market.

3. Deepening strategy of transforming department stores into shopping centers

During the reporting period, the Group continued to promote its strategy of transforming department stores into shopping centers. As of 31 December 2016, the Group has completed the projects for transforming more than 10 stores into shopping centers, including Huaqiangbei store and Taiyuan Liuxiang store. Such projects for transformation have enlarged the areas of catering and entertainment facilities for stores, optimised brand portfolio, and satisfied customers' demand for material and spiritual consumption in all aspects through creating a diverse and experiential consumption platform offering a combination of shopping, catering, leisure and entertainment experiences, which have effectively increased the foot traffic. Meanwhile, rental income from the transformed stores also increased.

After the official transformation of Shenzhen Huaqiangbei store, a flagship of the Group, from Maoye Department Store into Maoye Complex, the shopping environment was improved comprehensively, and brand positioning for each floor was adjusted accordingly as well. Several cosmetic and affordable luxury brands at the ground floor even achieved sales results ranking first in the South China region. Moreover, the subway construction for Huaqiangbei Business Street that caused the road closure nearby for more than three years has completed in January 2017, and Huaqiangbei Business Street was reopened. The Huaqiangbei Metro Station and the Business Street, upon completion, are now seamlessly connected to the B1 level of Huaqiangbei Maoye Complex, linking a total of four metro lines including metro Line No.7. Upon completion of the transformation, the ancillary catering areas of Huaqiangbei Maoye Complex significantly increased, the original supermarket area at the B1 level has been transformed to a food court, thus effectively improving foot traffic and increasing rental income, which is conductive to enhance its attraction to consumers.

The Group's Taiyuan Liuxiang store targets young customer groups and positions as a medium- to high-end youthful and stylish department store. In September 2016, the Taiyuan Liuxiang store completed transforming into shopping mall, where hardware facilities were upgraded and improved comprehensively, and branding and product category for each floor was adjusted as well. Each floor has five to six brand lifestyle stores, blended with more life elements in decoration works of brands, realizing transformation into small shopping mall. In addition, based on market conditions, the area for original menswear was reduced greatly and changed to unique womenswear. The operation of women's clothing became more sophisticated, with the area for selling womenswear accounting for nearly 40% of the total store areas. Meanwhile, ancillary catering and entertainment area was further increased and therefore, much room is expected for rental income to grow in 2017.

4. Consolidation of two Renhe stores

As stores with most first tier well-known international brands in Chengdu, Rendong Department Store and Guanghua Department Store are well recognized in the medium-to-high end consumer market in Chengdu. In February 2016, the Group completed the acquisitions of two Renhe Chuntian Stores, namely Rendong Department Store and Guanghua Department Store, which significantly increased the Group's market share in Chengdu and consolidated its leading position in the Southwestern region.

Upon completion of such acquisitions, the Group made active efforts in consolidating, among other things, management, personnel and information system, and coordinated and managed Renhe Stores and original stores of the Group in the region, resulting in positive interactions and complemental effects between the stores. On one hand, the Group optimised its original supplier resources by integrating with those of Renhe stores, and conducted comprehensive repositioning and brand optimisation in respect of stores in Chengdu. With Renhe stores being positioned at medium-to-high end consumer groups, a differential positioning of merchandise brands of Maoye stores, it will enable the Group to effectively increase its market share in the region. On the other hand, the Group integrated the membership information of Renhe stores with its original membership information, refined membership classification and services, upgraded the Group's CRM system and increased software and hardware facilities auxiliary to membership services, in order to improve the membership service level of its stores.

5. **Improving operational management efficiency and service level**

During the reporting period, the Group also actively improved its operational management capabilities and services. Firstly, the Group promoted innovative value marketing model and reduced promotional activities for excessive pursuit of sales, achieving increases in both sales revenue and profit. Secondly, the Group's Head Office has established a store value management system for data analysis of each store based on the ERP information system. Through data-based management of merchandises, customers' consumption is classified based on conditions of merchandises, purchase and sale of merchandises are analysed and suppliers are connected as well, so as to improve stores' merchandise category management capacities and merchandise operation capacities, thereby increasing their efficiency.

In respect of cost and expense control, the Group reduced the levels of supply chain and lowered purchase costs and operating expenses through centralised purchase and unified business invitation at the Group level. Meanwhile, the Group actively improved its employees' efficiency and reduced employee costs through modernised tools.

In respect of store services, the Group actively promoted the use of internet and mobile internet tools to enhance customers' consumption experience as well as convenience and comfortability for their purchases, such as adopting mobile terminals for cashier purposes and applying Alipay and WeChat Payment for on-site fast payment. Moreover, the Group promoted the use of WeChat membership card for entitlement to enjoy preferential benefits and exchange for gifts by using reward points. On the other hand, the Group actively improved its membership service level and conducted membership management and analysis by using the CRM system, achieving precise marketing to and retention of members. As of 31 December 2016, the number of members of the Group amounted to 5.24 million, representing a growth of 24% as compared to the same period of last year. Membership consumption accounted for 34%, an increase of 12 percent points as compared to the same period of last year. In addition, the Group made an astonishing progress with enrollment of electronic members in 2016, with the number of Wechat members doubled.

6. **Financing activities - optimising debt structure and broadening financing channels**

In 2016, the Group continued its financing activities actively and stably to develop financing channels while reducing finance costs. In January 2016, the Group's wholly-owned subsidiary, Shenzhen Maoye Shangsha Co., Ltd. ("**Maoye Shangsha**"), issued corporate bonds with an aggregate principal amount of RMB2.8 billion. Among them, the first tranche of three-year corporate bonds with a principal amount of RMB1.1 billion was issued at an annual interest rate of 4%; and the second tranche of five-year corporate bonds with a principal amount of RMB1.7 billion was issued at an annual interest rate of 4.5%. The corporate bonds were publicly listed and traded on the Shanghai Stock Exchange since 2 February 2016.

In July 2016, the proposed issuance of private placement bonds with a total principal amount not exceeding RMB5 billion by Maoye Shangsha was approved by the Shanghai Stock Exchange. In September 2016, the proposed issue of private placement bonds by Maoye Commercial with a total principal amount not exceeding RMB1.7 billion, was approved by the Shanghai Stock Exchange. In December 2016, the proposed issuance of corporate bonds by Maoye Commercial with a total principal amount not exceeding RMB0.9 billion, was approved by CSRC.

The above financing activities provided stable liquidity for the development of the Group and were instrumental to the Group for its acquisition and consolidation transactions. A portion of such funds was used for replacing the existing debts that would lower the Group's comprehensive finance costs while improving debt structure, and thereby matching its assets with liabilities well.

7. **Capital operation — non-public offering of shares**

In June 2016, Commercial implemented a restructuring of material assets and intended to raise funds through non-public offering of shares. Part of the proceeds from the issue will be applied to acquire equity interests in two companies, including Qinhuangdao Maoye and Chongqing Maoye Department Store Co., Ltd. (重慶茂業百貨有限公司), from Zhongzhao Investment Management Co., Ltd. (中兆投資管理有限公司) ("**Zhongzhao**") and Maoye Department Stores (China) Limited (茂業百貨(中國)有限公司) ("**Maoye China**"). Department stores of the target companies involved in this proposed acquisition are located at primary business areas in Qinhuangdao and Chongqing and enjoy strong profitability. The restructuring will enable the Group to enhance the economy of scale, improve its presence in the retail business across Southwestern China and Northern China, integrate and share resources and avoid potential cannibalisation.

Meanwhile, part of the proceeds raised from this non-public offering is intended for repayment of bank loans, which, to certain extent, will lower the Group's gearing ratio, optimise its debt structure and improve solvency and the capability of fending off risks.

The proceeds raised from the non-public offering of shares are expected to be no more than RMB2,270 million in aggregate, with no more than 372,874,200 shares to be issued at a minimum price of RMB6.18 each. Assuming there is no change in the issued share capital of Maoye Commercial from the date of this announcement to the completion of the non-public offering of shares, the Group and its persons acting in concert will remain the controlling shareholder of Maoye Commercial with the shareholding in Maoye Commercial being expected to change from 89.48% to 73.63%.

8. **Capital operation — transfer of certain equity interests in Maoye Communication and Network Co., Ltd. ("Maoye Communication")**

In January 2017, Zhongzhao, a subsidiary of the Group, completed the transfer of certain equity interests in Maoye Communication by disposal of 70 million non-restricted shares in Maoye Communication, representing 11.26% of the total share capital of Maoye Communication and 33.64% of shares held by Zhongzhao in Maoye Communication, at a consideration of RMB1,400 million. Upon completion of such transfer, Zhongzhao and its person acting in concert, Shenzhen Maoye Department Store Co., Ltd. were no longer the largest shareholder with their aggregate shareholding in Maoye Communication decreasing from 35.46% to 24.20%. The proceeds from such transfer will be used to repay borrowings and replenish liquidity, which enables the Group to focus on its strategy and to optimize its financial structure.

9. **Property development segment**

As of 31 December 2016, the Group had projects under construction and on sale at Taiyuan City in Shanxi Province, Taizhou City and Wuxi City in Jiangsu Province, Chengdu City in Sichuan Province, Shenyang City and Jinzhou City in Liaoning Province, Laiwu City and Zibo City in Shandong Province, Qinhuangdao City and Baoding City in Hebei Province, and Baotou City in Inner Mongolia. Type of projects includes residences, apartments, offices and stores. The Group recorded a total of RMB1,928 million in property sales revenue in 2016, representing a substantial increase of 163.9% over the same period of last year. In the future, the Group will continuously procure completion of its projects under construction as scheduled and related inspection, and launch the same to the market by means of sale, lease, etc., accelerating the cash collection from the projects.

Management Discussion and Analysis

PERFORMANCE OF MAJOR DEPARTMENT STORES[1]

	Store Name	Total Sales Proceeds (RMB'000)	Rental Income (RMB'000)	Operation Period[2] (Year)	Gross Floor Area (m^2)
1	Shenzhen Huaqiangbei	1,413,580	32,953	13.3	63,243
2	Renhe Chuntian Guanghua	842,555	8,063	7.1	62,498
3	Shenzhen Dongmen	825,935	17,827	19.8	40,979
4	Taizhou Yibai	738,835	2,087	7.3	40,358
5	Shenzhen Nanshan	700,073	15,688	7.3	44,871
6	Chengdu Yanshikou Maoye Complex	597,863	9,343	11.6	85,586
7	Qinhuangdao Xiandai Shopping Plaza	462,721	391	6.6	36,897
8	Victory Commercial Building	447,173	1,816	13.7	54,946
9	Chongqing Jiangbei	445,828	15,625	12.2	68,138
10	Renhe Chuntian Rendong	442,988	2,788	18.3	38,278
11	Victory International Plaza	418,608	434	9.0	84,538
12	Qinhuangdao Jindu	401,524	5,382	8.3	46,610
13	Victory Shopping Centre	365,063	5,349	10.3	58,215
14	Taiyuan Liuxiang	347,565	2,611	8.2	31,448
15	Nanchong Wuxing	333,666	2,671	15.2	24,365
16	Shenzhen Outlet	320,709	7,449	17.3	23,048
17	Zhuhai Xiangzhou	298,270	7,696	15.2	30,936
18	Taiyuan Maoye Complex Phase I	284,783	7,159	2.1	86,504
19	Qinhuangdao Shangcheng	277,457	222	6.6	26,696
20	Zibo Maoye Times Square	268,592	8,039	1.9	88,923
21	Mianyang Xingda	247,429	3,390	8.3	27,595
22	Chengdu Chunxi	219,646	1,168	3.1	22,463

Notes:

1 Major department stores are stores with annual sales proceeds of over RMB200 million.

2 Operation period was calculated till 31 December 2016.

OUTLOOK

In 2017, the Group will uphold its strategies to grow moderately and healthily. On business layout:

Firstly, it will promote the transformation of existing stores to shopping malls, and focus much effort on markets in major cities across Southern China, Southwestern China, Eastern China and Northern China, leading the industry in these regions;

Secondly, it will actively promote the opening and development of the "Maoye Complex" project, prepare for the opening of major projects such as Jinzhou shopping mall, Laiwu shopping mall and Baotou Maoye Complex Phase II in order to generate interaction and complementary effect with existing department store layout, and strengthen the Group's leading position within the region;

Thirdly, it will focus on the consolidation of acquired stores and increase efforts on the consolidation of acquirees in terms of, among other things, management, systems and employees, and capitalise on the synergies generated from acquisition;

Fourthly, it will continue to optimize the performance of the store network, increase the adjustment to the loss-making stores and improve their business operations, optimize the asset structure and reduce the gearing ratio; and

Fifthly, it will enhance the efforts in realizing non-core assets, speed up the sales progress of property business and ensure the realization of the revenue from its key properties.

On operation strategies:

Firstly, it will continue to improve the overall operation efficiency of the Group and to unify the management of suppliers through the integration of group resources in order to lower purchase costs and operation expenses;

Secondly, it will increase its understanding of and control on merchandises offerings. It will utilise the information system of the Group to manage the conditions of merchandises on a database basis and change from analysis on the conditions of merchandises to analysis on individual merchandises in order to strengthen its ability to manage individual merchandises. At the same time, it will actively develop and integrate in the upstream of the industry chain, explore the development of proprietary business, deepen cooperation with domestic and foreign brands and agents and increase the proportion of purchase of featured brands in order to gradually achieve differential operation through personalized merchandise offerings; and

Thirdly, it will establish closer relationship with customers. It will apply internet and mobile internet tools to provide intelligent user services, create intelligent shopping space, provide intelligent carpark functions such as parking payment and car finding, convenient functions such as online restaurant queuing up and intelligent consumption services such as electronic coupons, points checking and points rebate for consumption through WeChat public account in order to improve customers' consumption experience and enhance department stores' ability to retain customers. At the same time, it will improve membership services, continuously improve the functions and application of the CRM system, refine the establishment of membership system and improve customers' consumption experience by combining online and offline service methods such as member-exclusive promotion, points discount, member-exclusive restrooms and customized membership services.

On financing arrangements, it will continue to adjust debt structure in order to achieve reasonable allocation of assets and liabilities and lower overall financing costs. Moreover, it will actively promote various financing activities, such as issuance of private placement bonds by Maoye Shangsha, issuance of corporate bonds and private placement bonds by Maoye Commercial and non-public issuance of shares by Maoye Commercial.

Management Discussion and Analysis

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the year ended 31 December 2016, total sales proceeds of the Group were RMB13,057.3 million, representing an increase of 42.6% over the same period in 2015. The increase in total sales proceeds was primarily due to consolidation of Qinhuangdao Maoye, Renhe and Victory as subsidiaries of the Group into its financial statements. Total same-store sales proceeds were RMB8,160.9 million, representing a decrease of 5.9% as compared to the same period in 2015.

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Total sales proceeds from concessionaire sales	**11,611,219**	8,255,225
Direct Sales	**1,446,115**	902,307
Total Sales Proceeds	**13,057,334**	9,157,532

Among the total sales proceeds of the Group in 2016, total sales proceeds derived from concessionaire sales accounted for 88.9% and those derived from direct sales accounted for 11.1%. For the year ended 31 December 2016, same-store sales proceeds from concessionaire sales decreased to RMB7,438.4 million, representing a decrease of 5.4% over the same period in 2015. The commission rate from concessionaire sales was 16.4%, representing a decrease of 0.2 percent point as compared to 16.6% for the same period in 2015.

The total sales proceeds and growth rates in the four regions are set out as follows:

	Total sales proceeds		Growth of the total sales proceeds
	2016	2015	
	RMB'000	RMB'000	**%**
Southern China	**3,663,736**	3,899,725	-6.1
South-western China	**3,255,661**	2,049,130	58.9
Eastern China	**1,856,129**	2,012,415	-7.8
Northern China	**4,281,808**	1,196,262	257.9
Total	**13,057,334**	9,157,532	42.6

As of 31 December 2016, sales of apparels (including men's and ladies' apparels) accounted for 37.2% (2015: 36.3%), shoes and leather goods accounted for 10.5% (2015: 11.9%), jewelries accounted for 15.7% (2015: 17.9%), cosmetics accounted for 6.6% (2015: 5.5%), leisure and sports goods accounted for 11.0% (2015: 11.5%), and others (including luxury, children's products, bedroom and household goods, home electrical appliances, supermarket and others) accounted for 19.0% (2015: 16.9%).

Management Discussion and Analysis

For the year ended 31 December 2016, the revenue of the Group was RMB5,841.3 million, representing an increase of 77.9% as compared to that of RMB3,284.3 million for the same period in 2015. The increase in revenue was primarily due to consolidation of Qinhuangdao Maoye, Renhe and Victory into the annual financial results of the Group, and the significant progress achieved for property projects of the Group such as the projects in Taiyuan City, Shanxi Province and Taizhou City, Jiangsu Province.

Other Income

For the year ended 31 December 2016, other income of the Group was RMB1,084.0 million, representing an increase of 30.4% as compared to that of RMB831.1 million for the same period in 2015. The increase in other income was primarily due to consolidation of Qinhuangdao Maoye, Renhe and Victory into the annual financial results of the Group.

Cost of Sales

For the year ended 31 December 2016, cost of sales of the Group was RMB2,667.1 million, representing an increase of 95.9% as compared to that of RMB1,361.4 million for the same period in 2015. The increase in cost of sales was primarily due to the consolidation of Qinhuangdao Maoye, Renhe and Victory into the annual financial results of the Group, and the recognition of more revenue and corresponding cost from property projects.

Employee Expenses

For the year ended 31 December 2016, employee expenses of the Group were RMB542.6 million, representing an increase of 42.1% as compared to that of RMB381.8 million for the same period in 2015, which was primarily due to the increase in employee expenses of Qinhuangdao Maoye, Renhe and Victory.

Depreciation and Amortisation

For the year ended 31 December 2016, depreciation and amortisation of the Group was RMB808.1 million, representing an increase of 87.5% as compared to that of RMB431.1 million for the same period in 2015, which was primarily due to the increase in the scale of assets within the scope of consolidation.

Operating Lease Rental Expenses

For the year ended 31 December 2016, operating lease rental expenses of the Group were RMB300.4 million, representing an increase of 44.0% as compared to that of RMB208.7 million for the same period in 2015, which was primarily due to the increase in the scale of stores within the scope of consolidation. In 2016, operating lease rental expenses as a percentage of total sales proceeds was 2.3%, same as that in 2015.

Other Operating Expenses

For the year ended 31 December 2016, other operating expenses of the Group were RMB1,230.1 million, representing an increase of 45.0% as compared to that of RMB848.4 million for the same period in 2015. Other operating expenses as a percentage of total sales proceeds increased to 9.4% in 2016 from 9.3% in 2015.

Other Gains

For the year ended 31 December 2016, the Group recorded other losses of RMB17.1 million, representing a decrease of RMB128.1 million as compared to other gains of RMB111.0 million in 2015. The decrease was primarily due to that the Group has changed the measurement method of investment properties from cost to fair value in 2016, resulting in significant gains on changes in fair value of investment properties in 2015. The Group also recorded a gain of RMB162.3 million from disposal of 5% shares in Shenyang Commercial City Co., Ltd. ("**Commercial City**") in 2015, and no such gain was recorded in 2016.

Operating Profit

For the year ended 31 December 2016, operating profit of the Group was RMB1,359.8 million, representing an increase of 36.7% as compared to that of RMB995.0 million for the same period in 2015.

Finance Costs

For the year ended 31 December 2016, finance costs of the Group were RMB789.6 million, representing an increase of 128.2% as compared to that of RMB346.0 million for the same period in 2015, which was primarily due to increase in borrowings in 2016.

Share of Profits and Losses of Associates

For the year ended 31 December 2016, share of profits of associates of the Group was RMB26.2 million, representing an increase of RMB40.3 million as compared to share of losses of associates of RMB14.1 million for the same period in 2015, which was primarily due to share of profits of Shenzhen UGO E-Commerce Co., Ltd of RMB3.9 million newly-added for the period, an increase of RMB29.1 million in share of profits of Maoye Communication and Network Co., Ltd. as compared to the same period in 2015, and a decrease of RMB7.3 million in share of losses of Commercial City as compared to the same period in 2015.

Income Tax

For the year ended 31 December 2016, income tax expenses of the Group were RMB484.4 million, representing an increase of 40.2% as compared to that of RMB345.4 million for the same period in 2015. The increase in income tax was primarily due to an increase in the actual taxable income for the period.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2016:

— Profit for the year decreased to RMB112.1 million, representing a year-on-year decrease of 61.3%;

— Without taking into account the effect of non-operating gains and losses*, profit for the year was RMB124.9 million, as compared to RMB206.3 million for the same period in 2015, representing a year-on-year decrease of 39.5%.

Management Discussion and Analysis

Profit Attributable to Owners of the Parent

— Profit attributable to owners of the parent was RMB46.4 million, representing a decrease of 84.5% as compared to that of RMB298.6 million for the same period in 2015.

— Without taking into account the effect of non-operating gains and losses*, profit attributable to owners of the parent decreased by 78.7% to RMB43.7 million.

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

Liquidity and Financial Resources

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB1,127.6 million, which decreased by RMB121.3 million as compared to the balances of RMB1,248.9 million as at 31 December 2015. The main cash inflows and cash outflows are set out as follows:

(1) net cash inflow generated from operating activities of RMB344.8 million;

(2) net cash outflow used in investing activities of RMB5,189.9 million, mainly including payment for properties and equipment of RMB686.2 million, increase in investment properties of RMB322.5 million, investments in available-for-sale equity of RMB503.9 million, acquisition of subsidiaries of RMB2,561.6 million, settlement of consideration for acquisition of RMB755.9 million and acquisition of an additional interest in associates of RMB147.0 million; and

(3) net cash inflow generated from financing activities of RMB4,775.6 million, mainly including: cash inflow from bank loans and other borrowings of RMB13,657.0 million; cash outflow used for repayment of bank loans and other borrowings of RMB8,922.9 million; cash outflow used for repayment of interest of approximately RMB1,085.6 million; and cash inflow from a related company's borrowings of RMB1,214.5 million.

Interest-bearing Loans

Total bank loans, corporate bonds, medium-term notes and USD senior guaranteed notes of the Group as at 31 December 2016 amounted to approximately RMB19,356.4 million (31 December 2015: RMB12,916.0 million), and the gearing ratio [1] and net gearing ratio [2] were 42.1% and 150.9%, respectively (as of 31 December 2015: 40.7% and 120.9%, respectively).

1 Gearing ratio = total debt/total assets = (bank loans + corporate bonds + medium-term notes + USD senior guaranteed notes)/total assets

2 Net gearing ratio = net debt/equity = (bank loans + corporate bonds + medium-term notes + USD senior guaranteed notes- cash and equivalents)/equity

Management Discussion and Analysis

Investment in Listed Shares

The table below sets out the Group's interests in three companies listed in the PRC as at 31 December 2016, 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)	14.31%	Owning a number of department stores in Northern China	Jinan City, Shandong Province
Dashang Co., Ltd. ("**Dashang**") (大商股份有限公司)	5.00%	Owning a number of department stores in Northern China	Dalian City, Liaoning Province
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司)	0.04%	Provision of multiple insurance and financial services and products in the PRC	Shenzhen City, Guangdong Province

The total costs of the investments of the Group in the above companies were RMB1,479.4 million, which was financed by the Group's cash inflow from operations.

Contingent Liabilities

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

Pledge of Assets

As at 31 December 2016, the Group's interest-bearing bank loans amounting to RMB7,411.9 million were secured by properties under development, land and buildings, land lease prepayments and investment properties with net carrying amounts of approximately RMB529.9 million, RMB3,273.0 million, RMB1,245.7 million and RMB4,198.9 million, respectively, and the shares of Maoye Commercial, Dashang and Maoye Communication with a fair value of RMB5,414.4 million.

Foreign Currency Risk

The Company issued USD300 million senior guaranteed notes with term of three years in 2014 which is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded a foreign exchange loss of RMB83.4 million. Since the business of the Group was mainly focused on mainland China, its operation was not exposed to any foreign exchange fluctuation risks.

For the year ended 31 December 2016, 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 51, 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 20 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 Maoye Commercial (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 61, 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 commerical 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) (now known as Shenzhen Centralcon Investment Holding Co., Ltd. (深圳市中洲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. (沈陽商業城股份有限公司, "Commercial City", a company listed on the Shanghai Stock Exchange, Stock Code: 600306). He has also been appointed as a director of Maoye Commercial since 10 June 2015.

Mr. Liu Bo (劉　波), aged 47, is an Executive Director, the Vice President, Chief Financial Officer and a member of the Remuneration Committee of the Company. He joined the Group in September 2015 and has been appointed as the vice president of the Company since September 2015 and as the chief financial officer of the Company since December 2015. Mr. Liu holds a Master of Business Administration degree from Webster University, obtained the Senior International Finance Manager Certification from the International Financial Management Association, and is a senior member of CPA Australia. Mr. Liu has over 20 years of financial management experience in China. Prior to joining the Group, Mr. Liu worked as the vice president for CR Double-Crane Pharmaceutical Co., Ltd. (華潤雙鶴藥業股份有限公司), the general manager of the finance and accounting department, director of finance department and vice president for CR Pharmaceutical Group Co., Ltd. (華潤醫藥集團有限公司) and the business director of the strategic development department of China Resource (Holdings) Co., Ltd (華潤(集團)有限公司).

Directors and Senior Management

Mr. Wang Bin (王 斌), aged 50, is an Executive Director of the Company. He is also a director of various companies in the Group. He joined the Group in 2010. Mr. Wang had been the Chief Financial Officer of the Company since 20 October 2010 and resigned on 7 December 2015. He had also been the Vice President of the Company since 14 January 2013 and resigned on 7 December 2015. Mr. Wang is a senior accountant. He received a bachelor's degree with a 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, formerly known as 香港招商集團) and served as financial controller of Huafu Holdings Limited (華孚控股有限公司). He has more than 20 years of experience in financial management. Mr. Wang had been a director of Maoye Communication and Network Co., Ltd. (茂業通信網絡股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 000889) and ceased to be its director after the conclusion of the 2015 annual general meeting held on 30 June 2016. Mr. Wang has been appointed as a director of Maoye Commercial on 9 November 2010 and a director of Commercial City on 14 March 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Chan Lum (鄒燦林), aged 66, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. He joined the Group in October 2007. He is a member of the Hong Kong Institute of Certified Public Accountants and is the precedent partner of Wong Brothers & Co., Certified Public Accountants. Mr. Chow obtained a Bachelor of Business Administration degree from the Chinese University of Hong Kong in 1974 and received a Postgraduate Diploma in Accountancy from the University of Strathclyde in Glasgow, United Kingdom in 1975. He has been qualified as a Scottish Chartered Accountant since 1979, and was awarded a Postgraduate Diploma in China Law by the Research Institute of University of East Asia (now known as the University of Macau) in 1987. Mr. Chow is a member of the Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance and had served on a number of committees of the Hong Kong Institute of Certified Public Accountants, including as the deputy chairman of the Auditing & Assurance Standards Committee and a member of the Investigation Panel and the Professional Standards Monitoring Committee. He was the Chairman of the Chinese Opera Advisory Committee of the Government of the Hong Kong Special Administrative Region (2010-2016), a member of the Cantonese Opera Development Fund Advisory Committee of the Hong Kong Special Administrative Region and was the Chairman of the Chinese Entrepreneurs Organization (2013-2014) and the Treasurer of the Hong Kong Academy for Performing Arts (2010-2015). 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 groups, and has been a member of the Chinese People's Political Consultative Conference of Guangdong Province, the PRC from 1997 to 2012. Mr. Chow was awarded the Medal of Honor by the Government of the Hong Kong Special Administrative Region on 1 July 2013. He has been appointed as an independent non-executive director of China Electronics Corporation Holdings Company Limited (a company listed on the Stock Exchange, Stock Code: 85) on 30 June 2015.

Directors and Senior Management

Mr. Pao Ping Wing (浦炳榮), aged 69, 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 in the past, Mr. Pao has been appointed to serve on various government policy committees and statutory bodies, especially those involving town planning, urban reconstruction public housing, culture and arts and environmental matters. He is an honorary fellow of the Hong Kong Institute of Housing. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten 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 special committee member of the 9th and 10th session of the Chinese People's Political Consultative Conference Guangzhou Committee. Currently, he is also an independent non-executive director of a number of companies listed on the Stock Exchange. Mr. Pao resigned from the post of independent non-executive director of Tonking New Energy Group Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, Stock Code: 8326) with effect from 13 March 2017.

Mr. Leung Hon Chuen (梁漢全), aged 65, 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 45, joined the Group in June 2010 and is the vice general manager of the Company. He is primarily responsible for real estate business. 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 director 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 Stores organized by Shanghai Jiao Tong University and acquired 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 50, 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 senior 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. (Note: The Company has engaged Tricor Services Limited as external service provider and appointed Ms. Soon Yuk Tai as the Company's Secretary since July 2008)

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the vital importance of good corporate governance to its 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 of directors of the Company (the "**Board**"), the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2016, 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 aligns 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 its rights for making 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*
Mr. Liu Bo, *Vice President and Chief Financial Officer*
Mr. Wang Bin

Independent Non-executive Directors

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

Audit Committee	Remuneration Committee	Nomination Committee
Mr. Chow Chan Lum *(Chairman)*	Mr. Pao Ping Wing *(Chairman)*	Mr. Huang Mao Ru *(Chairman)*
Mr. Pao Ping Wing	Mr. Chow Chan Lum	Mr. Chow Chan Lum
Mr. Leung Hon Chuen	Mr. Liu Bo	Ms. 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 2016, 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 have made various contributions to the effective business direction of the Company.

The Company has received written annual confirmation from each independent non-executive director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors are independent.

Corporate Governance Report

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

Appointment and Re-election of Directors

All directors are appointed for a specific term. All the executive directors and independent non-executive directors of the Company are engaged on a service contract/letter of appointment with the Company for a term of three years.

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 first general meeting and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the following annual general meeting.

In accordance with the Articles of Association, Mr. Huang Mao Ru, Mr. Liu Bo and Mr. Chow Chan Lum shall retire and, being eligible, offer themselves for re-election at the forthcoming 2017 annual general meeting of the Company. The Board and the Nomination Committee recommend their re-appointments. 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 directors of the Company and of the conduct, business activities and development of the Company at all times.

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.

During the year ended 31 December 2016, all the directors were provided reading materials or regulatory update on corporate governance matters and responsibilities of the directors for their reference and perusal. 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 2016 to the date of this annual report.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

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

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

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

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

Audit Committee

The Audit Committee comprises a total of three members, namely, Mr. Chow Chan Lum (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 the objectivity and the effectiveness of the audit process; (iii) make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the accuracy and effectiveness of the Company's financial reporting system, internal control system and risk management system as well as internal audit function.

During the year ended 31 December 2016, 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 2015 and interim financial results and report for the six months ended 30 June 2016 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 financial reporting and risk management and internal control systems of the Group together with the effectiveness of the internal audit function 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, Mr. Liu Bo. Accordingly, a majority of the members are independent non-executive directors.

The duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of executive directors and senior management (i.e. the model described in the code provision B.1.2(c) (ii) of the CG Code); and (ii) review and approve performance-based remuneration by reference to corporate goals and objectives.

During the year ended 31 December 2016, the Remuneration Committee has held two meetings and performed the following major tasks:

- Review and discussion of the remuneration policy of the Group;
- Review and discussion of the remuneration packages of directors and senior management of the Company; and
- Consideration and recommendation of the remuneration packages of Mr. Liu Bo, the newly appointed director.

In accordance with code provision B.1.5 of the CG Code, the annual remuneration of the senior management by band for the year ended 31 December 2016 was set out as follows:

Remuneration	No. of people
Nil to RMB1,000,000	1

Details of the remuneration for each director of the Company for the year ended 31 December 2016 were set out in note 8 of the financial statement.

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, develop and formulate 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 of 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 2016, the Nomination Committee has held two meetings and performed the following major tasks:

- 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 2016 annual general meeting of the Company;
- Assessment of the independence of all the independent non-executive directors of the Company; and
- Consideration and recommendation of the appointment of Mr. Liu Bo as an executive director of the Company.

Corporate Governance Report

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 2016, the Board has held 13 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 2016 are 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	12/13	—	—	2/2	1/1
Mr. Zhong Pengyi	12/13	—	—	—	1/1
Mr. Liu Bo (Note 1)	8/8	—	1/1	—	—
Ms. Wang Fuqin (Note 2)	4/5	—	1/1	—	1/1
Mr. Wang Bin	12/13	—	—	—	1/1
Mr. Chow Chan Lum	10/13	5/5	2/2	2/2	1/1
Mr. Pao Ping Wing	13/13	4/5	2/2	2/2	1/1
Mr. Leung Hon Chuen	12/13	4/5	—	—	1/1

Notes:

(1) Mr. Liu Bo was appointed as an executive director and a member of the Remuneration Committee on 3 June 2016. After his appointment, there were 8 Board meetings and 1 Remuneration Committee meeting held during the year ended 31 December 2016.

(2) Ms. Wang Fuqin resigned as an executive director and a member of the Remuneration Committee on 3 June 2016. Before her resignation, there were 5 Board meetings and 1 Remuneration Committee meeting held during the year ended 31 December 2016.

Apart from regular Board meetings, the Chairman also held one 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 balanced, clear and understandable assessment of annual and interim reports, inside information 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 2016. 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has acknowledged that it shall be responsible for risk management and internal control systems and review of their effectiveness on an ongoing basis. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide only reasonable but not absolute assurance against material misstatement or loss.

The Board shall be fully responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving the Company's strategic objectives and to establish and maintain appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of risk management and internal control systems.

The Company has developed and adopted different risk management procedures and guidelines with a clear division of power and responsibility. The Company would conduct self-assessment each year to confirm that all departments and the Company have properly complied with the risk management and internal control policy.

During the year, all departments conduct regular internal control evaluation to identify risks with potential impact on the Group's business and other aspects including major operational and financial procedures, regulatory compliance and information security. The management with the leader of the department would evaluate the chance of risk occurrence to provide response plan and monitor the progress of risk management.

The internal audit department is responsible for independent review of the adequacy and effectiveness of risk management and internal control systems. During the year under review, the internal audit department reviewed important issues such as the relevant strategic management, major operational and financial reporting procedures, human resources management, adequacy of resources, staff qualifications and experiences, regulatory compliance and information security, and provided its findings and recommendations to the Audit Committee for improvement.

During the year under review, the Board, with the support of the Audit Committee, has reviewed the effectiveness of risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2016 by reviewing the report from the management and the internal audit results, and confirmed the effectiveness and adequacy of risk management and internal control systems of the Company.

The Company has developed its disclosure policy to provide the general guideline on handling confidential information, monitoring of information disclosure and response to queries to its directors, officers, senior management and the relevant employees. The Company has executed supervision programs to confirm the strict prohibition from unauthorized access to and use of inside information.

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 2016 is set out in the section headed "Independent Auditor's Report" in this annual report.

The remuneration paid to the Company's external auditors by the Company in respect of audit services and non-audit service for the year ended 31 December 2016 is set out as follows:

Type of services	**2016** **RMB'000**
Audit expenses of the Group	4,550
Non-audit expenses of the Group – Review on the interim financial report of the Group	 1,650

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. Liu Bo, an executive director, the Vice President and Chief Financial Officer of the Company. During the year ended 31 December 2016, Ms. Soon has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

To promote effective communication, the Company maintains a website at "www.maoye.cn", where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address:	38/F, Tower A, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (For the attention of the director of the Investor Relations Department)
Fax:	86-755-2598-3925
Email:	ir848@maoye.cn

Enquiries are dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

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

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

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

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

Environmental, Social and Governance Report

The Group is committed to the mission of being a leading department store chain operator in China with endeavor in providing urban residents with fashionable and diversified portfolio of goods. In accordance with objective, normative, transparent and comprehensive principles, the environmental, social and governance ("ESG") report on our business of department stores and supermarkets for the period of 1 January 2006 to 31 December 2016 ("The reporting period", "the financial year of 2016") is prepared pursuant to the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited. In order to identify the significant ESG affairs of the Group, our major subsidiaries, department stores and various functional departments involved in the preparation of this ESG report to assist the Group in assessing the ESG issues related to our operating environment and the corresponding importance to the stakeholders.

The following table summarises the significant ESG issues of the Group in this report:

ESG guidelines	Significant ESG issues
A. Environmental	
A1. Emissions	• Disposal of hazardous waste and carbon emissions
A2. Use of resources	• Energy and water consumption
A3. Environment and natural resources	• Environmental impact management on department stores
B. Social	
B1. Employment	• Remuneration and compensation system for employees
B2. Health and safety	• Health and safety of employees
B3. Development and training	• Development and training for employees
B4. Labour Standards	• Prevention of child labour or forced labour
B5. Supply Chain Management	• Environmental management on the supply chain
B6. Product responsibility	• Product and service quality, customer service and data privacy policy
B7. Anti-corruption	• Anti-corruption
B8. Community Investment	• Social welfare

Note: Since the main business of the Group is operation of department stores, there was no significant emissions and hazardous waste generated during the reporting period, hence the relevant disclosure requirements in the ESG Guidelines (Key Performance Indicators A1.1, A1.3 and A1.5) are not applicable to the Group.

We are committed to continuously creating a sustained and objective return for our shareholders. At the same time, we also make positive impacts on shareholders and the communities we are serving. Details of the corporate governance of the Group are set out in the "Corporate Governance Report" of the annual report.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

A1 Emission

The Group complies with the relevant requirements of environmental protection laws and common principles of corporate management. It correctly handles the relationship between business and environment in accordance with characteristics of corporate environmental management, so that the economy and environmental protection are mutually reinforcing.

Our environmental policy advocates the prevention of environmental pollution, with integration of governance for comprehensive management to achieve maximum economic benefits under minimum impact on the environment. Meanwhile, we also attach importance to education and technical trainings to raise awareness of all employees about the environmental protection. In view of this, we have established a sound environmental responsibility system for the garbages from construction or renovation of the stores and kitchen waste from restaurants, under which special personnel supervise the classification and disposal of garbages.

The Group continues to monitor the operation of environmental protection facilities and regularly checks the implementation of environmental protection facilities.

All subsidiaries and department stores of the Group are required to strictly abide by the internal environmental management system to ensure the compliance with laws and regulations. During the reporting period, no violations of environment laws and regulations were been found.

Disposal of harmless waste

During the reporting period, the direct production of harmless waste in the course of business of the Group was mainly papers, ink cartridges and cartridges, amounting to about 118.45 tons, 1.66 tons and 5.20 tons respectively. The Group classified and collected different types of waste and carried out fixed storage and centralised processing. Recyclable harmless waste were recycled as far as possible, while the non-recyclable waste were handled by professional qualified service providers in accordance with the relevant environmental protection regulations.

Carbon emission

Our carbon emissions are mainly due to the consumption of electricity. During the reporting period, the relevant carbon emissions from the consumption of electricity in our business were approximately of 350,061.61 tons. We have implemented various energy-saving measures to reduce the corresponding carbon emissions. For details, please refer to the section of "Use of resources" below.

Note: The calculation of carbon emissions is based on the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute, Reporting Guide for Environmental Key Performance Indicators and the Baseline Emission Factors for Regional Power Grids in China issued by the National Development and Reform Commission for the climate changes.

A2 Use of resources

The Group is committed to becoming an environmentally friendly enterprise by saving electricity and encouraging the collection and recycling of office supplies and other resources to save natural resources. Our stores also integrate environmental protection publicity with marketing activities to advocate green lifestyle, so as to strive to become a model shore for recycling economy.

We adhere to the preparation of analysis report on statistics of water and electricity consumption, and continue to update the standing book for equipment to enhance the management level. In the financial year of 2016, the energy saving indicators was even included as the performance indicators of the employees to reward outstanding model of energy efficiency, as well as penalizing irregularities.

Use of energy

Our energy consumption during the reporting period is mainly due to the electricity consumption of all department stores and supermarkets (excluding the utility electricity that are not directly controlled by the Group) with a total of 499,316,751 kWh.

In order to strengthen the monitoring of the energy consumption of the Group, a number of energy saving measures were implemented during the reporting period in addition to the preparation of statistical analysis reports, namely:

- Enhancement of annual and monthly budget management to continuously promote water and electricity saving;
- Strict implementation of the operating time for various types of electrical equipment, with timely adjustment of air conditioning temperature;
- Enhancement of inspection and examination, with timely troubleshooting and repairs for failure in energy consumption and prevention of waste of water and electricity;
- Continuous innovation for upgrade of energy-saving equipment and techniques, such as energy-saving lightings, zone management on lighting, elevator frequency conversion, energy-saving water valves and use of energy-saving environmental protection materials; and
- Capital investment for optimization of environment of department stores to establish a model enterprise for clean energy and environmental protection.

Water Consumption

The total water consumption of all the department stores of the Group in the financial year of 2016 was approximately 2,560,032 cubic meters.

Some of the water saving measures implemented by the Group during the reporting period are as follows:

- Regularly carry out water conservation education on various departments of the Group to raise awareness of staff on water conservation and conduct supervision as well;
- Send special personnel to check whether the water taps are closed or pipelines are in a leakage condition;
- Promote water saving awareness by posting reminders of water conservation in public toilets;
- Install sensor valves in public toilets to control the amount of water used; and
- Reduce water consumption through regular water management and strict control of waste.

A3 Environment and natural resources

The Group has always attached great importance to the impact of operations on the environment and natural resources. In addition to complying with relevant national environmental regulations and international standards, the Group has also incorporated environment protection awareness into its daily management to meet the objectives of sustainable development for the environment.

In addition to managing the aforesaid emissions and resource consumption, we will also consider the possible environmental impact by the renovation design of our department stores. Environmentally friendly materials will be used in renovation of department stores. Decoration companies are also required to use soundproofed wooden walls and dustproof cloth to minimise the noise from our renovation works. Moreover, no reflective glass was used in all of our stores to reduce the light pollution to the surrounding environment.

B. SOCIAL

B1 Employment

The Group regards employees as the most important assets and is committed to providing employees with a fair and sound working environment having open space for personal development to ensure that Maoye International companions keeps company with its employees for advancement.

The Group has established the corporate values, for which employees are guided to recognise, so that attitudes and behaviors of every employee will conform to and reflect the corporate culture. We have established a sound compensation system to provide all employees with remuneration level and welfare policies that are competitive in the market, so as to ensure that employees enjoy fair remuneration and benefits.

For the recruitment and promotion, fair opportunity is provided for each employee under a just and non-discriminatory principle to ensure that employees are not affected by factors such as gender, race and other factors in hiring and promotion. At the same time, while ensuring the contribution of employees to the Company, the personal ability and value are also promoted to have a rapid improvement and development.

We also strictly adhere to national and local laws and regulations in terms of working hours and holiday arrangements so that employees can enjoy their due leaves to maintain physically and mentally healthy after industrious works.

During the reporting period, there was no violation of the labour related laws and regulations.

B2 Health and safety

Maoye International provides employees with an ideal and safe working environment. In addition to taking all appropriate measures to protect the health and safety of employees, the Group also pays attention to the balance of work and healthy living among employees. Corresponding system and measures for leaves and medical needs of employees in special stages (such as pregnancy, illness, work injury etc.) have been developed to ensure that there is a reasonable guarantee for rights and interests of the employees.

During the reporting period, there was no violation of the laws and regulations relating to health and safety of the workplace.

B3 Development and training

The Group focuses on the growth of employees and establishes a scientific and effective training system to formulate and implement training programs according to job nature of employees to promote their improvement and growth. The training contents are divided into induction training, business training, quality training and personnel training program of “Maoye University”.

Induction training

In order to help new employees to integrate into the Company as soon as possible and quickly adapt to job requirements, regular new staff trainings are organised. Through these trainings, employees can understand the development, corporate culture and the rules and regulations of the Group.

Business training

In-service employees regularly receive different types of trainings in accordance with the needs of their works, for example, retail stores regularly held services etiquette trainings, while financial department held skills training for financial employees.

Quality training

Through arrangements such as “reading club” and online learning platform, the Group provides employees with personal quality training programs to enable them to obtain personal growth and advancement.

Personnel training program of “Maoye University”

With deep integration of the Internet economy and traditional industries, the transformation of department stores is imperative. In order to meet the needs of talent in the “new retail” era, the Group provides employees with more systematic and rich personnel training programs. By formulating comprehensive training plans, employees can grow rapidly to realise personal value in the Company and make contribution for the growth and development of the Company.

B4 Labour standards

All of our departments and stores comply with local laws and regulations and strictly prohibit the use of child labour and forced labour. Maoye International pays special attention to the verification of identity information of employees. Comprehensive recruitment review procedures will be conducted by the human resources department to ensure that the information provided by the candidates is accurate. In addition, the Group will regularly examine whether there is existence of children labour or forced labour in the operation of the business.

During the reporting period, there was no violation of the laws and regulations relating to children or forced labour.

B5 Supply Chain Management

The Group has been considering environmental issues from various perspectives when negotiating the store leasing with the suppliers. The Group will directly examine the qualifications of the customers for new storage goods and supply of new products, including environmental protection indicators, and the quality of portfolio of regional and store suppliers to provide consumers with a variety of choices. The Group will directly interface with large suppliers to introduce attractive and environmentally friendly products to promote the strategic cooperation between the two parties. In addition, environmental information is also shared with retail tenants and other visitors to promote sustainable green business model.

At the same time, all suppliers operating in our stores are required to establish labour relations with employees in accordance with local laws and regulations and provide remuneration and benefits (such as social security, provident fund etc.) that meet legal requirements. The aforesaid requirements are clearly included in the “counter contract” and cooperation agreement of the two parties. For the employees of suppliers, we also require suppliers and their staff to provide written supporting documents and records to ensure that interests of the employees of the suppliers are guaranteed.

B6 Product responsibility

Policy on product and service responsibility

The Group is responsible for the products and services and pays attention to marketing ethics to ensure no engagement in any form of unfair business practices. The procurement and service processes of the Group ensure the transparency and security of the information on products and services. The policy on rights and interests of customers of the Group is not only formulated and publicised, but also be implemented in the operating activities to prevent products or services from harming interests, health and safety of the consumers. The Group complies with the relevant product and service regulations and national standards, without any cheating, misleading, deception or any other acts that undermine the trust from customers and damage to their rights and interests.

Customer service policy

Our business model is based on the needs of customers for the premise, with ultimate goal of providing customers with the best quality services. We not only provide customers with the best quality products to meet their needs, but also implement relevant examination measures to fulfill the commitment. In case a complaint about the service is lodged, the Group will conduct an independent investigation in accordance with its internal guidelines. The Group also collects the satisfaction questionnaire from customers regularly to gather valuable opinions from customers.

In addition, we are committed to establishing a deep partnership with the tenants, shoppers and visitors by understanding their needs and working closely with them. In summary, we are committed to providing customers with a unique and enjoyable experience. As such, we must fulfill our commitment to excellence in quality of services and sustainable value-added assets, creating a good place full of life enjoyment, working joys and shopping leisure.

Data privacy policy

The Group strictly abides by the provisions of the law and attaches great importance to the privacy of personal data to resolutely maintain and protect personal information. Only personal information needed for the business are collected and used subject to purposes mentioned in the course of collection unless with agreement from customers. We will not transfer or disclose any personal data to any entities other than the members of the Group without the consent, unless otherwise required by the laws or notification is given to customers in advance. In addition, we maintain appropriate safety systems and measures to prevent unauthorised access to personal data.

During the reporting period, there was no violation of the laws and regulations relating to the quality of products and services.

Environmental, Social and Governance Report

B7 Anti-corruption

The Group has been committed to upholding the principle of integrity and all employees are required to strictly abide by personal and professional conducts. The internal control and human resources centre of the Group have standardised channels to accept internal and external reports on corruption, bribery and other violations of professional conducts, together with investigation and disposal of reports having evidence. During the reporting period, there was no violation of the laws and regulations relating to corruption.

B8 Community investment

In addition to development of the Group, postitive contribution has also been made to local economic development, labour employment and social stability for years. In 2016, we were more active in promoting the urban renewal of Luohu District of Shenzhen, where the headquarters of the Group located, by taking the initiative to apply for the main entity for implementation of the urban renewal of Luohu to actively exert all its resource advantages and years of successful experience for building a large urban complex in Luohu District, so that the image of the city will be enhanced to stimulate consumer spending and regional economy.

Mr. Chen Zheyuan, vice general manager of Maoye International, is the representative of Luohu, Shenzhen of the sixth session of National People's Congress and actively participates in politic affairs. Recently, Mr. Chen actively engaged in research activities organised by Statistics Bureau of Shenzhen Municipality and Luohu District government on behalf of the Group to truthfully reflect the status and demands of the Company and the industry.

As at 22 May 2016, Maoye International organised 50 employees to actively participate in charity activity of "Shenzhen Quality" Micro Marathon. Through active organization of staff participation, the Group not only enriches spare time of the employees, but also fulfills corporate social responsibility with them, as well as arousing quality consciousness of the public to form a common view on quality, thereby creating a good atmosphere of "supporting, generating and enjoying the quality by everyone".

Directors' Report

The Board is pleased to present the audited consolidated results of the Company and the Group for the year ended 31 December 2016.

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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 65.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, an indication of likely future developments in the Group's business and a discussion on the relationships with its key stakeholders, are set out in the "Financial Highlights", "Chairman Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 are set out in note 45 to the financial statements. The review forms part of this directors' report.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK0.3 cent in cash per share for the year ended 31 December 2016 (the "**Proposed Final Dividend**") (2015: Nil), subject to the shareholders' approval at the annual general meeting of the Company to be held on Friday, 19 May 2017 (the "**2017 AGM**"). The Proposed Final Dividend will be paid in cash on Thursday, 8 June 2017 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Wednesday, 31 May 2017.

CLOSURE OF REGISTER OF MEMBERS

(i) Determining the eligibility to attend and vote at the 2017 AGM

The Company's Register of Members will be closed from Tuesday, 16 May 2017 to Friday, 19 May 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at 2017 AGM, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates 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 Monday, 15 May 2017.

(ii) Determining the entitlement to the Proposed Final Dividend

The Company's Register of Members will be closed from Friday, 26 May 2017 to Wednesday, 31 May 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates 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 Thursday, 25 May 2017.

PRE-EMPTIVE RIGHTS

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

FIXED ASSETS

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

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 69 to 70 and note 36 to the financial statements. The reserves are calculated in accordance with generally accepted accounting principles.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the aggregate amount of reserves available for distribution to owners of the Company was approximately RMB1,728 million, calculated in accordance with the Companies Law of the Cayman Islands.

Under the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company. Pursuant to the 137 of Article of Association, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

SHARE CAPITAL

Movements of the share capital of the Company are set out in note 35 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 2016 amounted to RMB19,356 million, details of which are set out in the heading under "Interest-bearing Loans" above and note 33 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 Chief Executive Officer)*
Mr. Zhong Pengyi *(Vice Chairman)*
Mr. Liu Bo *(Vice President and Chief Financial Officer) (appointed on 3 June 2016)*
Ms. Wang Fuqin *(resigned on 3 June 2016)*
Mr. Wang Bin

Independent Non-executive Directors

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

In accordance with Article 86(3) of the Articles of Association, Mr. Liu Bo, who was appointed as an executive director by the Board on 3 June 2016 to fill the casual vacancy arising from the resignation of Ms. Wang Fuqin, will retire at the 2017 AGM. In addition, pursuant to Article 87 of the Articles of Association, Mr. Huang Mao Ru and Mr. Chow Chan Lum, the existing directors of the Company, will retire from office by rotation at the 2017 AGM. All the above retiring directors, being eligible, will offer themselves for re-election at the 2017 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2017 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.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

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 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's contributions to retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended 31 December 2016 were RMB54.2 million.

Details of the pension scheme are set out in note 34 to the finance statement.

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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 41 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts 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 2016, the interests of the directors of the Company in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mr. Huang Mao Ru	Interest of controlled corporations	4,200,000,000 (Note)	81.71%
	Beneficial owner	50,000,000	0.97%
		4,250,000,000	82.68%

Note: These shares were held by Maoye Department Store Investment Limited, a wholly-owned subsidiary of MOY International Holdings Limited, which in turn 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 2016.

(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 2016.

(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 2016.

Save as disclosed above, as at 31 December 2016, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2016, 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))	82.68%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	81.71%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	81.71%

Notes:

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

(b) Maoye Department Store Investment Limited 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 2016.

Save as disclosed above, as at 31 December 2016, 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.

EQUITY-LINKED AGREEMENT

Details of the equity-linked agreement entered into by the Company are disclosed under the below paragraph headed "Share Option Scheme".

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 9.17% of the issued share capital as at the date of this annual report.

As at 31 December 2016, the Company has no outstanding share options. During the year ended 31 December 2016, no share options of the Company have been granted, exercised, cancelled or lapsed.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2016, the Group had a total of 8,232 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 SECURITIES OF THE COMPANY

The Company repurchased a total of 1,309,000 shares on the Stock Exchange during the year ended 31 December 2016. 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		Aggregate consideration
		Highest	Lowest	
		HK$	HK$	HK$
November 2016	1,309,000	0.73	0.71	948,320

The Company has repurchased an aggregate of USD79,600,000 in principle amount of the 7.75% senior guaranteed notes due 2017 via open market during the year ended 31 December 2016, and all of such repurchase notes had been cancelled as at 31 December 2016.

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 2016. The purchase of the Company's shares was made for the benefits 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.

On 3 August 2016, the Company repaid its Syndicated Loan with the principal amount of US$87,975,000 and paid interest on such Syndicated Loan in the amount of US$840,081. As at the same date, the Syndicated Loan of the Company has been fully settled.

Directors' Report

DEED OF NON-COMPETITION

Under the deed of non-competition dated 17 April 2008 given by Mr. Huang Mao Ru, Maoye Holdings Limited and Richon Holdings Limited (collectively known as the "**Controlling Shareholder Group**") in favour of the Company, details of which were stated in the prospectus of the Company dated 21 April 2008 (the "**Prospectus**"), the Controlling Shareholder Group had 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) to (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 had 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 original 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 did 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.

Transfer of Maoye Huaqiangbei's partial shares and Maoye Commercial's acquisition of 100% equity interests in 5 companies of Maoye Shangsha, Demao and Hezhengmao

On 5 June 2015, Shenzhen Maoye Shangsha Co., Ltd. ("**Maoye Shangsha**"), a wholly-owned subsidiary of the Company (as vendor), entered into the Share Transfer Agreement with Shenzhen Demao Investment Enterprises (Limited Partnership) ("**Demao**") and Shenzhen Hezhengmao Investment Enterprises (Limited Partnership) ("**Hezhengmao**") (together as purchasers). Mr. Zhong Pengyi, holds 50% of Hezhengmao, is an executive director of the Company and a director of Maoye Commercial, and Mr. Wang Bin, holds 25% of Hezhengmao, is an executive director of the Company and a director of Maoye Commercial. Accordingly, Mr. Zhong, Mr. Wang and Hezhengmao are each connected persons of the Company under Chapter 14A of the Listing Rules. Pursuant to the Share Transfer Agreement, Maoye Shangsha agreed to sell, and Demao and Hezhengmao agreed to purchase, 16.43% and 6.57% of Shenzhen Maoye Department Store Huaqiangbei Co., Limited (深圳市茂業百貨華強北有限公司, "**Maoye Huaqiangbei**"), respectively, for a cash consideration of RMB368,611,815 and RMB147,399,855, respectively.

On 9 June 2015, the transfer of the shares of Maoye Huaqiangbei from Maoye Shangsha to Demao and Hezhengmao, respectively, was registered with the Industry and Commerce Bureau as agreed by all parties to the Share Transfer Agreement, each of Demao and Hezhengmao, respectively, shall pay the consideration for the sale of the shares of Maoye Huaqiangbei under the Share Transfer Agreement within two years after the transfer of the shares of Maoye Huaqiangbei from Maoye Shangsha to Demao and Hezhengmao, respectively, is registered with the Industry and Commerce Bureau.

On 28 August 2015, Maoye Shangsha, Demao and Hezhengmao (together as vendors) entered into the Formal Agreement with Maoye Commercial (the subsidiary of the Company, as purchaser) for the sale and purchase of the entire issued share capitals of Shenzhen Maoye Department Store Company Limited, Shenzhen Maoye Department Store Shennan Co., Ltd., Shenzhen Maoye Oriental Times Department Store Co., Ltd., Zhuhai City Maoye Department Store Co., Ltd. and Maoye Huaqiangbei for the total consideration of RMB8.56 billion. The consideration for the acquisition shall be fully satisfied by the allotment and issue of, in aggregate, 1,161,542,889 new shares by Maoye Commercial to Maoye Shangsha, Demao and Hezhengmao, in the respective proportions of 1,093,203,558, 48,818,053 and 19,521,278 new shares of Maoye Commercial, at an issue price of RMB7.37 per share.

The details of transfer of Maoye Shangsha's ownership of Maoye Huaqiangbei's shares and Maoye Commercial's acquisition of 100% equity interests in 5 companies of Maoye Shangsha, Demao and Hezhengmao can be referred to the Circular for the Discloseable and Connected Transactions in relation to the Reorganisation announced on 30 October 2015 by the Company.

On 29 February 2016, the Company announced that all conditions precedent under the Framework Agreement (as amended by the Formal Agreement) has been fulfilled and the completion of the Reorganisation took place on 26 February 2016. Upon completion of the Reorganisation, the total issued share capital of Maoye Commercial has increased from 570,439,657 to 1,731,982,546 shares and the shareholding in Maoye Commercial held by Maoye Shangsha, a wholly-owned subsidiary of the Company, has increased from approximately 68.06% to 85.53%.

Please refer to note 45 to the financial statements for details in relation to the profit guarantee concerning the above re-organisation.

Loan to a Connected Person at Subsidiary Level of the Company

On 18 October 2016, Maoye Shangsha entered into a loan agreement with Victory Investment Holdings Company Limited ("**Victory Investment**"), a shareholder of a non-wholly owned subsidiary of the Company, pursuant to which Maoye Shangsha provided a term loan to Victory Investment in the principal amount of RMB200,000,000, bearing interest at a rate of 14% per annum for a term of one year, subject to extension according to the terms and conditions of the loan agreement. The purpose of the loan is to finance Victory Investment's general working capital.

Maoye Shangsha is a wholly-owned subsidiary of the Company. As Victory Investment is a holder of 15% of the entire issued share capital of Inner Mongolia Victory Commercial (Group) Co., Ltd., which is a non-wholly owned subsidiary of the Company, Victory Investment is a connected person of the Company at a subsidiary level under Chapter 14A of the Listing Rules.

For more details, please refer to the announcement of the Company dated 18 October 2016.

CONTINUING CONNECTED TRANSACTIONS

Master Leasing Agreement

As the 2013 master 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**") has expired since 31 December 2015, and the Company expected to continue the continuing connected transactions thereafter, the Company entered into the new master leasing agreement (the "**2016 Master Leasing Agreement**") with Maoye Holdings Limited on 29 December 2015, which has a term of three years and is effective from 1 January 2016. Pursuant to the 2016 Master Leasing Agreement, the maximum aggregate rent and miscellaneous expenses to be payable by the Group to the Controlling Shareholder Group for each of the year 2016, 2017 and 2018 is RMB177 million.

The Controlling Shareholder Group owns several commercial complexes in the PRC, all of which are situated at the core commercial district of the cities. The 2016 Master Leasing Agreement allows the Company to take advantage of the Controlling Shareholder Group's resources to maintain the operation of its department stores at core commercial districts. Furthermore, the Group has been operating several department stores at the Controlling Shareholder Group's Premises for a long time. The cost to be incurred and the adverse impact on the operation of the Group's stores in the event of their relocation will be substantial.

According to the 2016 Master Leasing Agreement, the Group paid leasing fees of approximately RMB159.7 million (2015: RMB143.9 million) for the year ended 31 December 2016.

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).

The Wujin Management Agreement expired on 30 June 2016 and both parties did not agree to renew it.

During the year ended 31 December 2016, the management fee income of the Group amounted to approximately RMB10,375 (2015: RMB30,673) pursuant to Wujin Management Agreement.

Master Management Agreement

As the original master management agreement expired on 5 May 2014 and the Company expected 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**"). 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 license 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.

Pursuant to the New Master Management Agreement, the maximum aggregate service fee to be payable by the Controlling Shareholder Group to the Group are as follows:

- For the period from 5 May 2014 to 31 December 2014: RMB7.3 million
- For the year ended 31 December 2015: RMB11 million
- For the year ended 31 December 2016: RMB11 million
- For the period from 1 January 2017 to 4 May 2017: RMB3.7 million

During the year ended 31 December 2016, the management fee income of the Group amounted to approximately RMB4.0 million (2015: RMB4.40 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 30 April 2013, Maoye Shangsha entered into the new friendship city lease agreement (the "**New Friendship City Lease Agreement**") with Shenzhen Friendship to replace the original friendship city lease agreement to the effect that Maoye Shangsha will continue to lease certain premises of the Friendship City Building at 63 Friendship Road, Shenzhen, PRC (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 are 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).

The New Friendship City Lease Agreement expired on 30 April 2016 and both parties did not agree to renew it.

During the year ended 31 December 2016, the leasing expense borne by the Group under the New Friendship City Lease Agreement was approximately RMB1.9 million (2015: RMB22.4 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 2016, 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 2016, 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 2016, none of the directors, shareholders or their respective close associates who owned 5% or more of the Company's issued share capital 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.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize the environmental impact by saving electricity and encouraging recycle of office supplies and other materials. Details of the environmental policies of the Company are set out in the Environmental, Social and Governance Report of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the Mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with the relevant laws and regulations in the Mainland China and Hong Kong. As far as the Directors are aware, during the year ended 31 December 2016 and up to the date of this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on its business and operations.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 45 to the financial statements.

AUDITORS

Ernst & Young, the Company's auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2017 AGM to re-appoint Ernst & Young as auditors of the Company.

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

21 March 2017

Independent Auditor's Report

EY 安永

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

OPINION

We have audited the consolidated financial statements of Maoye International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 179, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisitions - recognition and measurement	
During the financial year of 2016, the Group acquired 100% of shares of Renhe Chuntian Department Stores Limited and Chengdu Qingyang District Renhe Chuntian Department Store Limited and 70% of shares of Inner Mongolia Victory Commercial (Group) Co., Ltd. at cash consideration of RMB742,324,000, RMB1,732,093,000 and RMB1,565,300,000, respectively. Management employed an external appraiser to perform the valuation of the assets acquired and liabilities assumed. These acquisitions had a significant impact on the financial statements. The purchase price allocation processes are complex and involve significant management judgements and estimations, especially in respect of the fair value measurement of assets acquired and liabilities assumed. Related disclosures are included in note 38 to the financial statements of the Group.	We obtained the share purchase agreement and evaluated the key terms for instances of the consideration and conditions for transfer of control. We assessed the competence, objectivity, and the relevant experience of the external appraiser. We involved our internal valuation specialists to assist us in evaluating and testing the management's valuation methodologies, discount rates, other assumptions, and source data and market data used. We also assessed the adequacy of the related disclosures in the financial statements.
Goodwill - impairment	
As at 31 December 2016, the Group reported RMB1,592,664,000 of goodwill as a result of previous acquisitions. Management performs as impairment test at the end of each financial year for the relevant cash generating units (CGUs) to which the goodwill is allocated. The impairment test is complex, and significantly relies on management's judgement and estimation about the expected future operation results, which are affected by future market and economic conditions. Related disclosures are included in note 20 to the financial statements of the Group.	We evaluated the key assumptions used in cash flow forecasts, such as the sales growth and gross margin, through comparison with historical performance and business development plan. We involved our internal valuation specialist in the assessment of the discount rate and long term growth rate with reference to general market indicators and comparable companies. We assessed the reliability of management's cash flow forecasts through analysis of the differences between the actual results in the current period and the forecasts made in prior periods. We also tested management's sensitivity analysis of the impairment test. We also assessed the adequacy of the related disclosures in the financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Change in accounting policy for investment properties from cost model to fair value model	
For the year ended 31 December 2016, the Group decided to voluntarily change the accounting policy for investment properties from the cost model to the fair value model as management was in the view that the fair value model would provide more relevant and comparable information on the Group's financial position and financial performance. This change in accounting policy was applied retrospectively and required adjustments for the opening balance of each affected component in the financial statements for the earliest prior period presented as if the new accounting policy had always been applied. This matter had material impacts on the financial statements. Related disclosures are included in note 2.2 to the financial statements of the Group.	We communicated with management regarding the consideration of changes in accounting policy and assessed whether the change was appropriate and in compliance with paragraph 14 of International Accounting Standard 8, and paragraph 31 of International Accounting Standard 40. We assessed the relevant accounting treatments and the disclosure made by management in the financial statements, including the reasons and benefits for changing the accounting policy, the quantitative impact on the financial information of the Group, the detailed description of the nature and effects of the change in the accounting policy. Also, a change in accounting policy shall be applied retrospectively and the Group shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements to make a retrospective restatement of items in its financial statements or reclassify items in its financial statements as if the new accounting policy had always been applied.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Investment properties – valuation	
The Group is engaged in the operation and management of department stores and property development in Mainland China. The underlying investment properties in operation, investment properties under construction and lease incentives are recognized as investment properties and measured at fair value. Management engaged external appraisers to evaluate the fair value of the investment properties annually. As of 31 December 2016, the Group's investment properties amounted to approximately RMB 9,730,242,000. The fair value measurement of investment properties is complex and highly dependent on a range of estimates made by management, such as the rental value, rental growth, vacancy rates, discount rate, budgeted construction cost, remaining percentage to completion and profit margin. Related disclosures are included in note 18 to the financial statements of the Group.	We assessed the objectivity, independence and expertise of the external appraisers. With the assistance of our internal valuation specialists, we evaluated the methodology and key assumptions used in the fair value measurement, including the rental value, rental growth, vacancy rates, discount rate, budgeted construction cost, remaining percentage and profit margin, through comparison with available market information and comparable companies. We also reviewed the adequacy of the disclosures of the fair value of investment properties.
Going concern	
As at 31 December 2016, the Group had net current liabilities of approximately RMB11,032,375,000. The availability of sufficient funding and the testing of whether the Group will be able to continue to meet its obligations under the financing covenants are important to the going concern assumptions. The directors have assessed the Group's liquidity position and disclosed their assessment in note 2.1 to the financial statements which supports the use of the going concern basis to prepare the financial statements. The going concern assumptions are affected by subjective elements such as estimated future cash flows, forecasted results, and future developments in the economy and the market. Related disclosures are included in note 2.1 to the financial statements of the Group.	We evaluated the assumptions and forecasts made by management in the 2016 annual budget and the 2017 annual plan. The forecasts were approved by the Board of Directors. We evaluated management's assumptions, among others, relating to cash flows from the Group's operation, future financing activities and capital expenditure. We obtained documentation from management to support management assumptions relating to the cash inflow from various financing activities and divestment of certain of its investments. We tested the Group's ability to meet its obligations under the financing covenants in the year ahead. We compared the actual financial data against the forecast. We also evaluated the adequacy of the disclosure in the financial statements about the going concern basis used in the preparation of the financial statements.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN YUEN TAO.

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000 (Restated)
REVENUE	5	**5,841,339**	3,284,321
Other income	6	**1,084,038**	831,143
Total operating revenue		**6,925,377**	4,115,464
Cost of sales	7	**(2,667,091)**	(1,361,393)
Employee expenses	8	**(542,649)**	(381,820)
Depreciation and amortisation		**(808,142)**	(431,121)
Operating lease rental expenses	10	**(300,432)**	(208,701)
Other operating expenses	11	**(1,230,113)**	(848,403)
Other gains and losses	12	**(17,121)**	110,987
Operating profit		**1,359,829**	995,013
Finance costs	13	**(789,552)**	(346,004)
Share of profits and losses of associates		**26,220**	(14,078)
PROFIT BEFORE TAX		**596,497**	634,931
Income tax expense	14	**(484,436)**	(345,398)
PROFIT FOR THE YEAR		**112,061**	289,533
Attributable to:			
Owners of the parent		**46,382**	298,627
Non-controlling interests		**65,679**	(9,094)
		112,061	289,533
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic			
– For profit for the year		**RMB0.90cent**	RMB5.79cents
Diluted			
– For profit for the year		**RMB0.90cent**	RMB5.79cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (Restated)
PROFIT FOR THE YEAR	**112,061**	289,533
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale equity investments:		
Available-for-sale equity investment revaluation	**–**	5,964
Changes in fair value	**(243,847)**	99,061
Income tax effect	**60,962**	(26,256)
	(182,885)	78,769
Defined benefit retirement plans	**(284)**	471
Exchange differences on translation of foreign operations	**(51,367)**	(64,438)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**2,724,064**	216,746
Income tax effect	**(681,017)**	(54,187)
	2,043,047	162,559
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,808,511**	177,361
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,920,572**	466,894
Attributable to:		
Owners of the parent	**1,853,297**	424,181
Non-controlling interests	**67,275**	42,713
	1,920,572	466,894

Consolidated Statement of Financial Position

31 December 2016

	Notes	**31 December 2016 RMB'000**	31 December 2015 RMB'000 (Restated)	1 January 2015 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	17	**12,566,816**	7,143,817	5,919,957
Investment properties	18	**9,730,242**	2,625,041	1,588,901
Prepaid land lease payments	19	**5,650,727**	4,092,529	3,533,111
Goodwill	20	**1,592,664**	283,934	352,104
Other intangible assets	21	**48,292**	57,405	2,672
Investments in associates	22	**2,533,377**	2,337,550	2,418,096
Available-for-sale equity investments	23	**1,768,191**	1,526,180	1,161,503
Prepayments	29	**323,855**	1,121,792	437,158
Deferred tax assets	24	**580,617**	489,059	320,157
Total non-current assets		**34,794,781**	19,677,307	15,733,659
CURRENT ASSETS				
Inventories	25	**279,543**	195,689	179,199
Completed properties held for sale		**1,447,664**	1,294,965	701,595
Properties under development	26	**4,850,424**	7,165,604	7,059,699
Equity investments at fair value through profit or loss	27	**246,584**	250,535	173
Trade receivables	28	**20,354**	20,703	13,418
Prepayments, deposits and other receivables	29	**3,062,374**	1,861,778	1,119,819
Pledged deposits	30	**146,028**	59,488	54,949
Cash and cash equivalents	30	**1,127,580**	1,248,868	662,069
Total current assets		**11,180,551**	12,097,630	9,790,921
CURRENT LIABILITIES				
Trade and bills payables	31	**3,073,406**	2,027,391	2,174,127
Deposits received, accruals and other payables	32	**7,845,464**	5,187,172	3,358,605
Interest-bearing bank loans and other borrowings	33	**10,914,305**	7,793,180	1,825,220
Income tax payable		**379,318**	386,918	146,841
Dividend payable		**433**	433	—
Total current liabilities		**22,212,926**	15,395,094	7,504,793
NET CURRENT (LIABILITIES)/ASSETS		**(11,032,375)**	(3,297,464)	2,286,128
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,762,406**	16,379,843	18,019,787

Consolidated Statement of Financial Position

31 December 2016

	Notes	**31 December 2016 RMB'000**	31 December 2015 RMB'000 (Restated)	1 January 2015 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	33	**8,442,087**	5,122,863	7,648,656
Deferred tax liabilities	24	**3,227,867**	1,600,587	1,363,459
Other long-term liabilities		**7,680**	1,893	9,135
Provision for retirement benefits	34	**8,203**	8,052	—
Total non-current liabilities		**11,685,837**	6,733,395	9,021,250
Net assets		**12,076,569**	9,646,448	8,998,537
EQUITY				
Equity attributable to owners of the parent				
Issued capital	35	**460,153**	460,270	465,206
Equity component of convertible bonds		**55,538**	55,538	55,538
Other reserves	36	**9,620,118**	7,740,697	7,163,969
		10,135,809	8,256,505	7,684,713
Non-controlling interests		**1,940,760**	1,389,943	1,313,824
Total equity		**12,076,569**	9,646,448	8,998,537

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the parent														
	Issued capital RMB'000 (note 35)	Share premium account RMB'000	Acquisition of non-controlling interests RMB'000	Disposal of partial interest in a subsidiary without losing control RMB'000	Equity component of convertible bonds RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000 (note 36)	Statutory surplus reserve RMB'000 (note 36)	Asset revaluation Reserve# RMB'000	Defined benefit retirement plans RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015															
As previously reported	465,206	1,638,142	(33,342)	–	55,538	22,717	1,806	365,553	186,390	199	(4,839)	4,444,619	7,141,989	1,059,011	8,201,000
Reclassification	–	–	–	–	–	(22,717)	–	–	–	–	–	22,717	–	–	–
Change in accounting policy	–	–	–	–	–	–	–	16,874	–	–	–	525,850	542,724	254,813	797,537
As restated	465,206	1,638,142	(33,342)	–	55,538	–	1,806	382,427	186,390	199	(4,839)	4,993,186	7,684,713	1,313,824	8,998,537
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	298,627	298,627	(9,094)	289,533
Other comprehensive income for the year:															
Changes in fair value of available-for-sale equity investments, before tax	–	–	–	–	–	–	–	–	99,986	–	–	–	99,986	(925)	99,061
Available-for-sale equity investment revaluation	–	–	–	–	–	–	–	–	4,058	–	–	–	4,058	1,906	5,964
Exchanges differences related to foreign operations	–	–	–	–	–	–	–	–	–	–	(64,438)	–	(64,438)	–	(64,438)
Defined benefit retirement plans	–	–	–	–	–	–	–	–	–	320	–	–	320	151	471
Revaluation gains on properties upon transfer from property, plant and equipment to investment properties, before tax	–	–	–	–	–	–	–	–	148,852	–	–	–	148,852	67,894	216,746
Tax effect of components of other comprehensive income	–	–	–	–	–	–	–	–	(63,224)	–	–	–	(63,224)	(17,219)	(80,443)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	189,672	320	(64,438)	298,627	424,181	42,713	466,894
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,000)	(3,000)
Disposal of partial interest in a subsidiary without losing control	–	–	–	352,871	–	–	–	–	–	–	–	–	352,871	45,517	398,388
Profit appropriated to reserve	–	–	–	–	–	–	–	90,721	–	–	–	(90,721)	–	–	–
Final 2014 dividend paid	–	–	–	–	–	–	–	–	–	–	–	(45,171)	(45,171)	–	(45,171)
Interim 2015 dividend paid	–	–	–	–	–	–	–	–	–	–	–	(93,303)	(93,303)	–	(93,303)
Repurchase and cancellation of shares	(4,936)	(61,850)	–	–	–	–	–	–	–	–	–	–	(66,786)	–	(66,786)
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,111)	(9,111)
At 31 December 2015	460,270	1,576,292*	(33,342)*	352,871*	55,538	–	1,806*	473,148*	376,062*	519*	(69,277)*	5,062,618*	8,256,505	1,389,943	9,646,448

continued/···

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 35)	Share premium account RMB'000	Acquisition of non-controlling interests RMB'000	Disposal of partial interest in a subsidiary without losing control RMB'000	Equity component of convertible bonds RMB'000	Contributed surplus RMB'000 (note 36)	Statutory surplus reserve RMB'000 (note 36)	Asset revaluation reserve# RMB'000	Defined benefit retirement plans RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016														
As previously reported	460,270	1,576,292	(33,342)	352,871	55,538	1,806	473,148	376,062	519	(69,277)	5,062,618	8,256,505	1,389,943	9,646,448
Profit for the year	–	–	–	–	–	–	–	–	–	–	46,382	46,382	65,679	112,061
Other comprehensive income for the year:														
Changes in fair value of available-for-sale equity investments, before tax	–	–	–	–	–	–	–	(246,030)	–	–	–	(246,030)	2,183	(243,847)
Revaluation gains on properties upon transfer from property, plant and equipment to investment properties, before tax	–	–	–	–	–	–	–	2,724,064	–	–	–	2,724,064	–	2,724,064
Exchanges differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(51,367)	–	(51,367)	–	(51,367)
Defined benefit retirement plans	–	–	–	–	–	–	–	–	(243)	–	–	(243)	(41)	(284)
Tax effect of components of other comprehensive income	–	–	–	–	–	–	–	(619,509)	–	–	–	(619,509)	(546)	(620,055)
Total comprehensive income for the year								1,858,525	(243)	(51,367)	46,382	1,853,297	67,275	1,920,572
Acquisition of subsidiaries (note 38)	–	–	–	–	–	–	–	–	–	–	–	–	536,012	536,012
Purchase of non-controlling interests	–	–	1,030	–	–	–	–	–	–	–	–	1,030	(1,030)	–
Reorganisation of subsidiaries	–	(564)	–	–	–	26,385	–	–	–	–	–	25,821	(26,385)	(564)
Profit appropriated to reserve	–	–	–	–	–	–	101,150	–	–	–	(101,150)	–	–	–
Repurchase and cancellation of shares	(117)	(727)	–	–	–	–	–	–	–	–	–	(844)	–	(844)
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(25,055)	(25,055)
At 31 December 2016	460,153	1,575,001*	(32,312)*	352,871*	55,538	28,191*	574,298*	2,234,587*	276*	(120,644)*	5,007,850*	10,135,809	1,940,760	12,076,569

The asset revaluation reserve arose from a change in use from property, plant and equipment to an investment property carried at fair value and changes in fair value of available-of-sale equity investment.

* These reserve accounts comprise the consolidated other reserves of RMB9,620,118,000 (2015 restated: RMB7,740,697,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**596,497**	634,931
Adjustments for:			
Interest income	6	**(23,256)**	(17,430)
Depreciation and amortisation		**808,142**	431,121
Gain on disposal of partial shares of an associate	12	**–**	(162,318)
Income from disposal of partial interest in a subsidiary without losing control		**–**	11,321
Foreign exchange loss, net	12	**83,410**	109,155
Impairment of trade receivables	11	**267**	2,214
Impairment/(Reversal of impairment) of other receivables	11	**1,208**	(57)
Impairment of goodwill	12	**–**	68,170
Impairment of property under development	11	**–**	16,457
Gain on disposal of items of property, plant and equipment	12	**2,018**	2,504
Gain on disposal of investment properties	12	**–**	(1,495)
Fair value gain on investment properties	12	**(76,240)**	(185,181)
Fair value gain on equity investments at fair value through profit or loss	12	**3,962**	54,220
Dividend income from investments through profit or loss	12	**–**	(2,989)
Dividend income from available-for-sale equity investments	12	**(36,857)**	(32,784)
Partial eliminations of operating lease rental expenses charged by an associate		**–**	(125)
Finance costs	13	**789,552**	346,004
Share of profits and losses of associates		**(26,220)**	14,078
Cash flows from operating activities		**2,122,483**	1,287,796
Decrease in completed properties held for sale		**871,617**	531,651
Additions of properties under development		**(1,060,642)**	(1,071,372)
Decrease in inventories		**65,602**	5,174
Increase in provision for retirement benefits		**(978)**	(817)
Decrease in trade receivables		**5,070**	6,559
Increase in prepayments and other receivables		**(67,100)**	(151,085)
Decrease in trade and bills payables		**40,794**	(312,679)
(Decrease)/increase in deposits received, accruals and other payables		**(1,021,194)**	238,780
Cash generated from operations		**955,652**	534,007

Continued/···

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Interest received		**23,256**	15,749
PRC tax paid		**(634,064)**	(309,286)
Net cash flows from operating activities		**344,844**	240,470
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(686,216)**	(460,212)
Purchase of items of investment properties		**(322,463)**	(122,420)
Proceeds from disposal of items of property, plant and equipment		**3,794**	4,633
Proceeds from disposal of investment properties		**—**	7,276
Purchase of held for trading financial assets		**—**	(304,582)
Purchase of available-for-sale equity investments		**(503,928)**	(254,652)
Proceeds from disposal of available-for-sale equity investments		**146,000**	—
Purchase of land lease prepayments		**(164,399)**	(92,052)
Prepayment for land lease prepayments		**(26,073)**	(50,472)
Purchase of other intangible assets		**(2,944)**	(2,290)
Loans to an associate		**(185,420)**	(10,000)
Acquisition of subsidiaries	38	**(2,561,551)**	(466,304)
Prepayments for acquisition of subsidiaries		**—**	(494,883)
Increase in an investment in an associate		**(147,049)**	—
Disposal of partial interest in a subsidiary		**—**	225,043
Acquisition of a non-controlling interest		**(1,030)**	(3,000)
Settlement of acquisition consideration		**(755,935)**	—
Dividend paid by a subsidiary		**(25,055)**	—
Dividend received from an associate		**5,513**	3,329
Dividend income from investments through profit or loss		**—**	2,989
Dividend income from available-for-sale equity investments	12	**36,857**	32,784
Net cash flows used in investing activities		**(5,189,899)**	(1,984,813)

Continued/···

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**13,657,014**	8,990,428
Repayment of bank loans		**(8,922,898)**	(5,648,618)
Interest paid		**(1,085,603)**	(746,634)
Loans from a fellow subsidiary		**1,214,500**	—
Final dividend paid		**—**	(45,171)
Interim dividend paid		**—**	(93,303)
Dividend paid by subsidiaries to non-controlling shareholders		**—**	(8,678)
Repurchase and cancellation of shares	35	**(844)**	(66,786)
(Increase)/Decrease in pledged bank deposits		**(86,539)**	25,322
Net cash flows from financing activities		**4,775,630**	2,406,560
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(69,425)**	662,217
Effect of foreign exchange rate changes, net		**(51,863)**	(75,418)
Cash and cash equivalents at beginning of year		**1,248,868**	662,069
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,127,580**	1,248,868
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**1,127,580**	1,248,868
Cash and cash equivalents as stated in the statement of cash flows		**1,127,580**	1,248,868

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP 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 has been changed to P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, Ky1-1205 Cayman Islands with effect from 1 October 2016 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Maoye Department Store Holdings Limited (茂業百貨控股有限公司)	British Virgin Islands 11 September 2007	US$2/US$50,000	100	—	Investment holding
Maoye Department Stores (China) Limited ("Maoye China") (茂業百貨(中國)有限公司)	Hong Kong 7 December 1993	HK$100,000	—	100	Investment holding
Zhongzhao Commercial Market Development (Shenzhen) Co., Ltd. (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	—	85.53	Operation of a department store
Shenzhen Department Store Co., Ltd. (深圳茂業百貨有限公司) **	PRC/Mainland China 20 April 2000	RMB536,869,782	—	85.53	Operation of a department store

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
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	—	85.53	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	—	85.53	Operation of a department store
Zhu Hai City Maoye Department Co., Ltd. (珠海市茂業百貨有限公司) **	PRC/Mainland China 24 August 2001	RMB4,800,000	—	85.53	Operation of a department store
Shenzhen Maoye Internet Financial Service Co.,Ltd. (深圳茂業互聯網金融服務有限公司) **	PRC/Mainland China 27 October 2015	RMB10,000,000	—	100	Investment holding
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	RMB102,481,500	—	100	Operation of a supermarket
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	RMB208,320,000	—	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	RMB208,320,000	—	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

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenyang Maoye Department Store Co., Ltd. (瀋陽茂業百貨有限公司) **	PRC/Mainland China 13 May 2010	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
Chengdu Chengshang Industrial (Holdings) Co., Ltd (成都成商實業(控股)有限公司)**	PRC/Mainland China 12 July 2005	RMB5,000,000	—	85.53	Investment holding
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
Maoye Commercial Co., Ltd. ("Maoye Commercial") (茂業商業股份有限公司) *	PRC/Mainland China 31 December 1993	RMB1,731,982,546	—	85.53	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	—	80.15	Investment holding
Chengshang Group Nanchong Maoye Co., Ltd. ("Nanchong Maoye") (成商集團南充茂業百貨有限公司) **	PRC/Mainland China 20 November 2001	RMB20,000,000	—	85.53	Operation of a department store

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Nanchong Zefu Trade Co., Ltd. (南充澤福商貿有限公司) **	PRC/Mainland China 5 November 2014	RMB21,500,000	—	85.53	Operation of a department store
Nanchong Zhimei Trade Co., Ltd. (南充志美商貿有限公司) **	PRC/Mainland China 17 November 2014	RMB3,800,000	—	85.53	Operation of a department store
Chengshang Group Holdings Co., Ltd. (成商集團控股有限公司) **	PRC/Mainland China 9 March 1998	RMB1,378,417,349	—	85.53	Property leasing
Leshan E'mei Shan Chengshang Phoenix Co., Ltd. (樂山市峨眉山風景區成商鳳凰湖有限公司) **	PRC/Mainland China 11 March 1997	RMB33,730,000	—	68.39	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	—	85.53	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	—	85.53	Investment holding and operation of department stores
Chengdu Chengshang Building Decoration Engineering Co., Ltd. (成都成商建築裝飾工程有限公司) **	PRC/Mainland China 21 February 1996	RMB5,000,000	—	85.53	Property development
Chengdu Maoye Estate Co., Ltd. (成都茂業地產有限公司) **	PRC/Mainland China 15 July 2008	RMB8,000,000	—	85.53	Property development
Heze Maoye Department Store Co., Ltd. (菏澤茂業百貨有限公司) **	PRC/Mainland China 29 December 2008	RMB5,000,000	—	76.97	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	—	100	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	RMB545,465,800	—	100	Investment holding
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	Property management

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Maoye Hotel Shenyang (沈陽茂業酒店有限公司) **	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	—	50.93	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
Qinghuangdao Maoye Property Co., Ltd. (秦皇島茂業置業房地產開發有限公司)**	PRC/Mainland China 19 May 2016	RMB8,000,000	—	100	Property development
Qinhuangdao Jinyuan Real Estate Development Co., Ltd. (秦皇島市金原房地產開發有限公司)**	PRC/Mainland China 8 August 2000	RMB135,000,000	—	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
Qinhuangdao Maoye Holdings Co., Ltd. ("Maoye Holdings") (秦皇島茂業控股有限公司) **	PRC/Mainland China 4 August 2008	RMB886,517,865	—	100	Operation of a department store
Qinhuangdao Jinyuan Housing Decoration Market Co., Ltd. (秦皇島金原家居裝飾城有限公司) **	PRC/Mainland China 20 November 2003	RMB1,000,000	—	100	Property leasing
Qinhuangdao Hualian Jinyuan Supermarket Co., Ltd. (秦皇島茂業超市有限公司). **	PRC/Mainland China 26 June 2001	RMB10,000,000	—	100	Operation of a supermarket
Qinhuangdao Hualian Jinyuan Property Management Co., Ltd. (秦皇島茂業物業服務有限公司) **	PRC/Mainland China 26 June 2001	RMB5,000,000	—	100	Property leasing
Qinhuangdao Jinyuan Property Service Co., Ltd. (秦皇島金原商業管理有限公司) **	PRC/Mainland China 14 April 2001	RMB2,000,000	—	100	Property management
Chengdu Chengshang Property Management Co., Ltd. (成都成商物業管理有限公司) **	PRC/Mainland China 29 April 2005	RMB500,000	—	85.53	Property management

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Anhui Guorun Investment and Development Co., Ltd. (安徽國潤投資發展有限公司) **	PRC/Mainland China 4 October 1998	RMB294,330,000	—	100	Investment holding and property development
Chuzhou Maoye Investment and Development Co., Ltd. (滁州茂業投資發展有限公司) **	PRC/Mainland China 25 April 2003	RMB70,000,000	—	100	Property development
Wuhu Guorun Investment and Development Co., Ltd. (蕪湖茂業置業有限公司) **	PRC/Mainland China 16 May 2002	RMB110,000,000	—	100	Property development
Huainan Maoye Investment and Development Co., Ltd. (淮南茂業投資發展有限公司) **	PRC/Mainland China 26 March 2002	RMB31,600,000	—	100	Property development
Chengdu Chengshang United Automobile Co., Ltd. (成都成商聯合汽車有限責任公司) **	PRC/Mainland China 23 September 2004	RMB6,000,000	—	85.53	Automobile development
Chengdu Renhe Spring Department Store Co., Ltd. (成都仁和春天百貨有限公司) **	PRC/Mainland China 29 October 1997	RMB40,000,000	—	85.53	Operation of a department store
Chengdu Qingyang District Renhe Chuntian Department Store Limited (成都市青羊區仁和春天百貨有限公司)**	PRC/Mainland China 29 November 2007	RMB185,000,000	—	85.53	Operation of a department store
Inner Mongolia Victory Commercial (Group) Management Co., Limited (內蒙古維多利商業(集團)有限公司) **	PRC/Mainland China 16 June 2002	RMB170,000,000	—	59.87	Investment holding and operation of a department store
Inner Mongolia Victory Commercial Management Co., Limited (內蒙古維多利商業管理有限公司) **	PRC/Mainland China 18 January 2004	RMB20,000,000	—	59.87	Operation of a department store
Inner Mongolia Victory Xincheng Commercial Management Co., Limited (內蒙古維多利新城商業管理有限公司) **	PRC/Mainland China 15 January 2008	RMB100,000,000	—	59.87	Operation of a department store
Inner Mongolia Jinweili Commercial Management Co., Limited (內蒙古金維利商業管理有限公司) **	PRC/Mainland China 24 March 2015	RMB10,000,000	—	59.87	Operation of a department store
Baotou Victory Mall Co., Limited (包頭市維多利商廈有限公司) **	PRC/Mainland China 14 April 2009	RMB10,000,000	—	59.87	Operation of a department store
Inner Mongolia Supermarket Chain Co., Limited (內蒙古維多利超市有限公司) **	PRC/Mainland China 6 March 2003	RMB20,000,000	—	59.87	Operation of a supermarket
Baotou Victory Commercial Management Co., Limited (包頭市維多利商業管理有限公司) **	PRC/Mainland China 28 October 2013	RMB3,000,000	—	59.87	Operation of a department store

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Baotou Victory Supermarket Chain Co., Limited (包頭市維多利超市有限公司) **	PRC/Mainland China 30 December 2013	RMB500,000	—	59.87	Operation of a supermarket
Hohhot Victory Real Estate Development Co., Limited (呼和浩特市維多利房地產開發有限公司) **	PRC/Mainland China 29 November 2001	RMB30,000,000	—	59.87	Property development
Inner Mongolia Jiashijie Real Estate Co., Limited (內蒙古家世界房地產有限公司) **	PRC/Mainland China 7 March 2006	RMB10,000,000	—	59.87	Property development
Inner Mongolia Ludi Real Estate Co., Limited (內蒙古魯地房地產有限公司) **	PRC/Mainland China 29 June 2006	RMB30,000,000	—	59.87	Property development
Hohhot Victory Property Management LLC (呼和浩特市維多利物業服務有限責任公司) **	PRC/Mainland China 25 January 2008	RMB500,000	—	59.87	Property leasing
Baotou Victory Property Management Co., Limited (包頭市維多利物業管理有限公司) **	PRC/Mainland China 21 May 2014	RMB1,000,000	—	59.87	Property management

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

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

Except for Shenzhen Maoye Shangsha and ZhongZhao, all other subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

During the year, the Group acquired Renhe Chuntian Department Stores Limited ("Renhe Chuntian"), Chengdu Qingyang District Renhe Chuntian Department Store Limited ("Qingyang District Renhe Chuntian") and Inner Mongolia Victory Commercial (Group) Co., Ltd. ("Inner Mongolia Victory Group"), from third parties. Further details of this acquisition are included in note 38 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.

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

As at 31 December 2016, the Group had net current liabilities of approximately RMB 11,032,375,000. The Group's ability to repay its debts when they fall due relies heavily on its future operating cash flow and its ability to renew the bank loans and other borrowings. The directors have carefully assessed the Group's liquidity position having taken into account:

(1) In 2016, after deducting net gain from changes in fair value of investment properties, the Group had net profit RMB54,881,000, and had net cash generated from operating activities of RMB344,844,000. The Group has the ability to continue its profitability and generate net cash inflows from operating activities.

(2) There is no indication that the Group will be liquidated by 31 December 2017.

(3) At 20 July 2016, Shenzhen Maoye Shangsha, a wholly-owned subsidiary of the Company, obtained the approval for the listing of the non-public bonds with an aggregate principal amount not exceeding RMB5 billion on the Shanghai Stock Exchange. The maturity is no more than three years. The directors expect to issue bonds of RMB2 billion and RMB3 billion in two tranches during 2017.

(4) At 29 September 2016, Maoye Commercial, a non-wholly owned subsidiary of the Company, obtained the approval for the listing of the non-public bonds with an aggregate principal amount not exceeding RMB1.7 billion on the Shanghai Stock Exchange. The maturity is no more than three years. The directors expect to issue bonds of RMB1.7 billion during 2017.

(5) At 22 July 2016, Shenzhen Maoye Shangsha obtained the approval from the National Association of Financial Market Institutional Investors for the issue of short-term financing notes with an aggregate maximum principal amount of RMB1.5 billion within two years after 22 July 2016. The directors expect to issue notes of RMB1.5 billion with more tranches during 2017.

(6) At 6 December 2016, Maoye Commercial obtained the approval from the China Securities Regulatory Commission for the issue of public bonds with an aggregate principal amount not exceeding RMB0.9 billion. The maturity is no more than five years. The directors expect to issue bonds of RMB0.9 billion during 2017.

(7) Furthermore, the Group continues to improve the cash flow situation through debt financing, including but not limited to: (i) obtaining the recyclable financing amount and repay the existing bank loans, (ii) improving the capital structure by issuing long-term corporate bonds to repay short-term loans, (iii) pledging land and buildings or investment properties for obtaining secured loans.

2.1 BASIS OF PREPARATION (continued)

(8) If the economy could get worse or the financing plans get failed, resulting in a situation that those current liabilities should be paid immediately, the Group could also replenish its cash flow through other investments and financing activities. For example, it can dispose of some of the available-for-sale equity investments of listed companies or other equity investments which were booked under fair value. The liquidity of those assets can support the payment requirement, and if necessary, those assets can be disposed of quickly.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable of not less than 12 months from the end of the reporting period. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. 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 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognizes (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 recognizes (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 recognized 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

Change in accounting policy on investment properties

The Group has changed the accounting policy for investment properties from the cost model to the fair value model. The Group previously measured investment properties at cost, including transaction costs, less accumulated depreciation and any impairment losses.

To more accurately reflect the value of investment properties held by the Group, enhance the comparability of financial information with the peers, provide more relevant information to the users of its financial statements, and avoid any difference on accounting policies between the Group's listed subsidiary and the Group, one of the Group's significant subsidiary group, which is listed in the PRC stock market, has already changed its accounting policy to account for investment properties at fair value (previously at cost), and the Group has elected to change the accounting policy for investment properties from the cost model to the fair value model with effect from the year ended 31 December 2016 and the Board has approved the change of accounting policy of investment properties. The Group has adopted this amendment retrospectively and the effects on the consolidated statement of financial position and the consolidated statement of profit or loss are disclosed below.

Influence on the consolidated statement of financial position	**31 December 2016 RMB'000**	31 December 2015 RMB'000	1 January 2015 RMB'000
Increase/(decrease) in:			
Investment properties	**76,240**	1,682,434	1,215,878
Prepaid land lease payments	**–**	(161,604)	(140,543)
Prepayments, deposits and other receivables	**–**	(12,242)	(11,953)
Deferred tax liabilities	**25,551**	377,148	265,846
Other reserves	**39,883**	813,538	542,723
Non-controlling interests	**10,806**	317,902	254,813

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Change in accounting policy on investment properties (continued)

Influence on the consolidated statement of profit or loss	**2016**	2015
	RMB'000	RMB'000
Increase/(decrease) in:		
Other gains and losses	**76,240**	185,182
Income tax expense	**25,551**	57,114
Depreciation and amortisation	**–**	(43,276)
Attributable to owners of the parent	**39,883**	159,175
Attributable to non-controlling interests	**10,806**	12,169
Increase in earnings per share attributable to	**RMB**	RMB
ordinary equity holders of the parent	**0.78 cent**	3.08 cents

New and amended standards and interpretations

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

IFRS 14	*Regulatory Deferral Accounts*
Amendments to IFRS 11	*Joint Arrangements: Accounting for Acquisitions of Interests*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Amendments to IFRS 10, FRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Other than explained below regarding the impact of IFRSs and IASs, the adoption of the new and revised standards has had no significant effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

(a) The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. These amendments do not have any impact on the Group's financial statements.

(b) 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 a business (of which the asset is a part) rather than the economic benefits that are consumed through 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 amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

(c) Annual *Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

Notes to Financial Statements

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 12 included in Annual Improvements 2014-2016 Cycle	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 included in Annual Improvements 2014-2016 Cycle	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28 included in Annual Improvements 2014-2016 Cycle	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

In July 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. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

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

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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 requirements, including disaggregation of total revenue, information about performance obligations, 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. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

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

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Application of the amendments will result in additional disclosure provided by the Group. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilize a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

The IASB issued amendments to IFRS 2 *Share-based Payment* in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is included in the consolidated statement of profit or loss and the consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group. Liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is tested for impairment annually if events or changes 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, or groups of 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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset, or in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognized 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 in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill 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 recognized 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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 capitalized 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

	Annual depreciation rate
Land and buildings	2.25% to 9%
Machinery and equipment	9% to 19%
Motor vehicles	11.25% to 19%
Furniture, fittings and other equipment	7.5% to 19%
Leasehold improvements	10% to 20%

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 end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) 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. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of profit or loss.

Properties under development

Properties under development are stated at cost, which include 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 the normal operating cycle.

Properties under development are valued at the lower of cost and net realizable value at the end of the reporting period and any excess of cost over net realizable value of an individual item of properties under development is accounted for as a provision. Net realizable 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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 amortized 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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 operating leases are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease prepayments under operating leases are initially stated at cost and subsequently recognized 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.

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 recognized 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 recognized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

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.

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 amortized cost using the effective interest rate method less any allowance for impairment. Amortized 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 in the statement of profit or loss. The loss arising from impairment is recognized in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated 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 unrealized gains or losses recognized in other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized 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 recognized in the consolidated statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, 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 amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; 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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

For financial assets carried at amortized 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, recognized 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 recognized in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 realized 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 recognized, the previously recognized 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.

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

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 recognized in the consolidated statement of profit or loss – is removed from other comprehensive income and recognized 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 recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, 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 recognized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

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

Amortized 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.

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 recognized 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 recognized less, when appropriate, cumulative amortisation.

Convertible bonds
The component of convertible bonds that exhibits characteristics of a liability is recognized 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 amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured 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 recognized.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realizable value. Cost of merchandise is determined on the moving weighted average method basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realizable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realizable 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 that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated 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 recognized 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 recognized 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 recognized 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 recognized.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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.

Deferred tax liabilities are recognized 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 recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, 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 recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Revenue recognition

Revenue is recognized 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 recognized upon the sale of merchandise by the relevant concessionaires.

(b) Direct sales of merchandise and sales of properties are recognized 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 recognized on the straight-line basis over the lease terms.

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

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

(f) Interest income is recognized 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 recognized 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 to these retirement benefit schemes on a monthly basis at a percentage of the employees' salaries. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

Other employee benefits

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Re-measurements arising from the defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under “employee expenses”,”other operating expenses” and “finance costs” in the consolidated statement of profit or loss by function:

- service costs comprising current service costs and past-service costs
- gains and losses on curtailments and non-routine settlements
- net interest expense or income

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 6.13% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

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 recognized 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 recognized 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 recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

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 recognized 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. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

- *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 carrying amount of goodwill at 31 December 2016 was RMB1,592,664,000 (2015: RMB 283,934,000). Further details are given in note 20.

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

  The Group classifies certain assets as available for sale and recognizes 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 recognized in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

- *Estimation of fair value of investment properties*

  In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

  (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

  (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

  (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2016 was RMB9,730,242,000 (2015: RMB2,625,041,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 18 to the financial statements.

- *Deferred tax assets*

  Deferred tax assets are recognized 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 utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at 31 December 2016 was RMB147,216,000 (2015: RMB75,287,000). The amount of unrecognized tax losses at 31 December 2016 was RMB1,334,191,000 (2015: RMB507,768,000). Further details are contained in note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

- *Net realizable value of inventories and completed properties held for sale*
  Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. Net realizable 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 and other receivables*
  The Group estimates the provisions for impairment of trade receivables and other receivables 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. Further details are contained in note 28 and note 29 to the financial statements.

- *Recognition of deferred tax liabilities for withholding taxes*
  Deferred tax liabilities are recognized 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 recognized, based upon the likely dividends declared. Further details are contained in note 24 to the financial statements.

- *Reversal of long-aged unredeemed repaid cards*
  Long-aged unredeemed prepaid cards are recognized as other income if the likelihood of redemption is considered remote. Aging analysis of the unredeemed prepaid cards balance is performed and management estimates the expected future usage ratio for each of the aging categories based on the historical utilisation ratio. Long-aged unredeemed balance of prepaid cards are reversed and recognized as other income based on the expected future usage ratio. If the estimated future usage ratio had been 10% higher/lower than management's estimates, the other income for reversal of long-aged unredeemed prepaid cards would have been lower/higher by RMB2,136,000.

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, the provision of ancillary services, and the provision of advertising services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss 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 2016					
Segment revenue:					
Sales to external customers	3,735,080	2,056,549	49,710	–	5,841,339
Intersegment revenue	–	7,634	600	(8,234)	–
Other income	1,044,544	2,109	37,385	–	1,084,038
Cost of sales	(1,285,618)	(1,376,857)	(4,616)	–	(2,667,091)
Employee expenses	(468,067)	(48,414)	(26,168)	–	(542,649)
Depreciation and amortisation	(664,972)	(134,031)	(9,139)	–	(808,142)
Operating lease rental expenses	(300,072)	(1,640)	(882)	2,162	(300,432)
Other operating expenses	(995,235)	(190,533)	(50,417)	6,072	(1,230,113)
Other gains/(losses)	20,724	(47,216)	9,371	–	(17,121)
Operating profit	1,086,384	267,601	5,844	–	1,359,829
Finance costs	(439,963)	(349,589)	–	–	(789,552)
Share of profits and losses of associates	26,220	–	–	–	26,220
Profit/(loss) before tax	672,641	(81,988)	5,844	–	596,497
Income tax expense	(331,723)	(148,946)	(3,767)	–	(484,436)
Profit/(loss) for the year	340,918	(230,934)	2,077	–	112,061
Attributable to:					
Owners of the parent	244,547	(200,380)	2,215	–	46,382
Non-controlling interests	96,371	(30,554)	(138)		65,679
	340,918	(230,934)	2,077	–	112,061
Other segment information:					
Impairment losses recognized in the statement of profit or loss	1,475	–	–	–	1,475
Impairment losses reversed in the statement of profit or loss	–	–	–	–	–
Investments in associates	2,533,377	–	–	–	2,533,377
Capital expenditure*	113,786	2,236,670	6,523	–	2,356,979

* 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)

(Restated)	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 2015					
Segment revenue:					
Sales to external customers	2,485,579	776,628	22,114	—	3,284,321
Intersegment revenue	—	1,437	—	(1,437)	—
Other income	790,568	32,505	8,070	—	831,143
Cost of sales	(829,241)	(531,651)	(501)	—	(1,361,393)
Employee expenses	(344,021)	(26,889)	(10,910)	—	(381,820)
Depreciation and amortisation	(351,758)	(67,642)	(11,721)	—	(431,121)
Operating lease rental expenses	(206,933)	(1,513)	(355)	100	(208,701)
Other operating expenses	(721,652)	(115,123)	(12,965)	1,337	(848,403)
Other gains/(losses)	183,370	(103,631)	31,248	—	110,987
Operating profit	1,005,912	(35,879)	24,980	—	995,013
Finance costs	(125,216)	(220,788)	—	—	(346,004)
Share of profits and losses of associates	(14,078)	—	—	—	(14,078)
Profit/(loss) before tax	866,618	(256,667)	24,980	—	634,931
Income tax expense	(293,644)	(44,508)	(7,246)	—	(345,398)
Profit/(loss) for the year	572,974	(301,175)	17,734	—	289,533
Attributable to:					
Owners of the parent	570,702	(290,983)	18,908	—	298,627
Non-controlling interests	2,272	(10,192)	(1,174)	—	(9,094)
	572,974	(301,175)	17,734	—	289,533
Other segment information:					
Impairment losses recognized in the statement of profit or loss	2,214	84,627	—	—	86,841
Impairment losses reversed in the statement of profit or loss	(57)	—	—	—	(57)
Investments in associates	2,337,550	—	—	—	2,337,550
Capital expenditure*	1,421,182	1,361,288	552	—	2,783,022

* 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)

The Group's entire revenue is attributable to the market in Mainland China. No analysis of geographical information is therefore presented.

The Group has a large number of customers. However, no sales to a single customer contributed 5% or more of the Group's total revenue.

5. REVENUE

	2016	2015
	RMB'000	RMB'000
Commissions from concessionaire sales	**1,908,762**	1,374,324
Direct sales	**1,446,115**	902,307
Rental income from the leasing of shop premises	**376,145**	204,552
Management fee income from the operation of department stores	**4,058**	4,396
Rental income from investment properties	**128,976**	46,252
Sale of properties	**1,927,573**	730,376
Others	**49,710**	22,114
	5,841,339	3,284,321

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

Total sales proceeds from concessionaire sales	**11,611,219**	8,255,225
Commissions from concessionaire sales	**1,908,762**	1,374,324

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

Rental income	**360,394**	143,178
Sublease rental income	**15,751**	61,374
	376,145	204,552

Notes to Financial Statements

31 December 2016

6. OTHER INCOME

	2016	2015
	RMB'000	RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**569,289**	419,148
– Promotion income	**290,806**	240,549
– Credit card handling fees	**139,522**	113,441
Reversal of long-aged unredeemed repaid cards*	**21,361**	—
Interest income	**23,256**	17,430
Others	**39,804**	40,575
	1,084,038	831,143

* Long-aged unredeemed repaid cards are recognised as other income if the management considered the likelihood of redemption is remote.

7. COST OF SALES

	2016	2015
	RMB'000	RMB'000
Purchases of and changes in inventories	**1,285,618**	829,241
Cost of properties sold	**1,376,857**	531,651
Others	**4,616**	501
	2,667,091	1,361,393

8. EMPLOYEE EXPENSES

	2016	2015
	RMB'000	RMB'000
Wages and salaries	**472,386**	333,721
Retirement benefits	**54,186**	43,931
Other employee benefits	**16,077**	4,168
	542,649	381,820

8. EMPLOYEE EXPENSES (continued)

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 **RMB'000**	2015 RMB'000
Fees	**698**	635
Other emoluments:		
Salaries and allowances	**1,956**	1,684
Retirement benefits	**69**	56
	2,025	1,740
	2,723	2,375

(a) Independent non-executive directors

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

	Fees **RMB'000**	**Total remuneration** **RMB'000**
Year ended 31 December 2016		
Mr. Pao Ping Wing	**215**	**215**
Mr. Leung Hon Chuen	**161**	**161**
Mr. Chow Chan Lum	**322**	**322**
	698	**698**
Year ended 31 December 2015		
Mr. Pao Ping Wing	195	195
Mr. Leung Hon Chuen	146	146
Mr. Chow Chan Lum	294	294
	635	635

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2016 (2015: Nil).

8. EMPLOYEE EXPENSES (continued)

(b) Executive directors and the chief executive

	Salaries and allowances RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Year ended 31 December 2016			
Executive directors:			
Mr. Zhong Pengyi	**120**	**—**	**120**
Mr. Wang Bin	**816**	**27**	**843**
Ms. Wang Fuqin	**160**	**10**	**170**
Mr. Liu Bo	**740**	**32**	**772**
Chief executive:			
Mr. Huang Mao Ru	**120**	**—**	**120**
	1,956	**69**	**2,025**

	Salaries and allowances RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Year ended 31 December 2015			
Executive directors:			
Mr. Zhong Pengyi	120	—	120
Ms. Wang Fuqin	534	28	562
Mr. Wang Bin	910	28	938
	1,564	56	1,620
Chief executive:			
Mr. Huang Mao Ru	120	—	120
	120	—	120
	1,684	56	1,740

On 3 June 2016, Ms. Wang Fuqin resigned and Mr. Liu Bo was appointed as an executive director. There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2016 (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and allowances	**1,367**	1,858
Retirement benefits	**50**	83
	1,417	1,941

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

	2016	2015
Nil to HK$1,000,000	**3**	3

10. OPERATING LEASE RENTAL EXPENSES

	2016 RMB'000	2015 RMB'000
Operating lease rental	**282,875**	189,923
Operating sublease rental	**17,557**	18,778
	300,432	208,701

11. OTHER OPERATING EXPENSES

	Notes	2016 RMB'000	2015 RMB'000
Utility expenses		**335,207**	219,041
Promotion and advertising expenses		**121,186**	73,942
Repair and maintenance expenses		**77,744**	66,414
Entertainment expenses		**11,421**	10,191
Office expenses		**58,339**	32,998
Other tax expenses		**376,613**	295,554
Professional service fees		**66,627**	45,244
Auditors' remuneration		**6,200**	6,540
Bank charges		**105,388**	57,430
Impairment of trade receivables	28	**267**	2,214
Impairment of properties under development		**—**	16,457
Recognition/(reversal) of impairment of other receivables	29	**1,208**	(57)
Initial expenditure		**26,648**	—
Others		**43,265**	22,435
		1,230,113	848,403

12. OTHER GAINS AND LOSSES

	Notes	**2016** **RMB'000**	2015 RMB'000 (Restated)
Loss on disposal of items of property, plant and equipment		**(2,018)**	(2,504)
Gain on disposal of partial shares of an associate		**–**	162,318
Foreign exchange loss, net		**(83,410)**	(109,155)
Fair value gain on equity investments at fair value through profit or loss		**(3,962)**	(54,220)
Fair value gains on investment properties	18	**76,240**	185,181
Gain on disposal of investment properties		**–**	1,495
Dividend income from investments through profit or loss		**–**	2,989
Dividend income from available-for-sale equity investments		**36,857**	32,784
Impairment of goodwill	20	**–**	(68,170)
Penalty accrued		**(48,808)**	(35,205)
Others		**7,980**	(4,526)
		(17,121)	110,987

13. FINANCE COSTS

	2016 **RMB'000**	2015 RMB'000
Interest on bank loans	**1,132,637**	748,834
Total interest expense on financial liabilities not at fair value through profit or loss	**1,132,637**	748,834
Less: Interest capitalised	**(343,085)**	(402,830)
	789,552	346,004

14. 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 was calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2016 (2015: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2015: 25%) of 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 RMB67,551,000 was charged to the consolidated statement of profit or loss for the year ended 31 December 2016 (2015: RMB31,295,000).

	2016	2015
	RMB'000	RMB'000 (Restated)
Current – CIT	**446,053**	371,104
Current – LAT	**67,551**	31,295
Deferred (note 24)	**(29,168)**	(57,001)
Total tax charge for the year	**484,436**	345,398

14. INCOME TAX EXPENSE (continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory 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:

2016	**Cayman Islands**		**BVI**		**Hong Kong**		**Mainland China**		**Total**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
(Loss)/profit before tax	**(326,578)**	**(1)**			**145,178**		**777,898**		**596,497**	
Tax at the statutory tax rate	**–**	**–**	**–**	**–**	**23,954**	**16.5**	**194,475**	**25**	**218,429**	**37**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	**–**	**–**	**36,989**	**25**	**–**	**–**	**36,989**	**6**
Lower tax rates for specific districts or countries	**–**	**–**	**–**	**–**	**(14,720)**	**(10)**	**–**	**–**	**(14,720)**	**(2)**
Profits and losses attributable to associates	**–**	**–**	**–**	**–**	**–**	**–**	**(6,555)**	**(1)**	**(6,555)**	**(1)**
Income not subject to tax	**–**	**–**	**–**	**–**	**–**	**–**	**(1,707)**	**–**	**(1,707)**	**–**
Expenses not deductible for tax	**–**	**–**	**–**	**–**	**459**	**–**	**3,719**	**–**	**4,178**	**1**
Tax losses not recognized	**–**	**–**	**–**	**–**	**1,239**	**1**	**206,606**	**27**	**207,845**	**35**
LAT	**–**	**–**	**–**	**–**	**–**	**–**	**67,551**	**9**	**67,551**	**11**
Tax effect of LAT	**–**	**–**	**–**	**–**	**–**	**–**	**(16,888)**	**(2)**	**(16,888)**	**(3)**
Others	**–**	**–**	**–**	**–**	**(1,346)**	**(1)**	**(9,340)**	**(1)**	**(10,686)**	**(2)**
Tax charge at the Group's effective tax rate	**–**	**–**	**–**	**–**	**46,575**	**32**	**437,861**	**56**	**484,436**	**81**

2015	Cayman Islands		BVI		Hong Kong		Mainland China		Total	
(Restated)	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
(Loss)/profit before tax	(296,738)		(23)		114,702		816,990		634,931	
Tax at the statutory tax rate	–	–	–	–	18,926	16.5	204,248	25	223,174	35
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	–	–	15,464	13	–	–	15,464	2
Lower tax rates for specific districts or countries	–	–	–	–	(12,357)	(11)	–	–	(12,357)	(2)
Profits and losses attributable to associates	–	–	–	–	–	–	3,623	–	3,623	1
Income not subject to tax	–	–	–	–	–	–	(7,515)	(1)	(7,515)	(1)
Expenses not deductible for tax	–	–	–	–	2,229	2	22,004	(3)	24,233	4
Tax losses not recognized	–	–	–	–	308	–	52,180	(6)	52,488	8
LAT	–	–	–	–	–	–	31,295	(4)	31,295	5
Tax effect of LAT	–	–	–	–	–	–	(7,824)	(1)	(7,824)	(1)
Others	–	–	–	–	4,170	4	18,647	(2)	22,817	4
Tax charge at the Group's effective tax rate	–	–	–	–	28,740	25	316,658	(39)	345,398	54

The share of tax attributable to associates amounting to RMB8,684,000 (2015: RMB23,216,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

15. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Interim – Nil (2015: HK2.2 cents) per ordinary share	–	93,303
Proposed final – HK0.3 cent (2015: Nil) per ordinary share	**13,915**	–
	13,915	93,303

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB46,382,000 (2015: RMB298,627,000) and the weighted average number of ordinary shares of 5,141,489,556 (2015: 5,160,924,290) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

17. PROPERTY, PLANT AND EQUIPMENT

	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 2016							
At 31 December 2015 and at 1 January 2016:							
Cost	6,068,867	472,321	15,312	196,105	693,439	1,569,350	9,015,394
Accumulated depreciation and impairment	(1,055,341)	(279,396)	(7,715)	(149,257)	(373,255)	(6,613)	(1,871,577)
Net carrying amount	5,013,526	192,925	7,597	46,848	320,184	1,562,737	7,143,817
At 1 January 2016, net of accumulated depreciation and impairment	5,013,526	192,925	7,597	46,848	320,184	1,562,737	7,143,817
Additions	28,771	10,792	311	12,613	–	745,245	797,732
Disposals	–	(560)	(1,705)	(2,991)	(556)	–	(5,812)
Depreciation provided during the year	(397,652)	(32,718)	(2,808)	(21,178)	(124,458)	–	(578,814)
Transfer from properties under development (note 26)	117,150	–	–	–	–	150,705	267,855
Transfer to investment properties (note 18)	–	–	–	–	–	(718,060)	(718,060)
Transfer from investment properties (note 18)	–	–	–	–	–	632,292	632,292
Acquisition of subsidiaries (note 38)	4,409,359	125,816	12,435	20,973	440,250	20,167	5,029,000
Transfer to other intangible assets (note 21)	–	–	–	–	–	(727)	(727)
Transfers	1,109,373	–	–	–	414,799	(1,524,172)	–
Exchange realignment	(428)	–	(62)	17	6	–	(467)
At 31 December 2016, net of accumulated depreciation and impairment	10,280,099	296,255	15,768	56,282	1,050,225	868,187	12,566,816
At 31 December 2016:							
Cost	11,717,098	590,737	20,339	228,511	1,458,947	874,794	14,890,426
Accumulated depreciation and impairment	(1,436,999)	(294,482)	(4,571)	(172,229)	(408,722)	(6,607)	(2,323,610)
Net carrying amount	10,280,099	296,255	15,768	56,282	1,050,225	868,187	12,566,816

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 2015							
At 1 January 2015:							
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
At 1 January 2015, net of accumulated depreciation and impairment	3,690,559	129,947	8,900	43,442	194,023	1,853,086	5,919,957
Additions	7,896	1,554	594	12,519	–	1,088,240	1,110,803
Disposals	(763)	(32)	(2,925)	(2,802)	(615)	–	(7,137)
Depreciation provided during the year	(188,710)	(25,570)	(1,272)	(18,255)	(79,226)	–	(313,033)
Transfer from properties under development (note 26)	–	–	–	–	–	29,027	29,027
Transfer to investment properties (note 18)	(47,984)	–	–	–	–	–	(47,984)
Acquisition of subsidiaries	439,590	7,583	2,300	9,670	49,259	2,407	510,809
Transfer to other intangible assets (note 21)	–	–	–	–	–	(60,803)	(60,803)
Transfers	1,110,797	79,443	–	2,251	156,729	(1,349,220)	–
Exchange realignment	2,141	–	–	23	14	–	2,178
At 31 December 2015, net of accumulated depreciation and impairment	5,013,526	192,925	7,597	46,848	320,184	1,562,737	7,143,817
At 31 December 2015:							
Cost	6,068,867	472,321	15,312	196,105	693,439	1,569,350	9,015,394
Accumulated depreciation and impairment	(1,055,341)	(279,396)	(7,715)	(149,257)	(373,255)	(6,613)	(1,871,577)
Net carrying amount	5,013,526	192,925	7,597	46,848	320,184	1,562,737	7,143,817

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Amortisation of land lease payments of approximately RMB27,330,000 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 33.

Certificates of ownership in respect of certain buildings of the Group with a net carrying amount of approximately RMB2,732,561,000 as at 31 December 2016 (31 December 2015: RMB180,418,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

18. INVESTMENT PROPERTIES

2016

	Completed investment properties at fair value RMB'000	Investment properties under construction at fair value RMB'000	Total RMB'000
Carrying amount at 1 January 2016	**2,625,041**	**–**	**2,625,041**
Additions	**322,463**	**–**	**322,463**
Acquisition of a subsidiary(note 38)	**292,330**	**–**	**292,330**
Transfer from completed properties held for sale	**317,987**	**–**	**317,987**
Recognition of change in fair value of completed properties held for sale upon transfer to investment properties	**434,626**	**–**	**434,626**
Transfer from properties under development (note 26)	**–**	**2,455,375**	**2,455,375**
Recognition of change in fair value of properties under development upon transfer to investment properties	**–**	**1,867,993**	**1,867,993**
Transfer to properties under development (note 26)	**(51,848)**	**–**	**(51,848)**
Transfer from construction in process (note 17)	**–**	**718,060**	**718,060**
Transfer to construction in process (note 17)	**–**	**(632,292)**	**(632,292)**
Transfer from prepaid land lease payments (note 19)	**127,492**	**755,330**	**882,822**
Recognition of change in fair value of owner-occupied properties transfer to investment properties	**–**	**421,445**	**421,445**
Net gain from fair value adjustment	**76,240**	**–**	**76,240**
Carrying amount at 31 December 2016	**4,144,331**	**5,585,911**	**9,730,242**

18. INVESTMENT PROPERTIES (continued)

2015 (Restated)

	Completed investment properties at fair value RMB'000	Investment properties under construction at fair value RMB'000	Total RMB'000
Carrying amount at 1 January 2015	1,588,901	—	1,588,901
Additions	211,739	—	211,739
Acquisition of a subsidiary	380,271	—	380,271
Transfer from property, plant and equipment (note 17)	47,984	—	47,984
Recognition of change in fair value of from property, plant and equipment transfer to investment properties	216,746	—	216,746
Net gain from a fair value adjustment	185,181	—	185,181
Disposal	(5,781)	—	(5,781)
Carrying amount at 31 December 2015	2,625,041	—	2,625,041

The Group's investment properties consist of commercial properties in Mainland China. The directors 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. The Group's investment properties were revalued on 31 December 2016 based on valuations performed by Guo Zhong Lian Land Real Estate Assets Appraisal Co., Ltd ("Guo Zhong Lian"), an independent professionally qualified valuer, at approximately RMB9,730,242,000. 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 twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

The Group's investment properties are held under medium term leases and are situated in Mainland China. Details of the Group's investment properties pledged to secure the Group's interest-bearing bank loans are set out in note 33.

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately RMB115,987,000 as at 31 December 2016 (2015: RMB115,035,700) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

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 2016 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	**–**	**–**	**9,730,242**	**9,730,242**

	Fair value measurement as at 31 December 2015 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	–	–	2,625,041	2,625,041

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

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18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range 2016	2015
Commercial properties	Discounted cash flow method	Estimated rental value (per s.q.m. and per month)	**RMB14-RMB616**	RMB17-RMB625
		Rent growth (p.a.)	**2%-5%**	3%-5%
		Long term vacancy rate	**1%-10%**	0%-10%
		Discount rate	**5%-7%**	5%-8%
	Residual method	Budgeted construction cost to be incurred (per s.q.m)	**RMB80-RMB689**	RMB792-RMB3,858
		Remaining percentage to completion	**2%-15%**	15%-50%
		Anticipated developer's profit margin	**25%**	6%-25%
	Comparison method	Market unit sale rate (per s.q.m)	**RMB4,735-RMB10,681**	RMB10,000

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The residual method of valuation is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs, interest payment and profit on land.

The fair values of 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, characteristics and location are analysed 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. PREPAID LAND LEASE PAYMENTS

	Notes	**2016**	2015
		RMB'000	RMB'000
			(Restated)
Carrying amount at 1 January		**4,241,320**	3,662,657
Acquisition of subsidiaries	38	**2,488,501**	327,345
Additions		**90,870**	92,052
Transfer to properties under development	26	**(7,280)**	—
Transfer from properties under development	26	**166,520**	335,997
Transfer to investment properties (note 18)		**(882,822)**	(33,790)
		6,097,109	4,384,261
Amortisation provided during the year		**(210,728)**	(142,941)
Carrying amount at 31 December		**5,886,381**	4,241,320
Current portion included in prepayments, deposits and other receivables		**(235,654)**	(148,791)
Non-current portion		**5,650,727**	4,092,529

The Group's leasehold land are held under medium term leases and are 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 33.

The Group is in the process of applying for the certificates for a land use right with an aggregate carrying amount of approximately RMB1,035,110,000 as at 31 December 2016 (31 December 2015: RMB1,064,760,000).

Included in the amortisation provided during the year was an amount of approximately RMB 27,330,000, 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

	2016 RMB'000	2015 RMB'000
At 1 January:		
Cost	**377,252**	377,252
Accumulated impairment	**(93,318)**	(25,148)
Net carrying amount	**283,934**	352,104
Cost at 1 January, net of accumulated impairment	**283,934**	352,104
Impairment provided during the year	**—**	(68,170)
Acquisition of subsidiaries	**1,308,730**	—
Cost and net carrying amount at 31 December	**1,592,664**	283,934
At 31 December:		
Cost	**1,685,982**	377,252
Accumulated impairment	**(93,318)**	(93,318)
Net carrying amount	**1,592,664**	283,934

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

The recoverable amount of each CGU has been 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% (2015: 8% to 11%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranging from 2% to 3% (2015: 2% to 3%). The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management best estimates.

In the opinion of the Company's directors, a decrease in the growth rate by 10% to 15% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB 32,171,000 to RMB 179,689,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

20. GOODWILL (continued)

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

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
At 31 December 2015	269,276	14,477	181	283,934
At 31 December 2016	**1,576,625**	**14,477**	**1,562**	**1,592,664**

Assumptions were used in the value in use calculation of the CGUs for 31 December 2016 and 2015. 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% (2015: Nil to 5%).

The values assigned to the key assumption on market development of CGUs, discount rates and purchase price inflation are consistent with external information sources.

21. OTHER INTANGIBLE ASSETS

	Notes	Computer software 2016 RMB'000	2015 RMB'000
Cost at 1 January, net of accumulated amortisation		**57,405**	2,672
Additions		**2,944**	2,290
Acquisition of subsidiaries	38	**756**	7,301
Amortisation provided during the year		**(13,540)**	(15,661)
Transfer from construction in progress	17	**727**	60,803
At 31 December		**48,292**	57,405
At 31 December:			
Cost		**86,433**	82,006
Accumulated amortisation		**(38,141)**	(24,601)
Net carrying amount		**48,292**	57,405

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

22. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Share of net assets	**1,193,145**	1,050,022
Goodwill on acquisition	**1,340,232**	1,287,528
	2,533,377	2,337,550

22. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of 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	24.22%	Retail industry
Maoye Communication and Network Co., Ltd. ("**Maoye Communication**")	Ordinary shares of RMB1 each	PRC/ Mainland China	35.46%	Telecommunication industry
Shenzhen UGO E-Commerce Co., Ltd ("**UGO**")	Ordinary shares of RMB1 each	PRC/ Mainland China	20.92%	Electronic commerce industry

(i) Commercial City

Commercial City, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the retail industry and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Commercial City adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Current assets	**1,163,392**	1,677,425
Non-current assets	**2,850,128**	2,985,694
Current liabilities	**(2,617,031)**	(3,344,931)
Non-current liabilities	**(13,858)**	(13,887)
Non-controlling interests of the associate	**(308,597)**	(307,527)
Net assets	**1,074,034**	996,774
Net assets, excluding goodwill	**1,074,034**	996,774
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**24.22%**	24.22%
Group's share of net assets of the associate, excluding goodwill	**260,131**	241,419
Goodwill on acquisition	**32,412**	32,412
Carrying amount of the investment	**234,457**	273,831

22. INVESTMENTS IN ASSOCIATES (continued)

(i) Commercial City (continued)

	2016 RMB'000	2015 RMB'000
Revenue	**376,351**	549,822
Loss for the year	**(162,565)**	(179,719)
Other comprehensive income	**—**	—
Total comprehensive loss for the year	**(162,565)**	(179,719)
Fair value of the Group's investment	**754,547**	1,279,581

(ii) Maoye Communication

Maoye Communication, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the retail industry and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Maoye Communication adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Current assets	**934,377**	1,387,722
Non-current assets	**3,598,972**	3,535,020
Current liabilities	**(1,119,297)**	(1,115,329)
Non-current liabilities	**—**	(597,000)
Non-controlling interests of an associate	**—**	—
Net assets excluding non-controlling interests	**3,414,052**	3,210,413
Goodwill of an associate	**(793,787)**	(793,787)
Net assets, excluding goodwill	**2,620,265**	2,416,626
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**35.46%**	33.46%
Group's share of net assets of the associate, excluding goodwill	**929,146**	808,603
Goodwill on acquisition	**1,307,820**	1,255,116
Carrying amount of the investment	**2,236,966**	2,063,719

22. INVESTMENTS IN ASSOCIATES (continued)

(ii) Maoye Communication (continued)

	2016 RMB'000	2015 RMB'000
Revenue	**1,795,866**	2,505,446
Profit for the year	**176,500**	225,550
Other comprehensive income	**—**	—
Total comprehensive income for the year	**176,500**	225,550
Dividend received	**5,512**	9,949
Fair value of the Group's investment	**3,367,202**	3,304,228

(iii) UGO

As at 8 March 2016, the Group increased its investment in UGO by RMB30,000,000, thus increasing its share in UGO from 13.04% to 20.92%. As a result, UGO is considered an associate of the Group, and a strategic partner of the Group engaged in the electronic commerce industry and is accounted for using the equity method.

The following table illustrates the aggregate financial information of UGO that is not individually material:

	2016 RMB'000
Profit for the year	**18,565**
Other comprehensive income	**—**
Total comprehensive income	**18,565**
Carrying amount of the Group's investments in the associate	**61,955**

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2016 RMB'000	2015 RMB'000
Listed equity investments, at fair value	**1,285,069**	1,336,823
Unlisted equity investments, at cost	**489,007**	195,242
	1,774,076	1,532,065
Provision for impairment	**(5,885)**	(5,885)
	1,768,191	1,526,180

During the year, the gross loss in respect of the Group's available-for-sale equity investments recognized in other comprehensive loss amounted to RMB 243,847,000 (gross gain in 2015: RMB105,025,000), of which Nil (2015: Nil) 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 2016, certain unlisted equity investments with a carrying amount of RMB489,007,000 (2015: RMB195,242,000) 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.

24. DEFERRED TAX

Movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Revaluation of available-for-sale equity investments RMB'000	Revaluation of investment properties RMB'000 (Restated)	Deemed disposal of available-for-sale equity investments RMB'000	Deemed disposal of a subsidiary RMB'000	Amortisation of prepaid land lease prepayments RMB'000	Withholding taxes RMB'000	Capitalisation of borrowing costs RMB'000	Total RMB'000
At 1 January 2015 (Restated)	504,445	62,129	265,846	8,903	263,781	25,325	20,976	212,054	1,363,459
Acquisition of a subsidiary	56,959	–		–	–	–	–	–	56,959
Deferred tax credited to equity during the year	–	26,256	54,187	–	–	–	–	–	80,443
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 14)	(23,939)	–	57,114	(1,523)	–	(15)	(12,482)	80,571	99,726
At 31 December 2015 and 1 January 2016	**537,465**	**88,385**	**377,147**	**7,380**	**263,781**	**25,310**	**8,494**	**292,625**	**1,600,587**
Acquisition of subsidiaries (note 38)	**944,835**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**944,835**
Deferred tax credited to equity during the year	**–**	**(60,962)**	**681,017**	**–**	**–**	**–**	**–**	**–**	**620,055**
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 14)	**(53,029)**	**–**	**25,551**	**–**	**–**	**–**	**9,592**	**80,276**	**62,390**
At 31 December 2016	**1,429,271**	**27,423**	**1,083,715**	**7,380**	**263,781**	**25,310**	**18,086**	**372,901**	**3,227,867**

24. DEFERRED TAX (continued)

Deferred tax assets

	Provisions and accruals RMB'000	Provision for retirement benefits RMB'000	Impairment of current assets RMB'000	Revaluation of financial assets held for trading RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealized intercompany transaction profit RMB'000	Advance from customers RMB'000	Total RMB'000
At 1 January 2015	10,240	2,542	5,540	–	85,698	191,471	24,666	320,157
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 14)	(3,281)	(262)	4,654	13,555	(12,305)	151,600	2,766	156,727
Acquisition of a subsidiary	1,584	–	3,380	–	1,894	5,317	–	12,175
At 31 December 2015 and 1 January 2016	**8,543**	**2,280**	**13,574**	**13,555**	**75,287**	**348,388**	**27,432**	**489,059**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 14)	**1,414**	**179**	**(918)**	**990**	**71,929**	**26,863**	**(8,899)**	**91,558**
At 31 December 2016	**9,957**	**2,459**	**12,656**	**14,545**	**147,216**	**375,251**	**18,533**	**580,617**

For presentation purposes, certain deferred assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognized in the consolidated statement of financial position	**13,399**	22,298

The Group had tax losses of approximately RMB1,923,055,000 as at 31 December 2016 (31 December 2015: RMB808,916,000), that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of the following items:

	2016 RMB'000	2015 RMB'000
Tax losses	**1,334,191**	507,768

24. DEFERRED TAX (continued)

Deferred tax assets (continued)

Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

The Group has recognized deferred tax assets of approximately RMB72,000,000 as at 31 December 2016 (31 December 2015: RMB64,259,000), the utilisation of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The amount of deferred tax assets is based on the profit forecast approved by the management of the Group.

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 the 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 2016, the deferred tax liabilities of undistributed profits were not provided was RMB296,332,000 (2015: RMB253,314,000).

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

25. INVENTORIES

	2016 **RMB'000**	2015 RMB'000
Merchandise for resale	**286,547**	202,736
Provision against slow-moving inventories	**(7,004)**	(7,047)
	279,543	195,689

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

	2016 **RMB'000**	2015 RMB'000
At 1 January	**7,047**	7,083
Amount written off during the year	**(43)**	(36)
At 31 December	**7,004**	7,047

26. PROPERTIES UNDER DEVELOPMENT

	Notes	**2016 RMB'000**	2015 RMB'000
Land lease prepayments, at cost			
At 1 January		**2,865,502**	3,296,541
Additions		**399,617**	—
Refund of land lease prepayments		**—**	(11,514)
Acquisition of a subsidiary	38	**45,401**	101,400
Transfer from prepaid land lease payments	19	**7,280**	—
Transfer to land lease prepayments	19	**(166,520)**	(335,997)
Transfer to completed properties held for sale		**(528,630)**	(184,928)
Transfer to investment properties	18	**(708,804)**	—
Transfer from investment properties	18	**51,848**	—
At 31 December		**1,965,694**	2,865,502
Development expenditure, at cost			
At 1 January		**4,300,102**	3,763,158
Additions		**1,764,426**	1,269,522
Transfer to construction in progress	17	**(150,705)**	(29,027)
Transfer to property, plant and equipment	17	**(117,150)**	—
Transfer to completed properties held for sale		**(1,388,462)**	(653,225)
Acquisition of subsidiaries	38	**223,090**	3,342
Transfer to investment properties	18	**(1,746,571)**	(37,211)
Impairment of properties under development	11	**—**	(16,457)
At 31 December		**2,884,730**	4,300,102
		4,850,424	7,165,604

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

The Group's properties under development are held under medium term leases 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 33.

The Group is in the process of applying for the certificates for a land use right included in properties under development with an aggregate carrying amount of approximately Nil as at 31 December 2016 (31 December 2015: Nil).

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27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	RMB'000	RMB'000
Listed equity investments, at market value	**246,584**	250,535

The above equity investments at 31 December 2015 and 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

28. TRADE RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables	**36,098**	36,180
Impairment	**(15,744)**	(15,477)
	20,354	20,703

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.

28. TRADE RECEIVABLES (continued)

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

	2016 RMB'000	2015 RMB'000
Within 60 days	**5,872**	4,599
61 to 90 days	**488**	281
91 to 180 days	**1,308**	1,157
181 to 270 days	**49**	533
271 to 360 days	**69**	2,966
Over 360 days	**28,312**	26,644
	36,098	36,180
Impairment	**(15,744)**	(15,477)
	20,354	20,703

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

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

	2016 RMB'000	2015 RMB'000
At 1 January	**15,477**	470
Acquisition of a subsidiary	**—**	12,828
Impairment losses recognized during the year	**382**	2,246
Amount reversed during the year	**(115)**	(32)
Amount written off during the year	**—**	(35)
At 31 December	**15,744**	15,477

Included in the above provision for impairment of trade receivables as at 31 December 2016 was a provision for individually impaired trade receivables of RMB15,744,000 (31 December 2015: RMB15,477,000) with a gross carrying amount before provision of approximately RMB15,744,000 (31 December 2015: RMB15,477,000).

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.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Non-current assets		
Prepayments	**323,855**	1,121,792
Current assets		
Prepayments	**428,867**	299,301
Deposits and other receivables	**2,649,862**	1,577,716
	3,078,729	1,877,017
Impairment of other receivables	**(16,355)**	(15,239)
	3,062,374	1,861,778

The balances due from related companies included in the above are as follows:

	2016 RMB'000	2015 RMB'000
Associates	**200,304**	15,447
Fellow subsidiaries	**223,066**	234,290
Non-controlling shareholders of subsidiaries	**208,561**	858
A company significantly influenced by a director of the Company	**147,401**	147,401
	779,332	397,996

Included in the balances due from an associate is the principal amount of RMB184,238,000 (2015: RMB10,000,000). The loans granted to Commercial City bear interest at a rate of 10% per annum and have one-year terms of repayment. During the year, the interest income generated from the loans was RMB9,021,000 (2015: RMB2,219,000). As at 31 December 2016, the total amount of the current loans and receivables was RMB195,478,000.

Included in the balances due from non-controlling shareholders of subsidiaries is the principal amount of RMB200,000,000 (2015: Nil). The loans granted to Victory Investment Holdings Co., Ltd bear interest at a rate of 14% per annum and have one-year terms of repayment. During the year, the interest income generated from the loans was RMB5,677,000 (2015: Nil). As at 31 December 2016, the total amount of the current loans and receivables was RMB205,677,000.

The rest of the amounts due from associates and other related companies are unsecured, interest-free and repayable on demand.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	2016 RMB'000	2015 RMB'000
At 1 January	**15,239**	14,607
Acquisition of subsidiaries	**2,784**	692
Impairment losses recognised/(reversed) during the year (note 11)	**1,208**	(57)
Amounts written off during the year	**(2,876)**	(3)
At 31 December	**16,355**	15,239

Included in the above provision for impairment of other receivables as at 31 December 2016 was a provision for individually impaired other receivables of approximately RMB16,355,000 (31 December 2015: RMB15,239,000) with a gross carrying amount of approximately RMB16,355,000 (31 December 2015: RMB15,239,000). 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.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**1,127,580**	1,248,868
Time deposits	**146,028**	59,488
	1,273,608	1,308,356
Less: Pledged time deposits for bank loans	**—**	(10,869)
Pledged bank balances for construction in progress	**(35,069)**	(33,128)
Pledged time deposits for housing fund loans	**(9,170)**	(3,855)
Pledged bank balances for mortgages	**(7,788)**	(11,637)
Pledged bank balances for suppliers' loans	**(525)**	—
Pledged bank balances for acquiring loans from banks	**(80,000)**	—
Pledged time deposit for bank acceptance bills	**(13,476)**	—
Cash and cash equivalents	**1,127,580**	1,248,868

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

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

	2016 RMB'000	2015 RMB'000
RMB	**1,123,425**	1,274,650
Hong Kong dollar	**10,328**	30,835
United States dollar	**139,854**	2,859
Great British pound	**1**	12
	1,273,608	1,308,356

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB1,123,425,000 (2015: RMB1,274,650,000). 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.

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.

31. 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:

	2016 RMB'000	2015 RMB'000
Within 90 days	**2,132,672**	1,641,140
91 to 180 days	**578,506**	54,841
181 to 360 days	**56,552**	75,932
Over 360 days	**305,676**	255,478
	3,073,406	2,027,391

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

The Group's bills payable amounted to RMB3,500,000 as at 31 December 2016 (31 December 2015: Nil).

32. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Deferred income	1,853,348	1,788,527
Deposits received	482,390	284,038
Accrued operating lease rental expenses	80,357	53,647
Accrued utilities	27,964	16,021
Accrued liabilities	269,766	294,953
Accrued staff costs	57,964	48,713
Provision for coupon liabilities	115,870	36,764
Value-added tax and other tax payables	337,416	(143,702)
Payables for construction	1,974,362	921,443
Loans borrowing from a fellow subsidiary	1,229,047	—
Other payables	1,416,980	1,886,768
	7,845,464	5,187,172

The balances due to related companies included in the above are as follows:

	2016 RMB'000	2015 RMB'000
Associates	108	756,003
Fellow subsidiaries	1,242,310	10,084
An non-controlling shareholder of a subsidiary	218,530	—
A company significantly influenced by a director of the Company	1,806	—
	1,462,756	766,087

Included in the balances due to fellow subsidiaries is the principal amount of RMB1,199,377,000 (2015: Nil). The loans were borrowed from Shenzhen Maoye Group, bear interest at a rate of 4.79% per annum and have a one-year term of repayment. During the year, the interest expenses generated from the loans were RMB28,732,000 (2015: Nil). As at 31 December 2016, the total amount of the current loans and receivables was RMB1,228,109,000 (2015:Nil).

The rest of the amounts due to associates and other related companies are unsecured, interest-free and repayable on demand.

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

33. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured	**5.00-6.49**	**2017**	**7,223,980**	5.00-6.90	2016	1,467,983
Current portion of long term interest-bearing bank loans – unsecured	**6.70**	**2017**	**699,054**	5.52-6.05	2016	1,498,579
Current portion of long term interest-bearing bank loans – secured	**5.46-6.9**	**2017**	**1,461,184**	3.33-8.80 3.1 over LIBOR	2016	1,829,908
USD senior notes – secured	**7.75**	**2017**	**1,530,087**	–	–	–
Other loans	**–**	**–**	**–**	3.84-5.23	2016	2,996,710
			10,914,305			7,793,180
Non-current						
Non-current portion of interest-bearing bank loans – secured	**5.00-12.50**	**2018-2025**	**5,661,672**	5.37-7.53	2017-2020	2,485,617
Other loans – unsecured	**4.00-4.50**	**2018-2021**	**2,780,415**	6.70	2017	697,294
USD senior notes – secured	**–**	**–**	**–**	7.75	2017	1,939,952
			8,442,087			5,122,863
			19,356,392			12,916,043

	2016	2015
	RMB'000	RMB'000
Analysed into:		
Bank and other loans repayable:		
Within one year	**10,914,305**	7,793,180
In the second year	**1,205,547**	4,125,828
In the third to fifth years, inclusive	**6,746,540**	735,322
Beyond five years	**490,000**	261,713
	19,356,392	12,916,043

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

(a) Certain of the Group's bank loans are secured by:

(i) certain land and buildings of the Group with a net carrying amount of approximately RMB3,272,990,000 (31 December 2015: RMB1,167,705,000);

(ii) certain investment properties of the Group with a net carrying amount of approximately RMB4,198,868,000 (31 December 2015: RMB307,718,000);

(iii) certain land lease prepayments of the Group with a net carrying amount of approximately RMB1,245,743,000 (31 December 2015: RMB1,037,260,000);

(iv) certain completed properties held for sale of the Group with a net carrying amount of approximately Nil (31 December 2015: RMB317,987,000);

(v) certain properties under development of the Group with a net carrying amount of approximately RMB529,908,000 (31 December 2015: RMB1,932,820,000); and

(vi) certain stock of Maoye Commercial with a fair value of RMB3,278,600,000. The margin maintenance point is 130%-150%. The performance guarantee ratio (value of underlying security divided by the total amount payable of the borrowings) is 196% at the financial year end; certain stock of Dashang Group Co., Ltd. with a fair value of RMB608,779,600. The margin maintenance point is 130%. The performance guarantee ratio (value of underlying security divided by the total amount payable of the borrowings) is 272% at the financial year end; and certain stock of Maoye Communication with a fair value of RMB1,527,000,000. The margin maintenance point is 130%. The performance guarantee ratio (value of underlying security divided by the total amount payable of the borrowings) is 219% at the financial year end.

In addition, Zhongzhao, Shenzhen Maoye Group, Maoye commercial, Victory Investment Holding Co., Limited, Hohhot Litian Investment and Property Co., Limited, Mr. Huang Mao Ru and Mrs. Huang Jingzhang (spouse of Mr. Huang Mao Ru), Mr. Zou zhaobin and Mrs.Chen liping (spouse of Mr. Zou zhaobin), Mr. Chen qiangan and Mrs. Gao chenlian (spouse of Mr. Chen qiangan), Mr. Lin zhijian and Mrs Ye aiyu (spouse of Mr. Lin zhijian), have guaranteed certain of the Group's bank loans up to RMB3,052,125,000 (2015: RMB2,042,040,800) as at the end of the reporting year.

(b) Except for the 7.75% secured USD senior notes of RMB1,530,087,000 (2015: RMB1,939,952,000) which is denominated in United States dollars, all borrowings are in RMB.

(c) Except for bank loans with a carrying amount of RMB14,675,536,000 (2015:RMB 9,606,113,000) at fixed interest rates, all borrowings bear interest at floating interest rates.

The Group had the following undrawn banking facilities:

	2016	2015
	RMB'000	RMB'000
Amount of undrawn banking facilities	**67,000**	483,525

34. PROVISION FOR RETIREMENT BENEFITS

	2016 RMB'000	2015 RMB'000
Defined benefit obligations	**9,003**	8,922
Long-term retirement benefits	**92**	198
Less: current portion of retirement benefits	**(892)**	(1,068)
	8,203	8,052

The Group and the Company provide certain of the eligible staff with post-retirement benefits pursuant to a retirement benefit plan. The plan is funded solely by the Group on an actual payment basis.

The latest actuarial valuation of the plan was carried out on 31 December 2016 by the Willis Towers Watson Company, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2016	2015
Discount rate (%)	**3.00%**	3.65%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 is shown below:

	Increase in rate%	Increase/ (decrease) in net defined benefit obligation	Decrease in rate %	Increase/ (decrease) in net defined benefit obligation
Discount rate	0.25%	(179)	0.25%	186

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The total expenses recognized in the consolidated statement of profit or loss and comprehensive income in respect of the plan are as follows:

	2016 RMB'000	2015 RMB'000
Interest cost	**307**	360
Net benefit expenses	**307**	360
Recognized in finance costs	**307**	360

34. PROVISION FOR RETIREMENT BENEFITS (continued)

The movements in the present value of the defined benefit obligations are as follows:

	2016	2015
	RMB'000	RMB'000
At 1 January	**8,922**	9,850
Interest cost	**307**	360
Pension payments made	**(981)**	(817)
Benefit expenses recognized in other comprehensive income	**755**	(471)
At 31 December	**9,003**	8,922

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2015

		Pension cost charged to profit or loss			Remeasurement gains in other comprehensive income			
	1 January 2015 RMB'000	Net interest RMB'000	Sub-total included in profit or loss RMB'000	Benefit paid RMB'000	Actuarial changes arising from changes in financial assumptions RMB'000	Experience adjustments RMB'000	Sub-total included in other comprehensive income RMB'000	31 December 2015 RMB'000
Defined benefit obligations	9,850	360	360	(817)	(335)	(136)	(471)	8,922
Benefit liability	9,850	360	360	(817)	(335)	(136)	(471)	8,922

2016

		Pension cost charged to profit or loss			**Remeasurement gains in other comprehensive income**			
	1 January 2016 RMB'000	**Net interest RMB'000**	**Sub-total included in profit or loss RMB'000**	**Benefit paid RMB'000**	**Actuarial changes arising from changes in financial assumptions RMB'000**	**Experience adjustments RMB'000**	**Sub-total included in other comprehensive income RMB'000**	**31 December 2016 RMB'000**
Defined benefit obligations	**8,922**	**307**	**307**	**(981)**	**755**	**–**	**755**	**9,003**
Benefit liability	**8,922**	**307**	**307**	**(981)**	**755**	**–**	**755**	**9,003**

35. ISSUED CAPITAL

	2016 HK$'000	2015 HK$'000
Issued and fully paid:		
5,140,326,000 (31 December 2015: 5,141,635,000) ordinary shares of HK$0.10 each	**514,033**	514,164
Equivalent to RMB'000	**460,153**	460,270

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 2015	5,197,632,000	465,206	1,638,142	2,103,348
Repurchase and cancellation of shares	(55,997,000)	(4,936)	(61,850)	(66,786)
At 31 December 2015 and At 1 January 2016	**5,141,635,000**	**460,270**	**1,576,292**	**2,036,562**
Repurchase and cancellation of shares	**(1,309,000)**	**(117)**	**(727)**	**(844)**
At 31 December 2016	**5,140,326,000**	**460,153**	**1,575,565**	**2,035,718**

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

The Company purchased 1,309,000 of its shares on the Hong Kong Stock Exchange for a consideration of RMB844,000 which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The purchased shares were cancelled during the year and the total amount paid for the purchase of the shares of RMB727,000 has been charged to retained profits of the Company.

Notes to Financial Statements

31 December 2016

36. RESERVES

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 on pages 69 to 70 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, Maoye Communication (Formerly Bohai Logistics Co. Ltd). Pursuant to the agreement, Zhongzhao has agreed to transfer its 100% equity interest in Qinhuangdao Maoye to Maoye Communication. As the consideration, Maoye Communication has agreed to issue to Zhongzhao such a number of new shares of Maoye Communication representing an aggregate value of RMB580,000,000 at an issue price of RMB5.45 per share. On 7 May 2012, Maoye Communication 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 Maoye Communication to Zhongzhao. Thereafter, the equity interest of Zhongzhao in Maoye Communication had increased from 29.90% to 46.70%. The difference of RMB1,729,000 being the excess of the nominal value of the new shares issued by Maoye Communication over the norminal value of the 100% equity interest in Qinhuangdao Maoye was recognized 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.

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.

37. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests is set out below:

	2016	2015
Percentage of equity interests held by non-controlling interests:		
Zhanye	**49%**	49%

	2016	2015
	RMB'000	RMB'000
Loss for the year allocated to non-controlling interests:		
Zhanye	**(30,554)**	(35,656)
Accumulated balances of non-controlling interests at the reoorting dates:		
Zhanye	**207,753**	238,307

The following tables illustrate the summarised financial information of Zhanye. The amounts disclosed are before any inter-company eliminations:

	2016	2015
	RMB'000	RMB'000
Revenue and other income	**—**	—
Cost and expenses	**(62,355)**	(68,653)
Tax	**—**	(4,114)
Loss for the year	**(62,355)**	(72,767)
Total comprehensive income for the year	**—**	—
Current assets	**907,788**	911,966
Non-current assets	**4,203**	4,248
Current liabilities	**(864,802)**	(806,670)
Non-current liabilities	**—**	—
Net cash flows (used in)/from operating activities	**(74)**	21,132
Net cash flows used in investing activities	**—**	(2,181)
Net cash flows used in financing activities	**—**	(21,059)
Net decrease in cash and cash equivalents	**(74)**	(2,108)

38. BUSINESS COMBINATION

(i) Acquisition of Renhe Chuntian

As at 16 October 2015, Chengshang Holding Limited Company ("Chengshang Holding"), an indirect holding subsidiary of the Company, has entered into an agreement with Renhe Industrial (Group) Co., Ltd ("Renhe Industrial") for the acquisition of a 100% equity interest in Renhe Chuntian. Pursuant to the agreement, the proposed cash consideration for Renhe Chuntian is RMB742,324,000. As at 23 February 2016, the Group delegated directors to Renhe Chuntian, accomplishing the acquisition of Renhe Chuntian. Renhe Chuntian is engaged in operation of a department store in Chengdu, Sichuan Province, the PRC. 100% of the purchase consideration for the acquisition was paid with RMB742,324,000.

The fair values of the identifiable assets and liabilities of Renhe Chuntian as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000
Property, plant and equipment	17	567,523
Land lease prepayments	19	252,400
Trade receivables		54
Prepayments and other receivables		187,783
Inventories		21,498
Available-for-sale financial assets		40,000
Loans and receivables		493,121
Cash and cash equivalents		11,952
Trade and bills payables		(195,875)
Deposits received, accruals and other payables		(364,134)
Tax payable		(19,879)
Long-term loans		(309,200)
Deferred tax liabilities		(146,738)
Total identifiable net assets at fair value		538,505
Goodwill on acquisition		203,819
Satisfied by cash		742,324

38. BUSINESS COMBINATION (continued)

(i) Acquisition of Renhe Chuntian (continued)

The fair values of the trade receivables and prepayments and other receivables as at the date of acquisition amounted to RMB54,000 and RMB187,783,000, respectively.

The Group incurred transaction costs of RMB2,773,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

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

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

	RMB'000
Cash consideration	(742,324)
Offset of other receivables from Renhe Industrial and its subsidiaries	467,860
Prepayment made in the previous year	148,465
Cash and cash equivalents acquired	11,952
Net outflow of cash and cash equivalents included in cash flows from investing activities	(114,047)

Since the acquisition, Renhe Chuntian contributed RMB445,776,000 to the Group's revenue and RMB44,249,000 to the consolidated profit of the Group for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB553,633,000 and RMB59,354,000.

(ii) Acquisition of Qingyang District Renhe Chuntian

As at 16 October 2015, Chengshang Holding has entered into an agreement with Grand Collection Co., Ltd. for the acquisition of a 100% equity interest in Qingyang District Renhe Chuntian. Pursuant to the agreement, the proposed cash consideration for Qingyang District Renhe Chuntian is RMB1,732,093,000. As at 26 February 2016, the Group delegated directors to Qingyang District Renhe Chuntian, accomplishing the acquisition of Qingyang District Renhe Chuntian. Qingyang District Renhe Chuntian is engaged in operation of a department store in Chengdu, Sichuan Province, the PRC. 94% of the purchase consideration for the acquisition was paid with RMB1,635,674,000 and the remaining RMB96,419,000 will be settled on March 2017.

38. BUSINESS COMBINATION (continued)

(ii) Acquisition of Qingyang District Renhe Chuntian (continued)

The fair values of the identifiable assets and liabilities of Chengdu Qingyang District Renhe as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000
Property, plant and equipment	17	812,966
Land lease prepayments	19	350,087
Other intangible assets	21	399
Prepayments and other receivables		49,486
Available-for-sale financial assets		106,000
Inventories		29,046
Cash and cash equivalents		25,596
Trade and bills payables		(157,179)
Deposits received, accruals and other payables		(62,790)
Tax payable		(4,500)
Deferred tax liabilities		(205,944)
Total identifiable net assets at fair value		943,167
Goodwill on acquisition		788,926
Satisfied by cash		1,732,093

The fair value of the prepayments and other receivables as at the date of acquisition amounted to RMB49,486,000.

The Group incurred transaction costs of RMB4,867,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

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

38. BUSINESS COMBINATION (continued)

(ii) Acquisition of Qingyang District Renhe Chuntian (continued)

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

	RMB'000
Cash consideration	(1,732,093)
Prepayment made in the previous year	346,418
Other payables	96,419
Cash and cash equivalents acquired	25,596
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,263,660)

Since the acquisition, Chengdu Qingyang District Renhe contributed RMB850,617,000 to the Group's revenue and RMB76,542,000 to the consolidated profit of the Group for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,036,658,000 and RMB98,166,000.

(iii) Acquisition of Inner Mongolia Victory Group

As at 5 April 2016, Maoye Commercial Co., Ltd. ("Maoye Commercial") has entered into the agreement with twenty vendors (joint holders of Inner Mongolia Victory Group) for the acquisition of a 70% equity interest in Inner Mongolia Victory Group. Pursuant to the agreement, the proposed cash consideration for Inner Mongolia Victory Group is RMB1,565,300,000. As at 25 May 2016, the Group delegated directors to Inner Mongolia Victory Group and had five of nine board seats in the board of directors, accomplishing the acquisition of Inner Mongolia Victory Group. The purchase consideration for the acquisition was paid with RMB1,408,770,000 and the remaining RMB156,530,000 will be settled on April 2017.

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

38. BUSINESS COMBINATION (continued)

(iii) Acquisition of Inner Mongolia Victory Group (continued)

The fair value of the identifiable assets and liabilities of Inner Mongolia Victory Group as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000
Property, plant and equipment	17	3,648,511
Land lease prepayments	19	1,886,014
Investment properties	18	292,330
Properties under development	26	268,491
Completed properties held for sale		3,929
Goodwill		1,380
Available-for-sale equity investments		10,000
Other intangible assets	21	357
Prepayments		850
Inventories		98,912
Prepayments and other receivables		337,096
Trade receivables		4,673
Cash and cash equivalents		224,926
Short term loans		(462,586)
Trade and bills payables		(652,173)
Deposits received, accruals and other payables		(2,064,075)
Tax payable		(23,327)
Long-term loans		(1,196,448)
Deferred tax liabilities		(592,153)
Total identifiable net assets at fair value		1,786,707
Non-controlling interests		(536,012)
Goodwill on acquisition		314,605
Satisfied by cash		1,565,300

38. BUSINESS COMBINATION (continued)

(iii) Acquisition of Inner Mongolia Victory Group (continued)

The fair values of the trade receivables and prepayments and other receivables as at the date of acquisition amounted to RMB4,673,000 and RMB337,096,000, respectively.

The Group incurred transaction costs of RMB15,650,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

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

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

	RMB'000
Cash consideration	(1,565,300)
Other payables	156,530
Cash and cash equivalents acquired	224,926
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,183,844)

Since the acquisition, Inner Mongolia Victory contributed RMB2,008,621,000 to the Group's revenue and RMB74,995,000 to the consolidated profit of the Group for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB3,628,207,000 and RMB111,283,000.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

	2016	2015
	RMB'000	RMB'000
Within one year	**428,609**	241,750
In the second to fifth years, inclusive	**961,295**	594,805
After five years	**536,670**	477,291
	1,926,574	1,313,846

(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 fourteen years.

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

	2016	2015
	RMB'000	RMB'000
Within one year	**425,239**	221,056
In the second to fifth years, inclusive	**1,456,040**	735,680
After five years	**2,485,807**	1,786,172
	4,367,086	2,742,908

40. COMMITMENTS

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

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for, in respect of land and buildings	**3,359,330**	3,136,124

41. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2016 RMB'000	2015 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye Group (i) & (vi)	**25,909**	23,361
Zhong Zhao Investment (Group) Limited (中兆投資(集團)有限公司) (i) & (vi)	**19,790**	16,740
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (vi)	**75,891**	71,120
Shenzhen Chongde Real Estate Co., Ltd. (深圳市崇德地產有限公司) (i) & (vi)	**–**	153
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (v)	**7,566**	6,933
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (vi)	**30,581**	25,630
Shenzhen Friendship Trading Centre Co., Ltd. ("Shenzhen Friendship") (深圳友誼貿易中心有限公司) (iv) & (vi)	**1,881**	22,443
	161,618	166,380
Management fee income from the operation of department stores:		
Wuxi Maoye Property Co., Ltd. Shopping Centre Branch (無錫茂業置業有限公司購物中心分公司) (i) & (vii)	**4,048**	4,365
Changzhou Taifu Real Estate Development Co., Ltd. (常州泰富房地產開發有限公司) (i) & (vii)	**10**	31
	4,058	4,396
Management fee expenses from the operation of a department store:		
Commercial City (ii) & (viii)	**593**	515

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2016 RMB'000	2015 RMB'000
(2) Non-recurring transactions		
Providing loans for:		
Commercial City (ii) & (x)	**190,000**	10,000
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v) & (xi)	**200,000**	—
	390,000	10,000
Interest income from providing loans for:		
Commercial City (ii) & (x)	**9,021**	2,219
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v) & (xi)	**5,677**	—
	14,698	2,219
Receiving loans from:		
Shenzhen Maoye Group (i) & (xii)	**1,214,500**	—
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v) & (xi)	**62,000**	—
	1,276,500	—
Interest expense from borrowing loans from:		
Shenzhen Maoye Group (i) & (xii)	**28,732**	—
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i) & (ix)	**594,000**	1,670,000
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (iii) & (ix)	**880,000**	800,000
	1,474,000	2,470,000

(i) They are fellow subsidiaries of the Company.

(ii) It is an associate of the Company.

(iii) Mr. Huang Mao Ru is a director of this company.

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

(v) Victory Investment Holdings Co., Ltd is a non-controlling shareholder of Maoye Commercial's subsidiary, Inner Mongolia Victory Commercial (Group) Management Co., Limited.

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

(vii) 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.

(viii) The management fee expenses from the operation of a department store was determined based on the underlying contracts as agreed between the Group and the associate of the Company.

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

(x) Commercial City borrowed loans from Shenzhen Maoye Shangsha with the amounts of principal of RMB190,000,000, which bear interest at a rate of 10% per annum and have one-year terms of repayment.

(xi) In October 2016, Victory Investment Holdings Co., Ltd borrowed loans from Shenzhen Maoye Shangsha with the amounts of principal of RMB200,000,000, which bears interest at a rate of 14% per annum and have one-year terms of repayment. In December 2016, Shenzhen Maoye Shangsha borrowed loans from Victory Investment Holdings Co., Ltd with the amounts of RMB62,000,000, which bear no interest and have been repaid by January 2017.

(xii) Shenzhen Maoye Group provided loans for Shenzhen Maoye Shangsha with the amounts of principal of RMB1,214,500,000, which bear interest at a rate of 4.79% per annum and have one-year terms of repayment.

(b) Outstanding balances with related parties:

(i) Details of the Group's loans from its fellow subsidiary as at the end of the reporting period are included in note 32 to the financial statements.

(ii) Details of the Group's loans to its associate as at the end of the reporting period are included in note 29 to the financial statements.

(iii) Details of the Group's outstanding balances with fellow subsidies and other related parties as at the end of the reporting period are included in notes 29 and 32 to the financial statements.

(c) Compensation of key management

	2016	2015
	RMB'000	RMB'000
Salaries and allowances	**4,381**	3,542
Retirement benefits	**197**	139
	4,578	3,681

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

Included in the above key management compensation are the salaries and allowances and retirement benefits of senior management of the Company, which amount to RMB392,000 in 2016.

The related party transactions in respect of items 41(a) (1) and 41(a) (2) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(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:

	2016 RMB'000	2015 RMB'000
Within one year	**145,695**	164,872
In the second to fifth years, inclusive	**570,584**	537,819
After five years	**1,552,114**	1,459,758
	2,268,393	2,162,449

42. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

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	–	–	1,768,191	1,768,191
Trade receivables	–	20,354	–	20,354
Financial assets included in prepayments, deposits and other receivables	–	2,392,744	–	2,392,744
Equity investments at fair value through profit or loss	246,584	–	–	246,584
Pledged deposits	–	146,028	–	146,028
Cash and cash equivalents	–	1,127,580	–	1,127,580
	246,584	3,686,706	1,768,191	5,701,481

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	Financial liabilities at amortized cost RMB'000
Trade and bills payables	**3,073,406**
Financial liabilities included in other payables and accruals	**5,563,680**
Interest-bearing bank loans and other borrowings	**19,356,392**
	27,993,478

2015

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	—	—	1,526,180	1,526,180
Trade receivables	—	20,703	—	20,703
Financial assets included in prepayments, deposits and other receivables	—	1,553,143	—	1,553,143
Equity investments at fair value rough profit or loss	250,535	—	—	250,535
Pledged deposits	—	59,489	—	59,489
Cash and cash equivalents	—	1,248,868	—	1,248,868
	250,535	2,882,203	1,526,180	4,658,918

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	Financial liabilities at amortized cost RMB'000
Trade and bills payables	2,027,391
Financial liabilities included in other payables and accruals	3,505,589
Interest-bearing bank loans and other borrowings	12,916,043
	18,449,023

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		**Fair values**	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments – listed quity investments	**1,285,069**	1,336,823	**1,285,069**	1,336,823
Equity investments at fair value through profit or loss	**246,584**	250,535	**246,584**	250,535
	1,531,653	1,587,358	**1,531,653**	1,587,358
Financial liabilities				
Interest-bearing bank loans and other borrowings	**19,356,392**	12,916,043	**19,356,392**	12,916,043
	19,356,392	12,916,043	**19,356,392**	12,916,043

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

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 amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 officer 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 with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated using an equivalent market interest rate for a similar convertible bond.

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

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

Fair value hierarchy

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

Assets measured at fair value
As at 31 December 2016

	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	**246,584**	**—**	**—**	**246,584**
Available-for-sale equity investments:				
Equity shares	**1,285,069**	**—**	**—**	**1,285,069**
	1,531,653	**—**	**—**	**1,531,653**

As at 31 December 2015

	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	250,535	—	—	250,535
Available-for-sale equity investments:				
Equity shares	1,336,823	—	—	1,336,823
	1,587,358	—	—	1,587,358

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 (2015: 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 (2015: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 33 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.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
31 December 2016			
RMB	**100**	**(63,633)**	**—**
RMB	**(100)**	**63,633**	**—**
31 December 2015			
RMB	100	(40,230)	—
RMB	(100)	40,230	—

* Excluding retained profits

44. 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 currency.

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ 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 US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2016		
If RMB weakens against the United States dollar	**(5%)**	**(95,160)**
If RMB strengthens against the United States dollar	**5%**	**95,160**
2015		
If RMB weakens against the United States dollar	(5%)	(147,203)
If RMB strengthens against the United States dollar	5%	147,203

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's sales of merchandise are mainly on a cash basis. For credit sales, the Group trades only with recognized 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 recognized 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 28 and 29, respectively.

Liquidity risk

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

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

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

	31 December 2016			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	–	3,073,406	–	3,073,406
Deposits received, accruals and other payables	–	5,563,680	–	5,563,680
Interest-bearing bank and other borrowings	–	11,691,837	9,372,816	21,064,653
		20,328,923	9,372,816	29,701,739

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2015			
	On demand RMB'000	Less than 1 year RMB'000 (Restated)	Over 1 year RMB'000	Total RMB'000 (Restated)
Trade and bills payables	—	2,027,391	—	2,027,391
Deposits received, accruals and other payables	766,087	1,782,483	—	2,548,570
Interest-bearing bank and other borrowings	—	9,475,395	4,596,748	14,072,143
	766,087	13,285,269	4,596,748	18,648,104

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 23) and equity investments at fair value through profit or loss (note 27). 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:

	31 December 2016	**Year ended 31 December 2016 High/low**	31 December 2015	Year ended 31 December 2015 High/low
Shenzhen – A Share Index	**2,060**	**2,237/1,703**	2,416	3,288/1,492
Shanghai – A Share Index	**3,250**	**3,519/2,779**	3,704	5,411/3,067

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

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 2016 and 2015.

Group		Increase/ decrease in profit before tax RMB'000	Increase/ decrease in equity* RMB'000
31 December 2016			
Equity investments listed in:			
Shanghai	– available-for-sale	**—**	**51,102**
	– at fair value through profit or loss	**—**	**—**
Shenzhen	– available-for-sale	**—**	**—**
	– at fair value through profit or loss	**11,742**	**—**
31 December 2015			
Equity investments listed in:			
Shanghai	– available-for-sale	—	63,494
	– at fair value through profit or loss	—	—
Shenzhen	– available-for-sale	—	—
	– at fair value through profit or loss	11,930	—

* Excluding retained profits

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 2016 and 2015.

44. 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 2016 and 2015 were as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Interest-bearing bank loans and other borrowings	**19,356,392**	12,916,043
Less: Cash and cash equivalents and pledged deposits	**(1,273,608)**	(1,308,356)
Net debt	**18,082,784**	11,607,687
Equity attributable to owners of the parent	**10,112,635**	7,468,641
Adjusted capital	**10,112,635**	7,468,641
Capital and net debt	**28,195,419**	19,076,328
Gearing ratio	**64%**	61%

45. EVENTS AFTER THE REPORTING PERIOD

i. On 9 January 2017, Zhongzhao Investment Management Co., Ltd. completed an agreement to sell its holdings of 70 million shares of Maoye Communication and Network Co., Ltd. ("Maoye Communication") to Shenzhen Tony Tai Da Investment Center (Limited Partnership). Pursuant to this agreement, the consideration was RMB1.4 billion and the disposal shares accounted for 11.26% of the total equity of Maoye Communication.

ii. On 3 January 2017, the board of directors of Maoye Commercial passed a resolution approving the application from Chengdu Branch of China Citic Bank Co. for access to up to RMB100 million of credit over the next year with the property owned by Chengshang Group Holdings Ltd. as collateral.

iii. On 3 January 2017, at the board meeting of Maoye Commercial, it was announced that Shenzhen Department Store Co. Ltd., a wholly-owned subsidiary of Maoye Commercial, would apply for a 36-month comprehensive credit line from Shanghai Pudong Development Bank Shenzhen branch, which amounted to RMB180 million. As collateral, Shenzhen Maoye Shangsha rendered the commercial official buildings in Shenzhen, owned by one of its wholly-owned subsidiaries, Shenzhen Maoye Investment Holdings Co., Ltd. Meanwhile, Maoye Commercial and Shenzhen Maoye (Group) Co., Ltd., controlled by Maoye Commercial's ultimate controllers, assume the joint liability to guarantee for the loans.

iv. On 8 February 2017, Shenzhen Maoye Shangsha pledged its 238 million restricted transferable shares of Maoye Commercial to Guangzhou Securities Co. Ltd. to provide funds for the daily operations of Shenzhen Maoye Shangsha and its subsidiaries. The term of the stock pledge is three years and all formalities have been completed on 8 February 2017.

v. On 15 February 2017, Maoye Department Stores (China) Limited, a wholly-owned subsidiary of Maoye International Holdings Limited, signed a repurchase agreement with a related party, Huang Mao Ru to repurchase USD12 million senior notes, with an interest rate of 7.75%, which will fall due in 2017. The USD senior notes, released on 19 May 2014, were purchased by Huang Mao Ru in the open market from an independent third party at the price of US$11.55 million. In accordance with the terms of the repurchase agreement, Maoye China and Huang Mao Ru shall finish repurchasing the target notes in batches within 3 months from the date of the repurchase agreement.

vi. On 12 June 2015, Maoye Shangsha, Shenzhen Demao Investment Enterprises (Limited Partnership) and Shenzhen Hezhengmao Investment Enterprise (Limited Partnership) (collectively, the "Vendors") entered into a framework agreement (as amended by a formal agreement) and a compensation agreement with Maoye Commercial that the Vendors agreed to sell the entire issued share capital of Shenzhen Maoye Department Store Company Limited, Shenzhen Maoye Department Store Shennan Co., Ltd., Shenzhen Maoye Oriental Times Department Store Co., Ltd., Zhuhai City Maoye Department Store Co., Ltd. and Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. (the "Target Entities") to Maoye Commercial at a total consideration of 1,161,542,889 shares of Maoye Commercial.

According to the framework agreement (as amended by formal agreement), the compensation agreement and the mechanism of consideration adjustment specified by Article 35 of the Reorganisation Measures and the FAQ published by China Securities Regulatory Commission on 2 August 2010, the Vendors promised to Maoye Commercial that the audited net profit of the Target Entities for the year ended 31 December 2016 would amount to RMB711,011,000 (the "2016 Profit Guarantee"). According to the audited accounts of the Target Entities for the year ended 31 December 2016 provided by Ruihua Certified Public Accounts the actual net profit of the Target Entities was approximately RMB569,084,800, without taking into account the effect of non-operating gains and losses, representing a difference of RMB141,926,200 compared with the 2016 Profit Guarantee. Therefore, the 2016 Profit Guarantee has not been achieved. According to the terms and conditions of the framework agreement (as amended by formal agreement) and the compensation agreement, Demao, Hezhengmao and Maoye Shangsha shall deposit part of their respective compensation shares into their custody accounts created in Maoye Commercial, and Maoye Commercial shall be entitled to repurchase 70,754,453 compensation shares at the cost of RMB1, representing approximately 6.1% of the total consideration shares.

Notes to Financial Statements

31 December 2016

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**139,761**	139,761
CURRENT ASSETS		
Dividend receivable	**1,250,291**	1,170,997
Due from subsidiaries	**2,550,184**	4,040,648
Pledged deposits	**10,867**	10,867
Cash and cash equivalents	**1,183**	12,134
Total current assets	**3,812,525**	5,234,646
CURRENT LIABILITIES		
Other payables and accruals	**210,784**	34,611
Due to subsidiaries	**168,850**	158,140
Due to the immediate holding company	**–**	7,914
Interest-bearing bank loans	**1,530,087**	999,754
Total current liabilities	**1,909,721**	1,200,419
NET CURRENT ASSETS	**1,902,804**	4,034,227
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,042,565**	4,173,988
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**–**	1,939,952
Total non-current liabilities	**–**	1,939,952
Net assets	**2,042,565**	2,234,036
Equity		
Issued capital	**460,153**	460,270
Equity component of convertible bonds	**55,538**	55,538
Reserves	**1,526,874**	1,718,228
Total equity	**2,042,565**	2,234,036

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2015	1,638,142	55,538	22,717	152,671	(292,582)	561,509	2,137,995
Reclassification	–	–	(22,717)	–	–	22,717	–
As restated	1,638,142	55,538	–	152,671	(292,582)	584,226	2,137,995
Total comprehensive loss for the year	–	–	–	–	132,833	(296,738)	(163,905)
Repurchase and cancellation of shares	(61,850)	–	–	–	–	–	(61,850)
Final 2014 dividend	–	–	–	–	–	(45,171)	(45,171)
Interim 2015 dividend paid	–	–	–	–	–	(93,303)	(93,303)
At 31 December 2015	1,576,292	55,538	–	152,671	(159,749)	149,014	1,773,766
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**135,951**	**(326,578)**	**(190,627)**
Repurchase and cancellation of shares	**(727)**	**–**	**–**	**–**	**–**	**–**	**(727)**
At 31 December 2016	**1,575,565**	**55,538**	**–**	**152,671**	**(23,798)**	**(177,564)**	**1,582,412**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, over the previous nominal value of the Company's shares issued in exchange therefor.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2017.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Huang Mao Ru *(Chairman and CEO)*
Mr. Zhong Pengyi *(Vice Chairman)*
Mr. Liu Bo *(Vice President and Chief Financial Officer)*
Mr. Wang Bin

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
Mr. Liu Bo

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

AUTHORIZED REPRESENTATIVES PURSUANT TO THE LISTING RULES
Mr. Liu Bo
Mr. Wang Bin

AUTHORIZED REPRESENTATIVES PURSUANT TO THE HONG KONG COMPANIES ORDINANCE
Mr. Wang Bin
Ms. Soon Yuk Tai *(FCS, FCIS)*

INDEPENDENT AUDITOR
Ernst & Young

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Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
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STOCK CODE
848