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)

2017
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**").

With a unique operation model of "retail + commercial property", the Group has been growing rapidly since its establishment, and has achieved scale expansion across the country by duplicating this model. Supported by lands acquired at low costs, the Group uses its physical retail to nurture property, building a closed ecological cycle in which its core business supplements and supports each other.

Since Shenzhen Dongmen store, the first store of the Group, opened in 1997, the Group has been concentrating on development and careful planning for over 20 years, and leveraging its strong competitiveness and reform and innovation keeping pace with times, the leading position of the Group in Southern China has been strengthened step by step. The Group has also further expanded into the most developed markets with the fastest growth rate in Eastern China, Southwestern China and Northern China, becoming the industry leader in a number of regions. As at 31 December 2017, the Group had 60 stores with total gross floor area of 2.87 million sq. m., of which self-owned properties accounted for approximately 75% in gross floor area. The major cities under its coverage include Shenzhen and Zhuhai in Southern China; Chengdu and Chongqing in Southwestern China; Nanjing and Wuxi in Eastern China; and Hohhot, Baotou and Qinhuangdao in Northern China.

The Group actively grasps the development trend of medium-to-high end physical retail in China, empowers new retail through the integration of online and offline advantages and opening up upstream and downstream channels to create new offline consumption experience featuring multi-scenario and high efficiency at all times, and strives to achieve the transformation from traditional department store retail to new retail.

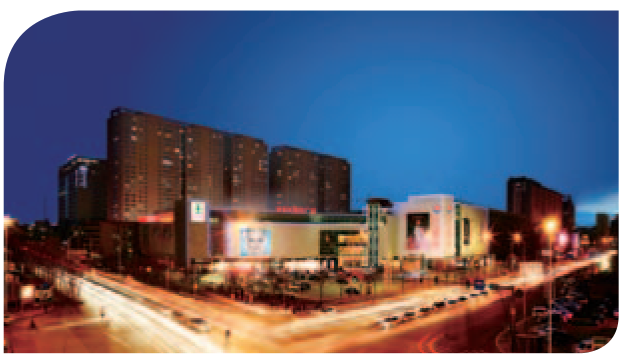
This annual report, in both English and Chinese versions, is available on the Company's website at www.maoye.cn.

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

Intelligence Creates A Happy Life

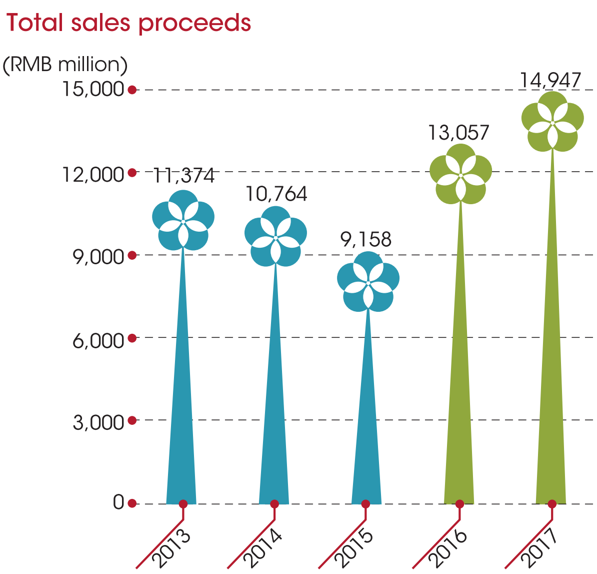


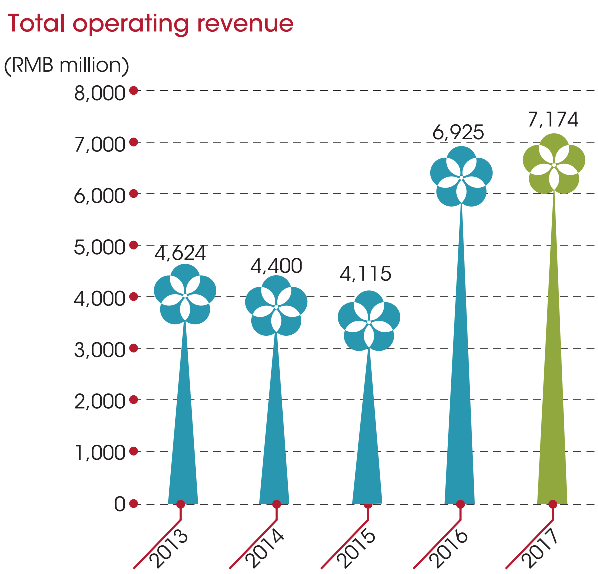
Financial Highlights

Summary of the Group's results, assets, liabilities and equity for the last 5 financial years is set out below:

OPERATING RESULTS

	For the years ended 31 December				
	2017	2016	2015	2014	2013
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
			(Restated [4])	(Restated [5])	
Total sales proceeds[1]	**14,946,661**	13,057,334	9,157,532	10,764,137	11,374,363
Total operating revenue[2]	**7,174,316**	6,925,377	4,115,464	4,400,460	4,623,593
Operating profit	**2,749,613**	1,359,829	995,013	2,322,984	1,458,662
Profit for the year	**1,268,409**	112,061	289,533	1,449,933	913,114
Profit attributable to:					
– Owners of the parent	**1,071,973**	46,382	298,627	1,365,189	802,041
– Minority interests	**196,436**	65,679	(9,094)	84,744	111,073
Basic earnings per share (RMB)[3]	**0.21**	0.009	0.058	0.263	0.155





Financial Highlights

HIGHLIGHTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
			(Restated [4])	(Restated [5])	
Assets and liabilities					
Total assets	**47,831,805**	45,975,332	31,774,937	24,461,197	20,078,127
Total liabilities	**34,043,632**	33,898,763	22,128,489	16,260,197	12,747,263
Total equity	**13,788,173**	12,076,569	9,646,448	8,201,000	7,330,864
– Attributable to owners of the parent	**11,072,182**	10,135,809	8,256,505	7,141,989	5,862,147
– Attributable to Minority interests	**2,715,991**	1,940,760	1,389,943	1,059,011	1,468,717

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 2017 is based on the net profit attributable to owners of the parent of approximately RMB1,071,973,000 and weighted average number of ordinary shares of 5,140,326,000.

   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.

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

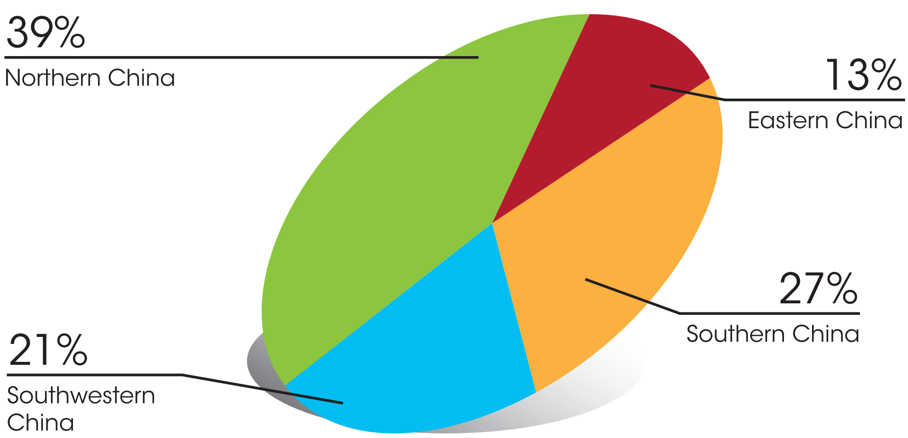
	Store Name	Region	Total GFA (sq.m.)	Open Date	Ownership	Retail Format
1	Shenzhen Dongmen	Guangdong	40,979	03-1997	Owned	Department Store
2	Shenzhen Huaqiangbei	Guangdong	63,243	10-2003	Leased	Department Store
3	Shenzhen Shennan	Guangdong	10,507	12-2004	Leased	Department Store
4	Shenzhen Nanshan	Guangdong	44,871	09-2009	Owned	Department Store
5	Zhuhai Xiangzhou	Guangdong	36,112	11-2001	Leased	Department Store
6	Shenzhen Outlet	Guangdong	23,048	10-1999	Leased	Outlet
7	Chongqing Jiangbei	Chongqing	68,138	10-2004	Leased	Department Store
8	Rendong	Sichuan	38,278	09-1998	Owned	Department Store
9	Guanghua	Sichuan	62,498	12-2009	Owned	Department Store
10	Chengdu Chunxi	Sichuan	22,463	11-2013	Owned	Department Store
11	Chengdu Maoye Complex	Sichuan	87,835	06-2005	Owned	Department Store
12	Nanchong Wuxing	Sichuan	24,365	11-2001	Owned	Department Store
13	Mianyang Xingda	Sichuan	27,595	09-2008	Owned	Department Store
14	Chengdu Longquan	Sichuan	1,229	09-2009	Leased	Supermarket
15	Chengdu Wuhou	Sichuan	16,000	06-2005	Leased	Supermarket
16	Chengdu Wenjiang	Sichuan	8,400	06-2005	Leased	Supermarket
17	Zibo Maoye Times Squre	Shandong	88,923	02-2015	Owned	Shopping Centre
18	Laiwu Maoye Complex	Shandong	110,000	12-2017	Owned	Shopping Centre
19	Heze Huihe	Shandong	29,426	03-2011	Owned	Department Store
20	Zibo Maoye Complex	Shandong	115,000	10-2010	Owned	Department Store
21	Zibo Maoye Plaza	Shandong	36,791	11-2010	Owned	Department Store
22	Zibo Maoye Taikerong Mall	Shandong	25,337	11-2010	Owned	Department Store
23	Zobo Maoye Shopping Mall	Shandong	8,415	11-2010	Leased	Department Store
24	Wuxi Shopping Mall	Jiangsu	200,433	10-2007	Managed	Shopping Centre
25	Taizhou Maoye Complex	Jiangsu	86,066	01-2015	Owned	Shopping Centre
26	Nanjing Maoye Complex	Jiangsu	88,786	11-2016	Owned	Department Store
27	Wuxi Xibai	Jiangsu	78,695	03-2016	Owned	Department Store
28	Yangzhou Wenchang	Jiangsu	21,485	01-2011	Owned	Department Store
29	Taizhou First	Jiangsu	40,358	10-2009	Owned	Department Store
30	Taiyuan Maoye Complex	Shanxi	246,224	12-2016	Owned	Shopping Centre
31	Taiyuan Liuxiang	Shanxi	31,448	10-2008	Owned	Department Store
32	Baotou Maoye Complex Phase I	Inner Mongolia	60,366	01-2017	Owned	Shopping Centre
33	Victory Times City	Inner Mongolia	190,454	11-2010	Leased	Shopping Centre
34	Victory Mall City	Inner Mongolia	140,060	12-2013	Owned	Shopping Centre
35	Baotou Donghe Victory Plaza	Inner Mongolia	69,998	11-2014	Owned	Shopping Centre
36	Victory Commercial Building	Inner Mongolia	50,513	05-2003	Owned	Department Store

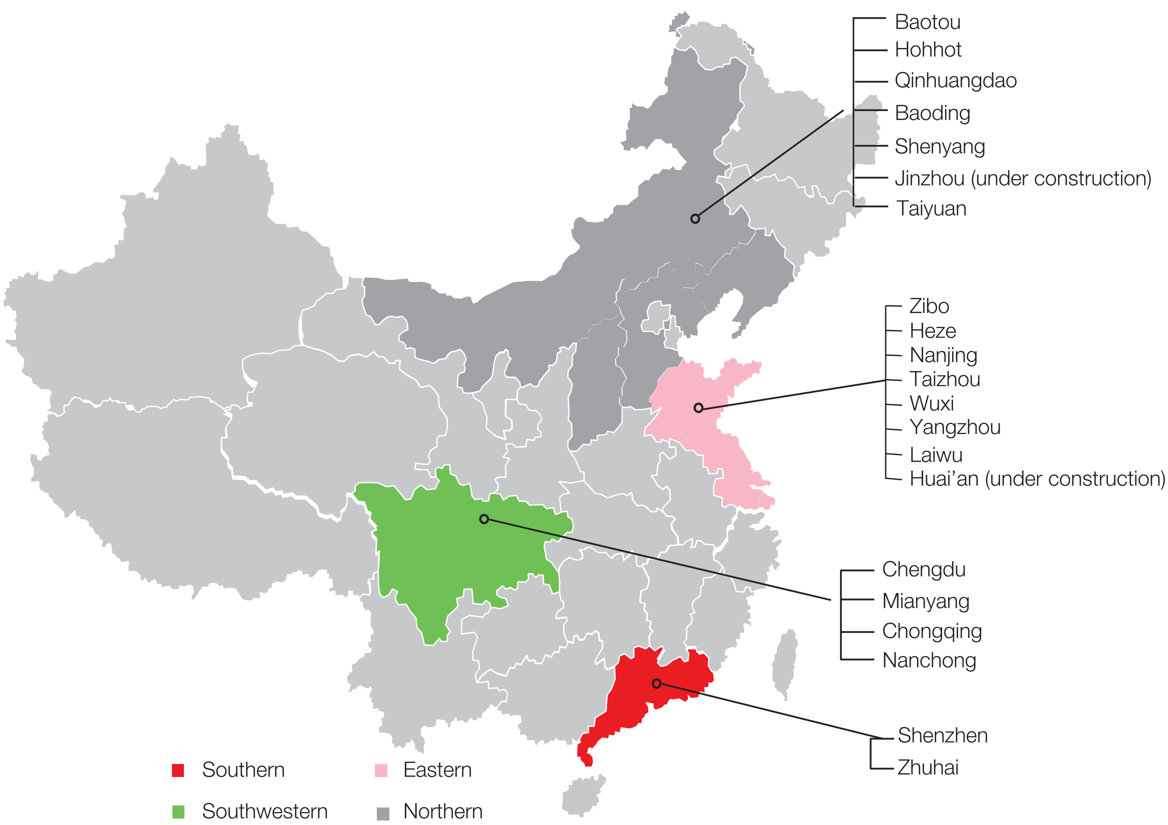
Retail Network

	Store Name	Region	Total GFA (sq.m.)	Open Date	Ownership	Retail Format
37	Victory International Plaza	Inner Mongolia	85,654	01-2008	Owned	Department Store
38	Victory Shopping Centre	Inner Mongolia	60,218	09-2006	Owned	Department Store
39	Baotou Victory Commercial Building	Inner Mongolia	64,644	01-2010	Owned	Department Store
40	Zhongshan	Inner Mongolia	6,760	05-2003	Owned	Supermarket
41	Xintiandi	Inner Mongolia	5,470	12-2005	Leased	Supermarket
42	Shoufu	Inner Mongolia	6,680	09-2007	Leased	Supermarket
43	Xilongwang Temple	Inner Mongolia	1,000	01-2010	Leased	Supermarket
44	Jinqiao	Inner Mongolia	16,887	01-2012	Leased	Supermarket
45	Huochezhan	Inner Mongolia	3,300	01-2013	Leased	Supermarket
46	Daxuedonglu	Inner Mongolia	11,000	01-2013	Leased	Supermarket
47	Tiyuchang	Inner Mongolia	5,600	05-2013	Leased	Supermarket
48	Beimen	Inner Mongolia	1,692	06-2013	Leased	Supermarket
49	Mall City	Inner Mongolia	9,800	12-2013	Owned	Supermarket
50	Jinchuan	Inner Mongolia	7,472	01-2014	Leased	Supermarket
51	Kunqu	Inner Mongolia	14,356	01-2010	Owned	Supermarket
52	Donghe	Inner Mongolia	5,980	11-2014	Owned	Supermarket
53	Shenyang Tiexi	Liaoning	49,600	07-2012	Owned	Outlet
54	Xiandai Shopping Plaza	Hebei	36,897	06-2010	Leased	Shopping Centre
55	Qinhuangdao Mall	Hebei	26,696	06-2010	Owned	Department Store
56	Qinhuangdao Jinyuan	Hebei	10,800	06-2010	Owned	Department Store
57	Qinhuangdao Jindu	Hebei	46,610	09-2008	Owned	Department Store
58	Hualian Commercial Building	Hebei	10,355	06-2010	Owned	Department Store
59	Baoding Yanzhao	Hebei	61,491	09-2014	Owned	Department Store
60	Baoding Guomao	Hebei	24,826	12-2010	Owned	Outlet

Retail Network

TOTAL SALES PROCEEDS IN 2017 BY REGIONS





Chairman's Statement

In 2017, as the macro economic situation in China improved significantly, the application of modern information technologies including big data, artificial intelligence and mobile payment became popular and resident consumption demand upgraded rapidly. A new supply and demand model was born in the retail industry. 2017, as the debuting year of new retail, brought a scene revolution on the retail industry. The features of new retail such as online and offline all-dimensional deep integration, social and diversified consumption scenes, one-stop convergent services jointly provided by different industries and smart and high efficient supply chains and ecological chains became more and more obvious. However, new consumption upgrade, big data empowerment, the popularity of artificial intelligence technologies or the scene revolution never changed the essence of retail, the target of which is cost reduction, efficiency improvement and consumer experience improvement. Meanwhile, we saw swift recovery in physical retail sales.

In order to meet customers' increasing demand for better lives, the Group, taking advantage of the recovery of physical retail, speeded up its transformation and upgrade constantly in 2017, and at the same time, achieved targeted marketing and smart services to improve the overall perception of customers with the supports provided by the effective empowerment granted by the all-dimensional coordination between big data and information system. Facing the homogeneous competition characterized by "One Appearance for One Thousand Stores" and "Same Products for One Thousand Stores" and challenges brought by online retail consumption and the explosive growth of shopping malls, the Group continued to introduce new innovative business models, strengthened the layered integration of suppliers, improved the portfolio of merchandise and enhanced cost control, as a result of which our customer flow and performance was improved effectively and our core competition advantages in the industry were formed. In 2017, the total same-store proceeds increased 1.0%, up 6.9 percentage points as compared to the decrease of 5.9% in 2016, which reflected the remarkable improvement of overall operation of the Group.

After years of market competition, the retail commercial market ushers in an era of sufficient competitiveness. While the physical stores of the Group have the best locations in the most crowded business district enjoying significant benefits of offline traffic and together with assembly effects of the business districts, the influence of our individual store has been expanding. In response to the development trend of the retail industry, physical commerce abandoned the extensive development model for refined operations which will not exist if they are not customer focused or data driven.

In order to make up for the deficiency of physical retail and relieve the pain points during operation, the Group established Maoye Data Intelligence Joint Information Technology (Shenzhen) Company Limited (茂業數智聯合信息技術 (深圳) 有限公司) ("**Maoye Data Intelligence**") in 2017 which relies on Maoye's various forms of real estate resources across China, and connects offline physical business through the Internet + business model. Maoye Data Intelligence takes advantage of the deep integration of data and commercial logic to achieve reforms driven by consumption patterns, and optimizes the asset allocation among traditional business forms to incubate new types of retail, thus establishing a commercial ecosystem which connects consumption scenarios.

Chairman's Statement

As the transformation of the retail industry is encountering more difficulties and challenges, the relationship between retailers and suppliers further evolves with in-depth joint operations establishing between department store retailers and brand owners and suppliers. In 2017, the Group paid more and more attention to the portfolio of merchandise in its department stores based on information data and instructed upstream suppliers to supply effectively according the feedback from data terminals. At the same time, the Group upgraded the categories of merchandise at its stores constantly, adjusted the portfolio of merchandise, and sold at multiple points and locations, with a view to achieving reasonable asset allocation and increasing effectiveness.

The year of 2017 is a year mixed with the upgrade of retail consumption and the sinking of retail channels, during which retailers who were able to introduce high quality products that met with the quality and experience requirements of the main consumer base would stand out from the fierce competition. Affected by the manufacturing industry moving to inland areas of China, high living costs in big cities and other factors, there was a clear trend that people were flowing back to the second- and third-tier cities, which created wider space for retail channels to sink. As the consumption demands of residents in the second- and third-tier cities grow, the Group remains confident that the Company's stores located in the second- and third-tier cities will further develop and record better sales performance.

At last, I, on behalf of the Board, would like to express my sincere gratitude to all our employees for their efforts and extend my sincere thanks to our shareholders and customers. In the future, the Group will seize the opportunities brought by a new round of consumption upgrade to create new drivers for the profit growth of our retail business and achieve structural growth, thus maintaining our leading position in the industry!

Huang Mao Ru
Chairman

15 March 2018

Management Discussion And Analysis

I. MACRO ECONOMY OVERVIEW

In 2017, the PRC economy continued to operate in a stable and upward trend and the overall economic growth outperformed expectations, as GDP growth reached RMB82.7122 trillion, representing an increase of 6.9% year on year. The consumer market operated steadily, and consumer expenditure continued to play the role of a major driving force underpinning economic growth. In 2017, total retail sales of social consumer goods amounted to RMB36.6262 trillion, representing an increase of 10.2% over the previous year. In particular, online sales continued to maintain a rapid growth rate, and the nationwide online retail sales amounted to RMB7.1751 trillion, representing an increase of 32.2% over the previous year. Further, online sales accounted for 19.6% of the total retail sales of social consumer goods, whereas physical retail sales accounted for 80.4% of the total retail sales of social consumer goods.

According to the data published by the Ministry of Commerce, in 2017, the retail sales of 2,700 key typical retail enterprises monitored closely by the Ministry of Commerce recorded an increase of 4.6% year on year, which is 3 percentage points faster over the same period last year. Their profits and total profits increased by 8.0% and 7.1%, respectively, which is 6.5 percentage points and 11 percentage points faster over the same period last year, respectively. The recovery of physical sales was accelerated in general.

Looking back over the past year, online enterprises and offline traditional retail enterprises speeded up their integration to achieve joint development while the boundaries of e-commerce and retail sales became blurred. Physical store resources became the focus of competition between e-commerce tycoons once again and the "New Retail" became the main theme of development in the industry. As new retail forms and models sprang up constantly, the competition of retail enterprises has changed from homogeneous competition characterized by "One Appearance for One Thousand Stores" to targeted and differentiated competition characterized by "Unique Appearance for Every Store". In addition, the polarized development of the retail industry became more clear with regional enterprises losing their dominating position and market competition intensified due to mergers and acquisitions in the industry and cross-industry cooperation. 2017 was a critical year for the retail industry reform. The constant changes in consumer bases, channels and brand communication propelled the upgrade of consumption. While traditional retail has receded gradually, the wave of retail reform has launched.

II. OPERATION REVIEW

In 2017, the Group strengthened refined management to improve its operation efficiency, and achieved positive development in multiple dimensions. In 2017, the Group recorded an operating revenue of RMB7,174.3 million, representing a year-on-year increase of 3.6%; net profit attributable to owners of the parent of RMB1,072.0 million, representing a year-on-year increase of 2,211.2%; basic earnings per share of RMB20.85 cents, representing a year-on-year increase of 2,216.7%.

In addition, leveraging on its inherent advantages, the Group actively expanded and diversified its retail operations models, and moderately promoted the development of property business, which was mainly reflected in the following respects:

1. Building an all-round digital life cycle of Maoye

With abundant existing offline business resources, the Group actively welcomed the era of new retail and consumption upgrade through devoting to building an all-round digital life cycle of Maoye. In May 2017, the Group established Maoye Data Intelligence with the concept of "Maoye + Internet", which was devoted to (1) establishing a massive ecological membership system crossing different sectors; (2) constructing all-channel "online and offline"; (3) empowering offline operation and applying big data resources; (4) promoting the digital management and operational organization reform of the Company. The establishment of Maoye Data Intelligence is a milestone for the Group to march towards "New Retail".

In 2017, the Group has accomplished, based on its massive membership system across different sectors, the establishment of various applications such as shopping malls services, content marketing, micro mall, leasing of properties and other aspects. Extended Internet products relating to consumers, merchants, suppliers, resources and services have also been catered:

1) "Mao Le Hui" (茂樂惠) — Maoye's online micro mall, an exclusive product with department store operation and business models as its core, was successfully expanding to online segment of physical retail and connecting front and back ends. Currently, "Mao Le Hui" has been implanted into all WeChat public accounts of the Group's stores for touch-type collection and analysis of membership database, making better use of customer flows directed among stores and between online and offline. Not simply extending and expanding the time and space for consumption of the consumers and significantly increasing the number of memberships, "Mao Le Hui" also drove the increase in the incremental consumption of consumers. As at 31 December 2017, the number of the Group's members reached 6.87 million, representing an increase of 31.1% year-on-year, and spending by 54.2% of the members were recorded.

2) "Maoye Smart Management Platform" (茂業智能管理平台) — an OA office platform, with highly integrated flow of information and automated working procedure, enhanced the efficiency of the Group comprehensively, standardized the office management, and saved time and operating cost.

3) "Xiao Hong Mao" (小紅茂) — a one-stop service APP for merchants, being a bond linking the demands of merchants to store services, "Xiao Hong Mao" provided in-time services including maintenance, sales of materials, safety services and sales enquiry. The APP enhanced the level of merchant management and services through informatization means and propelled the continuous improvement of operating management.

4) "Maoye • Hao Fang" (茂業 • 好房) — a non-retailing sales system, through a comprehensive digitalization of real estate business and its procedures, the system provided online property sales and leasing services to property buyers and tenants.

2. Expanding a nationwide retail network

The Group continued to construct "Maoye Complex" projects, actively promoting business solicitation for and opening of new projects, and generated synergies with existing stores in the regions in order to consolidate its leading position in regional markets. In 2017, the Group further expanded its retail presence in the Northern China region.

The operation of the business of Baotou Maoye Complex Phase I Shopping Mall officially commenced in April 2017. The shopping mall was located at Aerding Square, an area with the highest commercial value in the new city centre of Baotou. As a new commercial landmark of the city, the total gross floor area of the project was approximately 260,000 sq. m., of which the area of shopping mall was approximately 60,000 sq. m. The retail area of the shopping mall accounted for 43%, and ancillary area for food and beverage and entertainment accounted for 57%, providing shopping, food and beverage, entertainment, culture, education and leisure consumption experience under one roof. Since the commencement of business of Baotou Maoye Complex Phase I, customer traffic flow continued to increase steadily. This further consolidated the Group's market leading position in the Northern China region.

The operation of the Group's Maoye Complex, located at the core business circle of Laiwu, officially commenced in December 2017. The one-stop shopping mall was the first complex in Laiwu that offered a diverse selection of cultural tasting, recreation and entertainment, boutique, fashion and food and beverage. The total area of Maoye Complex was approximately 110,000 sq. m., featuring large supermarket, stylish fitness centre, five-star cinema, children's entertainment programs, fashion retail brand mix, food court with a multitude of brands, large smart parking lot and other shopping and entertainment experience, which enabled consumers to enjoy a perfect combination of both shopping and leisure consumption experience, thereby considerably enhancing the Group's local brand influence.

As at 31 December 2017, the Group operated and managed 60 stores in 19 cities across the nation with a total gross floor area of approximately 2.87 million sq. m., of which self-owned properties accounted for 75%.

As at 31 December 2017, the distribution of stores of the Group is as follows:

	Southwestern China	Eastern China	Northern China	Southern China	Total
Number of Stores	10	13	31	6	60
Gross Floor Area (sq. m.)	356,801	929,715	1,362,851	218,760	2,868,127

3. **Consolidating strategic geographical advantages**

   Over the past year, the Group continued to conduct upgrades and transformation of physical department stores, and to materialize differential operation model to improve operation efficiency and consolidate strategic geographical advantages.

   On one hand, to accelerate the progress of transforming department stores into shopping malls persistently, the proportion of ancillary facilities in stores, such as food and beverage, leisure and entertainment facilities, was increased to meet customers' experiential expectations and satisfy their demand for spiritual consumption so as to enhance customer retention capability of the stores.

   On the other hand, the Group formulated operation strategies and marketing planning to form differentiated positioning for stores in each region based on their own brands and features, with a view to achieving discrepant development and synergetic operation as well as creating the scale effect. Meanwhile, through making dynamic adjustment to category structure in the stores and diversifying the scale of merchandise in stores, more comprehensive and rich shopping choices are made available to consumers.

4. **Consolidating acquired stores**

   The Group leveraged on the advantages of its resources, well-established management experience and advanced information systems to promote consolidation of acquired stores in aspects covering operation, finance, personnel, information and services and to enhance overall profitability. In particular, Inner Mongolia Victory Commercial (Group) Co., Ltd. ("**Victory**") achieved remarkable operating performance with net profit amounting to RMB241.0 million in 2017, representing a significant increase of 117% as compared to that of the previous year, which reflected the Group's remarkable achievement in store consolidation and a well-established leading position in the regional market.

5. **Developing property business moderately and healthily**

   As at 31 December 2017, the Group had several projects under construction and projects for sale in various places, including Taiyuan of Shanxi, Taizhou, Huai'an and Wuxi of Jiangsu, Chengdu of Sichuan, Jinzhou of Liaoning, Laiwu of Shandong, Chuzhou of Anhui, Qinhuangdao and Baoding of Hebei and Baotou of Inner Mongolia. The projects covered residential apartments, offices and shop units. In 2017, the Group proactively adjusted its property development strategy through implementation of the "Purchase and Leasing" strategy. Proceeds from pre-sale from property business amounted to RMB1,663.3 million in the whole year, representing a significant increase of approximately 50.0% as compared to that of the previous year. Due to certain contracts not meeting the requirements of recognition of revenue, the sales revenue carried forward to this year was RMB871.9 million, representing a decrease of 54.8% as compared to that of the previous year.

III. CAPITAL OPERATION

1. Appearance in the international capital market

On 17 October 2017, the Company took full advantage of the developed capital market and established legal environment of Hong Kong and successfully issued senior notes of US$300,000,000 with maturity of 364 days (the "**Senior Notes**"), signaling another appearance in the international capital market after the issuance of offshore senior notes in 2014.

Mr. Huang Mao Ru, the Chairman of the Company, Mr. Liu Bo, the Chief Financial Officer and Executive Director and other senior management of the Company commenced roadshows in Hong Kong and Singapore regarding the issuance of the Senior Notes, which was widely recognized by well-known investors around the world. It was proved on the date of announcing book-building results that the Senior Notes were well received by the market. Due to investors' support, the oversubscription rate of the Senior Notes was 5.7 times, being the highest among the then issue of overseas bonds due in one year, and the interest rate of which was eventually reduced to 7.0%.

The Company has significantly attracted investors' attention from home and abroad since its listing in Hong Kong years ago. The successful issuance of the Senior Notes clearly demonstrated that the Company has been recognized by its investors, which was mainly due to the Company's satisfactory business operation and its market position as well as brand advantages accumulated over the past years. Meanwhile, successful issuance of the Senior Notes also enabled the Company to further broaden its source of financing, and to optimize its financing allocation, thereby enhancing the corporate image and achieving remarkable development of each business.

2. Disposal of non-core listed equity investments

In January 2017, the Company announced that Zhongzhao Investment Management Co., Ltd. ("**Zhongzhao**"), a wholly-owned subsidiary of the Company, disposed of 70,000,000 circulating shares in Maoye Communication and Network Co., Ltd. ("**Maoye Communication**"), representing approximately 11.26% of the issued 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 the transaction, the aggregate shareholding of Zhongzhao and its person acting in concert, Shenzhen Maoye Department Store Co., Ltd., in Maoye Communication decreased from 35.46% to 24.20%. The Group received investment gain of approximately RMB621.8 million from the transaction.

In June 2017, the Company announced that Shenzhen Maoye Shangsha Co., Ltd. ("**Maoye Shangsha**"), a wholly-owned subsidiary of the Company, disposed of an aggregate of 6,950,516 shares in Ping An Insurance (Group) Company of China, Ltd. ("**Ping An Insurance**") on the open market, representing approximately 0.04% of the issued share capital of Ping An Insurance for investment gain of approximately RMB89.6 million. Upon completion of the transaction, Maoye Shangsha ceased to hold any shares in Ping An Insurance.

Proceeds of the disposal of non-core assets will further consolidate the Group's financial position and the capital base, which is conducive to the Group's future business growth and development.

IV. FUTURE PROSPECT

In the year to come, the "New Retail" concept will continue to flourish, as demonstrated by a constant fusion of online and offline activities and physical stores actively embracing technology. Moreover, plenty of business models in China's retail industry will be operating neck-and-neck, developing harmoniously, and will be characterized by the emergence of more diversified consumption experience and various consumption scenarios. A consumer-oriented philosophy featuring consumer experience enhancement and tailor-made services that satisfy consumers' needs will be the only practice that remains unchanged in the future.

As a domestic leading retail operator, the Group will incorporate offline competitive edge to maintain a prudent, solid development strategy, foster business innovation and transformation as well as clarify strategic objectives, the highlights of which are as follows:

1. Continue to expand its retail network to facilitate business commencement and development of "Maoye Complex" projects and to strengthen the Group's leading position in each region;

2. Accelerate the progress of upgrading and transforming department stores into shopping malls to enrich experiential consumption and improve customer retention capability of stores;

3. Promote the development and operation of the life circle of Maoye, further utilize information system tools to process, analyze, label membership data, and to transform such data into operation clues and marketing methods so as to accelerate the fusion and co-existence of online and offline model and accomplish overall transformation towards the "New Retail" concept;

4. Uphold the practice of multi-level control on costs and supply chain management, reduce operating costs, and increase asset earnings efficiency and effectiveness;

5. Continue to expand financing channels, maintain diversified sources of financing and optimize financing costs.

With over 20 years of experience in property development and management, the Group has accumulated enormous commercial property resources and management experience. In 3 to 5 years, the Group plans to speed up the implementation of the light-asset output model. Furthermore, the Group will strive to strengthen the "Purchase and Leasing" strategy and accelerate the destocking progress of the property business to enhance the cashflow level of the Group.

Management Discussion And Analysis

PERFORMANCE OF MAJOR STORES[1]

Store Name		Total Sales Proceeds (RMB'000)	Operation Period[2] (Year)	Gross Floor Area (m^2)
1	Shenzhen Huaqiangbei	1,703,049	14.3	63,243
2	Guanghua	1,014,647	8.1	62,498
3	Victory Commercial Building	858,917	14.7	50,513
4	Shenzhen Dongmen	853,263	20.8	40,979
5	Victory International Plaza	789,668	10.0	85,654
6	Shenzhen Nanshan	733,697	8.3	44,871
7	Taizhou First Department Store	696,826	8.3	40,358
8	Victory Shopping Centre	555,650	11.3	60,218
9	Chengdu Maoye Complex	504,971	12.6	87,835
10	Xiandai Shopping Plaza	470,820	7.6	36,897
11	Rendong	449,609	19.3	38,278
12	Qinhuangdao Jindu	423,757	9.3	46,610
13	Chongqing Jiangbei	409,972	13.2	68,138
14	Taiyuan Maoye Complex	407,982	1.1	246,224
15	Taiyuan Liuxiang	348,410	9.2	31,448
16	Shenzhen Outlet	345,854	18.3	23,048
17	Zhuhai Xiangzhou	313,087	16.2	36,112
18	Nanchong Wuxing	291,737	16.2	24,365
19	Zibo Maoye Times Square	284,548	2.9	88,923
20	Qinhuangdao Shangcheng	265,103	7.6	26,696
21	Mianyang Xingda	256,866	9.3	27,595

Notes:

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

2 Operation period was calculated till 31 December 2017.

Management Discussion And Analysis

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the year ended 31 December 2017, total sales proceeds of the Group were RMB14,946.7 million, representing an increase of 14.5% as compared to the year of 2016. The increase in total sales proceeds was primarily due to the full consolidation of Chengdu Renhe Chuntian Department Store Ltd. and Chengdu Qingyang District Renhe Chuntian Department Store Ltd. (collectively "**Renhe**") and Victory, as the subsidiaries of the Company, into the annual results of the Group, and the operating performance of stores in Southern China region showing a significant growth. Total same-store sales proceeds were RMB9,954.9 million, representing an increase of 1.0% as compared to year of 2016.

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Total Sales Proceeds from Concessionaire Sales	**13,186,780**	11,611,219
Direct Sales	**1,759,881**	1,446,115
Total Sales Proceeds	**14,946,661**	13,057,334

Among the total sales proceeds of the Group in 2017, total sales proceeds derived from concessionaire sales accounted for 88.2% and those derived from direct sales accounted for 11.8%. For the year ended 31 December 2017, same-store sales proceeds from concessionaire sales was RMB9,126.7 million, representing an increase of 1.6% as compared to year of 2016. The commission rate from concessionaire sales was 16.0% which was basically in line with the year of 2016.

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

	Total sales proceeds		Growth
	2017	2016	
	RMB'000	RMB'000	
Eastern China	**1,889,639**	1,856,129	2%
Southern China	**4,023,705**	3,663,736	10%
Southwestern China	**3,207,039**	3,255,661	-1%
Northern China	**5,826,278**	4,281,808	36%
Total	**14,946,661**	13,057,334	14%

As at 31 December 2017, sales of apparels (including men's and ladies' apparels) accounted for 34.5% (2016: 37.2%), shoes and leather goods accounted for 9.2% (2016: 10.5%), jewelries accounted for 15.6% (2016: 15.7%), cosmetics accounted for 7.8% (2016: 6.6%), leisure and sports goods accounted for 10.9% (2016: 11.0%), and others (including luxury, children's products, bedroom and household goods, home electrical appliances, supermarket and others) accounted for 22.0% (2016: 19.0%).

For the year ended 31 December 2017, the revenue of the Group was RMB5,756.6 million, representing a decrease of 1.5% as compared to that of RMB5,841.3 million for the year of 2016.

Management Discussion And Analysis

Other Income

For the year ended 31 December 2017, other income of the Group was RMB1,417.7 million, representing an increase of 30.8% as compared to that of RMB1,084.0 million for the year of 2016. The increase in other income was primarily due to the full consolidation of Renhe and Victory, as the subsidiaries of the Company, into the annual results of the Group, and the other income of stores in Southern China region showed a significant growth.

Cost of Sales

For the year ended 31 December 2017, cost of sales of the Group was RMB2,255.9 million, representing a decrease of 15.4% as compared to that of RMB2,667.1 million for the year of 2016. The decrease in cost of sales was primarily due to the corresponding cost decrease resulted from the decrease in the annual recognition of revenue from property projects.

Employee Expenses

For the year ended 31 December 2017, employee expenses of the Group were RMB595.9 million, representing an increase of 9.8% as compared to that of RMB542.6 million for the year of 2016, which was primarily due to the full consolidation of Renhe and Victory, as the subsidiaries of the Company, into the annual results of the Group.

Depreciation and Amortisation

For the year ended 31 December 2017, depreciation and amortisation of the Group was RMB906.3 million, representing an increase of 12.2% as compared to that of RMB808.1 million for the year of 2016, which was primarily due to the full consolidation of Renhe and Victory, as the subsidiaries of the Company, into the annual results of the Group.

Operating Lease Rental Expenses

For the year ended 31 December 2017, operating lease rental expenses of the Group were RMB424.0 million, representing an increase of 41.1% as compared to that of RMB300.4 million for the year of 2016, which was primarily due to the full consolidation of Renhe and Victory, as the subsidiaries of the Company, into the annual results of the Group.

Other Operating Expenses

For the year ended 31 December 2017, other operating expenses of the Group were RMB1,334.0 million, representing an increase of 8.4% as compared to that of RMB1,230.1 million for the year of 2016, which was primarily due to the full consolidation of Renhe and Victory, as the subsidiaries of the Company, into the annual results of the Group.

Management Discussion And Analysis

Other Gains

For the year ended 31 December 2017, the Group recorded other gains of RMB1,091.4 million, representing an increase of RMB1,108.5 million as compared to other losses of RMB17.1 million in 2016, which was primarily due to (1) the Group's recorded one-off investment gains of approximately RMB621.8 million from the disposal of part of equity interest of Maoye Communication in the year of 2017; and (2) the material asset restructuring of Chongqing Pharmaceutical (Group) Co., Ltd. ("**Chongqing Pharmaceutical**"), a company which Maoye Commercial Co., Ltd ("**Maoye Commercial**") held as equity investment, involving the acquisition by Chongqing Jianfeng Chemical Co., Ltd. ("**Chongqing Jianfeng**") of 96.59% shareholding of Chongqing Pharmaceutical (the "**Chongqing Pharmaceutical Restructuring**"). As a result of the Chongqing Pharmaceutical Restructuring, Maoye Commercial becomes interested in the shares of Chongqing Jianfeng and recorded an investment gain of RMB312.4 million.

Operating Profit

For the year ended 31 December 2017, operating profit of the Group was RMB2,749.6 million, representing an increase of 102.2% as compared to that of RMB1,359.8 million for the year of 2016. This was primarily due to (1) the full consolidation of Renhe and Victory, as the subsidiaries of the Company, into the annual results of the Group; and (2) the significant increase in revenue and profit of the Southern China region and Victory as compared to the same period of 2016.

Finance Costs

For the year ended 31 December 2017, finance costs of the Group were RMB924.6 million, representing an increase of 17.1% as compared to that of RMB789.6 million for the year of 2016, which was primarily due to the increase of interest-bearing loans and the decrease in the scale of capitalization of interest.

Income Tax

For the year ended 31 December 2017, income tax expenses of the Group were RMB584.2 million, representing an increase of 20.6% as compared to that of RMB484.4 million for the year of 2016. The increase in income tax was primarily due to the increase of profit before tax.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2017:

— Profit for the year increased to RMB1,268.4 million, representing a year-on-year increase of 1,031.9%;

— Without taking into account the effect of non-operating gains and losses*, profit for the year was RMB449.9 million, as compared to RMB124.9 for the year of 2016, representing a year-on-year increase of 260.2%.

* *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 2017, the Group's cash and cash equivalents amounted to RMB1,456.8 million, which increased by RMB329.2 million as compared to the balances of RMB1,127.6 million as at 31 December 2016. The main cash inflows and cash outflows are set out as follows:

(1) net cash inflow generated from operating activities of RMB2,078.2 million mainly included (1) cash inflow generated from operating activities of RMB19,279.8 million; (2) cash outflow arising from purchase of merchandise of RMB15,614.5 million; (3) cash outflow arising from payment of employee salary of RMB605.7 million; and (4) cash outflow arising from payment of income tax and other tax expenses of RMB981.4 million;

(2) net cash outflow used in investing activities of RMB347.2 million mainly included (1) payments for properties and equipment amounting to RMB516.7 million; (2) purchase of available-for-sale equity investments amounting to RMB1,020.1 million; (3) disposal of part of equity interest of Maoye Communication amounting to RMB1,400 million; (4) disposal of equity interest of Ping An Insurance amounting to RMB337.7 million; (5) acquisition of subsidiaries amounting to RMB96.4 million; and (6) payment of dividend and restricted deposits amounting to RMB73.5 million and RMB164.3 million, respectively; and

(3) net cash outflow generated from financing activities of RMB1,476.6 million mainly included (1) net increase in cash inflow arising from bank loans and other borrowings of RMB12,404.1 million; (2) cash outflow arising from repayment of bank loans and other borrowings of RMB12,910.2 million; (3) cash outflow arising from repayment of interest of approximately RMB1,189.4 million; and (4) cash inflow arising from a fellow subsidiary's loan amounting to RMB232.3 million.

Interest-bearing Loans

Total bank loans, corporate bonds and USD senior guaranteed notes of the Group as at 31 December 2017 amounted to approximately RMB19,739.0 million (31 December 2016: RMB19,156.4 million), and the gearing ratio[1] and net gearing ratio[2] were 41.3% and 132.6%, respectively (as at 31 December 2016: 41.7% and 149.3%, respectively).

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

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

Contingent Liabilities

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

Management Discussion And Analysis

Pledge of Assets

As at 31 December 2017, the Group's collateral interest-bearing bank loans amounting to RMB7,959.9 million were secured by land and buildings, land lease prepayments, and properties under development, with amounts of approximately RMB2,841.8 million, RMB1,219.4 million and RMB149.7 million based on cost measurement, respectively and secured by investment properties with amounts of approximately RMB5,283.7 million based on fair value measurement.

Foreign Currency Risk

The Company issued USD300 million senior guaranteed notes with term of 364 days in 2017 which is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded foreign exchange gains of approximately RMB50.7 million. Since the business of the Group is mainly focused on mainland China, its operation is not exposed to foreign exchange fluctuation risks.

For the year ended 31 December 2017, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to foreign exchange fluctuation risks.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Mao Ru (黃茂如), aged 52, 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 Co., Ltd. ("**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 62, 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 30 years of experience in the operational management of the department store industry, real estate industry and commercial trading industry. Mr. Zhong was 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) from 2008-2013 and was re-appointed as its independent director in 2017. 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 the chairman of Shenzhen Friendship Real Estate Co., Limited (深圳市友誼城房地產有限公司) since September 2007. He was a 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), 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. ("**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 48, 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 China Resources Double-Crane Pharmaceuticals 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 China Resources Pharmaceutical Group Limited (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

NON-EXECUTIVE DIRECTOR

Mr. Wang Bin (王斌), aged 51, joined the Group in 2010. Prior to being re-designated as a Non-Executive Director on 5 May 2017, he was an Executive Director of the Company. Mr. Wang is also a director of various companies in the Group. 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 major 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 The 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 67, 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 and also the Honorary Fellowship of the Hong Kong Academy for Performing Arts in October 2017. He has been appointed as an Independent Non-executive Director of China Electronics Huada Technology Company Limited (formerly known as 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 70, 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. In the past years, 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 66, 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. Li Sen (李森), aged 45, is the Vice President of the Company and takes charge in strategy development, planning operation, legal affairs, risk management and human resources management. He joined the Group in June 2017. Mr. Li obtained an Executive Master of Business Administration degree from College of Continuing Education Graduate School at Shenzhen Tsinghua University in 2004, a Master of Business Administration degree from Tsinghua-Bangor University in 2015 and a Doctor of Business Administration degree from Tsinghua-Institut des Hautes Etudes Economiques et Commerciales in 2017. Mr. Li was appointed as the mentor of MBA class 2017 in Shenzhen Audencia Business School. Prior to joining the Group, Mr. Li worked for China South City Holdings Limited (華南城控股有限公司) (a company listed on the Stock Exchange, Stock Code: 1668) as the Vice President of the China South City Group and was in charge of planning operation, human resources, property companies and Xi'an regional companies. Mr. Li has rich experience in corporate management, business operation management, training, management consulting, and compliance management of listed companies.

Directors and Senior Management

Mr. Yao Chenhang (姚晨航), aged 40, is the Vice President of the Company and is in charge of capital operation and management of investor relations. He joined the Group in 2017. Mr. Yao obtained a Bachelor degree in finance and law from Zhongnan University of Economics and Law, a master degree in civil commercial law from Wuhan University and an Executive Master of Business Administration degree from China Europe International Business School. Prior to joining the Group, Mr. Yao was the general manager and the managing director of investment banking headquarter in Hongta Securities Co.,Ltd. (紅塔證券股份有限公司) and the executive director of investment banking department and the sponsor representative in Southwest Securities Co., Ltd. (西南證券股份有限公司). Mr. Yao has around 20 years of experience in capital operation.

COMPANY SECRETARY

Ms. So Ka Man (蘇嘉敏), aged 44, was appointed as the Secretary of the Company in November 2017. 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. So is a Chartered Secretary and an associate 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. So has been providing professional secretarial services to a number of listed companies.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the vital importance of good corporate governance to 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 2017, 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 enhancing 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*

Non-executive Director

Mr. Wang Bin

Independent Non-executive Directors

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

Audit Committee

Mr. Chow Chan Lum *(Chairman)*
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Chow Chan Lum
Mr. Liu Bo

Nomination Committee

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

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 2017, 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.

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, non-executive director 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. Zhong Pengyi, Mr. Wang Bin and Mr. Leung Hon Chuen shall retire and, being eligible, offer themselves for re-election at the forthcoming 2018 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 shall keep abreast of responsibilities as directors of the Company and of the business activities and development of the Company and comply with the code of conduct 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 2017, 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.

Corporate Governance Report

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 2017 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 2017, 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 2016 and interim financial results and report for the six months ended 30 June 2017 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 2017, the Remuneration Committee has held one meeting 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 package of Mr. Wang Bin who has been re-designated from executive director to non-executive director of the Company.

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 2017 is set out as follows:

Remuneration	No. of people
Nil to RMB2,000,000	2

Details of the remuneration for each director of the Company for the year ended 31 December 2017 are 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 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 2017, the Nomination Committee has held one meeting 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 2017 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 re-designation of Mr. Wang Bin as a non-executive director of the Company.

Corporate Governance Functions

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

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

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

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 2017 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	11/11	—	—	1/1	1/1
Mr. Zhong Pengyi	10/11	—	—	—	1/1
Mr. Liu Bo	11/11		1/1		1/1
Mr. Wang Bin	9/11	—	—	—	1/1
Mr. Chow Chan Lum	11/11	5/5	1/1	1/1	1/1
Mr. Pao Ping Wing	11/11	5/5	1/1	1/1	1/1
Mr. Leung Hon Chuen	9/11	4/5	—	—	1/1

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 2017. 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 2017 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.

Corporate Governance Report

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2017 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 2017 is set out as follows:

Type of services	**RMB'000**
Audit expenses of the Group	4,300
Non-audit expenses of the Group	
– Review on the interim financial report of the Group	1,100

COMPANY SECRETARY

The Company has engaged Tricor Services Limited ("Tricor") as external service provider. On 27 November 2017, Ms. So Ka Man of Tricor has been appointed as the company secretary of the Company in replacement of Ms. Soon Yuk Tai of Tricor. The primary contact of Ms. Soon Yuk Tai/Ms. So Ka Man 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 2017, Ms. Soon Yuk Tai and Ms. So Ka Man have taken no less than 15 hours of relevant professional trainings.

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)
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.

Corporate Governance Report

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 retail business for the period of 1 January 2017 to 31 December 2017 ("**The reporting period**", "**the financial year of 2017**") is prepared pursuant to the Environmental, Social and Governance Reporting Guide in Appendix 27 to 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 physical 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 physical retail 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.

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 retail 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 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 31.55 tons, 0.52 ton and 1.01 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 252,647,914.05 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.

Environmental, Social and Governance Report

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 store 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 2017, 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 retail stores and supermarkets (excluding the utility electricity that are not directly controlled by the Group) with a total of 420,415,199.86 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 stores to establish a model enterprise for clean energy and environmental protection.

Water Consumption

The total water consumption of all the retail stores of the Group in the financial year of 2017 was approximately 4,631,389.5 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 retail stores. Environmentally friendly materials will be used for renovation of 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.

Environmental, Social and Governance Report

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 keeps company with its employees for advancement.

The Group has established the corporate values, 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 physical and mental health 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 and needs 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 to 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 products that comply with environment regulations to promote the strategic cooperation between the two parties. In addition, environmental information is also shared with retail tenants and other visitors from time to time 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 an 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 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.

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

On 29 October 2017, Qinhuangdao Maoye Store joined hands with Love Public Service Union and caring people to form a "Walk for Love" team to engage in public service activity of cleaning up rubbish around the store, which indicated a sense of responsibility and love for environmental protection of Qinhuangdao citizens. This activity spreads the idea of civilization and environmental protection, further awakening consciousness of everyone's responsibility of caring for the environment.

In order to thoroughly implement the spirit of the 19th National Congress of the Party and further promote Chinese traditional virtues of always being ready to do charity and help the poor, Maoye Wuxi company on 27 November 2017 organized a Red-cross One-day Donation Activity with Wuxi Yibai Store. This activity advocated "Giving a helping hand and a caring heart". Through this activity, we hope to motivate the devotion of love in the society and to contribute with a sincere heart.

Directors' Report

The Board is pleased to present the audited consolidated results of the Company and the Group for the year ended 31December 2017.

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 2017 are set out in the consolidated statement of profit or loss on page 64.

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 2017 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 HK3.88 cents in cash per share for the year ended 31 December 2017 (the "**Proposed Final Dividend**") (2016: HK0.3 cent), subject to the shareholders' approval at the annual general meeting of the Company to be held on Friday, 11 May 2018 (the "**2018 AGM**"). The Proposed Final Dividend will be paid in cash on Monday, 4 June 2018 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Wednesday, 23 May 2018.

CLOSURE OF REGISTER OF MEMBERS

(i) Determining the eligibility to attend and vote at the 2018 AGM

The Company's Register of Members will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (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 2018 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, 7 May 2018.

(ii) Determining the entitlement to the Proposed Final Dividend

The Company's Register of Members will be closed from Friday, 18 May 2018 to Wednesday, 23 May 2018 (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, 17 May 2018.

Directors' Report

PRE-EMPTIVE RIGHTS

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

FIXED ASSETS

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

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 68 to 69 and note 37 to the financial statements. The reserves are calculated in accordance with generally accepted accounting principles.

DISTRIBUTABLE RESERVES

As at 31 December 2017, 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 Articles 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 36 to the financial statements.

INTEREST BEARING BANK LOANS AND OTHER BORROWINGS

Interest bearing bank loans and other borrowings of the Group as at 31 December 2017 amounted to RMB19,739 million, details of which are set out in the heading under "Interest-bearing Loans" above and note 34 to the financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Wang Bin *(Re-designated on 4 May 2017)*

Independent Non-executive Directors

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

According to Article 87 of the Articles of Association, Mr. Zhong Pengyi, Mr. Wang Bin and Mr. Leung Hon Chuen, the existing directors of the Company, will retire from office by rotation at the 2018 AGM. All the above retiring directors, being eligible, will offer themselves for re-election at the 2018 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2018 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

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Save for the above, at no time during the year ended 31 December 2017 and up to the date of this report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

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 2017 were RMB63 million. Details of the pension scheme are set out in note 8 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 2017, 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 2017.

(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 2017.

(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 2017.

Save as disclosed above, as at 31 December 2017, 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 2017, 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 2017.

Save as disclosed above, as at 31 December 2017, 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 2017, the Company had no outstanding share options. During the year ended 31 December 2017, no share options of the Company have been granted, exercised, cancelled or lapsed.

Directors' Report

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2017, the Group had a total of 7,616 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

For the year ended 31 December 2017, the Company early redeemed the US$300,000,000 7.75% senior guaranteed notes due 2017 in the aggregate principal amount of US$46,911,000.

Except as disclosed above, neither the Company nor its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

GENERAL DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As detailed in the Company's announcement dated 3 April 2017, the Company (as borrower) entered into a facility agreement (the "**Facility Agreement**") with a bank (the "**Lender**"), pursuant to which a term loan facility up to HK$200,000,000 was made available to the Company (the "**Loan Facility**"). The Loan Facility is for a term of 12 months commencing from the first date of the relevant drawdown.

Under the Facility Agreement, a specific performance covenant is imposed on Mr. Huang Mao Ru, the chairman of the Board, executive Director and the controlling shareholder of the Company, requiring him to remain as the controlling shareholder of the Company and the chairman of the Board. Failure to comply with the aforesaid covenant by Mr. Huang Mao Ru will constitute an event of default under the Facility Agreement and the Lender shall have the right to declare the Loan Facility to be cancelled and/or all or part of outstanding amounts under the Loan Facility, together with accrued interest and all other sums payable to be immediately due and payable.

As the above specific performance covenant under the Facility Agreement continues to exist as at 31 December 2017, the Company is required to make the above disclosure pursuant to Rule 13.21 of the Listing Rules. In addition, the above performance covenant has been duly complied up to the date of the approval of these financial statements.

DEED OF NON-COMPETITION

Under the deed of non-competition dated 17 April 2008 given by Mr. Huang Mao Ru, Maoye Holdings Limited and Richon Holdings Limited (collectively known as the "**Controlling Shareholder Group**") in favour of the Company, details of which were stated in the prospectus of the Company dated 21 April 2008 (the "**Prospectus**"), the Controlling Shareholder Group 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 4 May 2017, the Company entered into the new master management agreement (the "**New Master Management Agreement**") with Maoye Holdings Limited on 4 May 2017 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 2017. As Maoye Holdings Limited is a connected person (as defined under the Listing Rules) of the Company, the entering into of the New Master Management Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. However, as all the applicable percentage ratios in relation to the New Master Management Agreement were less than 0.1%, the New Master Management Agreement was fully exempt from the reporting, announcement and shareholders' approval requirements under the Listing Rules. 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.

Directors' Report

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.

Repurchase of senior notes from the controlling shareholder

On 15 February 2017, Maoye Department Stores (China) Limited ("**Maoye (China)**"), a wholly-owned subsidiary of the Company entered into a repurchase agreement ("**Repurchase Agreement**") with Mr. Huang Mao Ru, pursuant to which Maoye (China) agreed to acquire and Mr. Huang Mao Ru agreed to dispose of the 7.75% Senior Guaranteed Notes of the Company due 2017 in an aggregate principal amount of US$12,000,000 (the "**Target Notes**"). Mr. Huang Mao Ru is the controlling shareholder, Chairman, executive Director and Chief Executive Officer of the Company. As such, Mr. Huang is a connected person of the Company and the repurchase of the Target Notes constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to the terms of the Repurchase Agreement, completion of the repurchase of the Target Notes may take place in tranches in such principal amount as may be agreed between Maoye (China) and Mr. Huang within three months of the date of the Repurchase Agreement. The consideration in respect of each tranche of the Target Notes is subject to adjustment on the date of payment of the consideration for the relevant tranche of the Target Notes, where the final consideration payable by Maoye (China) for each tranche shall be the lower of (i) the principal amount of such tranche of the Target Notes; and (ii) the price of the Target Notes as quoted on the open market, together with accrued interest on the Target Notes. The total consideration payable by Maoye (China) for the repurchase of the Target Notes shall be lower than US$12,000,000 (excluding the accrued interest).

On 17 May 2017, the repurchase of the Target Notes was completed and cancelled. For more details, please refer to the announcements of the Company dated 15 February 2017 and 17 May 2017.

Profit Guarantee concerning the discloseable and connected transactions in relation to the reorganization

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**"), 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. (collectively, the "**Target Entities**") to Maoye Commercial at a total consideration of 1,161,542,889 shares of Maoye Commercial.

According to the compensation agreement, the Vendors promised to Maoye Commercial that the total audited net profits of the Target Entities for the years ended 31 December 2016, 2017 and 2018 would be not less than RMB711,011,000 (the "**2016 Profit Guarantee**"), RMB779,222,200 and RMB839,703,400, respectively. According to the special audited accounts of the Target Entities for the year ended 31 December 2016 audited by Ruihua Certified Public Accounts the total net profits of the Target Entities was approximately RMB569,084,800, without taking into account the effect of non-operating gains and losses. The amount was lower than the 2016 Profit Guarantee by RMB141,926,200. Therefore, the 2016 Profit Guarantee has not been met. According to the compensation agreement, Maoye Commercial shall be entitled to repurchase 70,754,453 compensation shares from the Vendors at the cost of RMB1, representing approximately 6.1% of the total consideration shares ("**the Repurchase**").

However, the resolution to the Repurchase was not approved by the shareholders of Maoye Commercial at the shareholders' meeting held on 11 April 2017. Accordingly, on 18 July 2017, pursuant to the terms of the compensation agreement, the compensation shares of 70,754,453 will be transferred from the Vendors, respectively, to the shareholders of Maoye Commercial (other than the Vendors) as listed on the shareholders' register of Maoye Commercial as of the close of trading on 5 May 2017, in proportion to their then shareholding in Maoye Commercial, for no consideration. Upon completion of such transfers, Maoye Shangsha's shareholding in Maoye Commercial has decreased from 1,481,430,321 shares to 1,414,838,703, representing a decrease in percentage shareholding from 85.53% to 81.69%.

The independent non-executive directors of the Company are of the view that the Vendors have fulfilled their obligations under the compensation agreement, and the transfer of 66,591,618 compensation shares in Maoye Commercial by Maoye Shangsha to the shareholders of Maoye Commercial is fair and reasonable and in the interests of the shareholders as a whole.

For more details, please refer to the announcements of the Company dated 18 July 2017, 21 March 2017, 29 February 2016, 15 October 2015, 17 September 2015, 7 July 2015, 14 June 2015 and 15 April 2015, and the circular of the Company dated 31 October 2015.

Loan to a Connected Person at Subsidiary Level of the Company

On 29 December 2017, Shenzhen Maoye Department, an indirect non-wholly owned subsidiary of the Company, entered into a loan agreement with Mr. Zou Zhaobin ("**Mr. Zou**"), a shareholder of Victory, a non-wholly owned subsidiary of the Company, pursuant to which Shenzhen Maoye Department agreed to provide a term loan to Mr. Zou in the principal amount of RMB399,933,400, bearing interest at a rate of 10.5% per annum for a term of 12 months (the "**Loan**").

The Loan is secured by a share pledge agreement dated 29 December 2017 executed by Victory Investment Holding Co., Ltd (the "**Victory Holding**"), a company wholly owned by Mr. Zou, in favour of the Shenzhen Maoye Department with respect to 15% equity interest in Victory. Mr. Zou shall use the Loan for cash flow purposes and shall not use the Loan directly and indirectly for high-risk investments such as investment in the stock market or the real estate market.

As Mr. Zou is interested directly and indirectly through Victory Holding in an aggregate of 19.7% of the entire issued share capital of Victory, Mr. Zou 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 announcements of the Company dated 29 December 2017 and 12 December 2017.

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 "**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 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 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 Master Leasing Agreement, the Group paid leasing fees of approximately RMB161.9 million (2016: RMB159.7 million) for the year ended 31 December 2017.

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 "**2014 Master Management Agreement**"). The 2014 Master Management Agreement has a term of three years with effect from 5 May 2014.

The service scope and service charge stipulated in the 2014 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 2014 Master Management Agreement and (ii) 10% of the profit before tax of the relevant store.

Pursuant to the 2014 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

As the 2014 Master Management Agreement has expired on 4 May 2017, the Company continued to enter into a separate master agreement with Maoye Holdings Limited on 4 May 2017 (the "**2017 Master Management Agreement**"). However, as all the applicable percentage ratios in relation to the 2017 Master Management Agreement were less than 0.1%, such agreement was fully exempt from the reporting, announcement and shareholders' approval requirement under the Listing Rules.

During the year ended 31 December 2017, the management fee income of the Group amounted to approximately RMB2.0 million (2016: RMB4.0 million) pursuant to the 2014 Master Management Agreement and the 2017 Master Management Agreement.

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 approved by the Board, were in accordance with the pricing policies of the Company, and were entered into under agreement 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 2017, 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 Trading Centre Co., Ltd. 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 2017, 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 2017, 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.

Directors' 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 2017 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 2018 AGM to re-appoint Ernst & Young as auditors of the Company.

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

15 March 2018

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 64 to 175, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 the 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
Goodwill - impairment	
As at 31 December 2017, the Group reported RMB1,409,574,000 of goodwill as a result of previous acquisitions. Management performs impairment test for cash-generating unit to which goodwill has been allocated annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The impairment test is complex, and significantly relies on management's judgement and estimation about discount rate and the expected future operation results, such as long term growth rate, purchase price inflation, revenue and margin development which are affected by future market and economic conditions. The accounting policies, significant estimates and related disclosures are included in note 2.4 Business combinations and goodwill, note 3 Impairment of goodwill and note 20 Goodwill to the consolidated 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 also tested management's sensitivity analysis of the impairment test. We also assessed the adequacy of the related disclosures in the consolidated financial statements.
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 values of the investment properties annually. As of 31 December 2017, the Group's investment properties amounted to approximately RMB12,890,379,000. 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. The accounting policies, significant estimates, fair value hierarchy and related disclosures are included in note 2.4 Investment properties, note 3 Estimation of fair value of investment properties, and note 18 Investment Properties to the consolidated financial statements of the Group.	We assessed the objectivity, independence and expertise of the external appraisers, as well as obtained an understanding of the external appraisers' scope of work. With the assistance of our internal valuation specialists, we obtained an understanding of the valuation process and techniques adopted by the external appraisers to assess if they are consistent with the requirements of industry norms. We obtained the detailed work of the external appraisers and assessed the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management of the Group and the external appraisers by comparing them, on a sample basis, to existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry. We also evaluated the sensitivity analysis prepared by the management on the significant unobservable inputs to evaluate the magnitude of their impacts on the fair values. We also reviewed the adequacy of the disclosures of the fair value of investment properties.

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 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, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

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 LAW KWOK KEE.

Ernst & Young
Certified Public Accountants
Hong Kong
15 March 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**5,756,639**	5,841,339
Other income	6	**1,417,677**	1,084,038
Total operating revenue		**7,174,316**	6,925,377
Cost of sales	7	**(2,255,870)**	(2,667,091)
Employee expenses	8	**(595,886)**	(542,649)
Depreciation and amortisation		**(906,334)**	(808,142)
Operating lease rental expenses	10	**(424,037)**	(300,432)
Other operating expenses	11	**(1,333,974)**	(1,230,113)
Other gains and losses	12	**1,091,398**	(17,121)
Operating profit		**2,749,613**	1,359,829
Finance costs	13	**(924,616)**	(789,552)
Share of profits and losses of:			
a joint venture		**(79)**	—
associates		**27,707**	26,220
PROFIT BEFORE TAX		**1,852,625**	596,497
Income tax expense	14	**(584,216)**	(484,436)
PROFIT FOR THE YEAR		**1,268,409**	112,061
Attributable to:			
Owners of the parent		**1,071,973**	46,382
Non-controlling interests		**196,436**	65,679
		1,268,409	112,061
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic			
– For profit for the year		**RMB20.85cents**	RMB0.90cent
Diluted			
– For profit for the year		**RMB20.85cents**	RMB0.90cent

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 **RMB'000**	2016 RMB'000
PROFIT FOR THE YEAR	**1,268,409**	112,061
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale equity investments:		
Changes in fair value	**(163,700)**	(243,847)
Income tax effect	**40,924**	60,962
	(122,776)	(182,885)
Defined benefit retirement plans	**(438)**	(284)
Exchange differences on translation of foreign operations	**23,164**	(51,367)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**840,676**	2,724,064
Income tax effect	**(210,169)**	(681,017)
	630,507	2,043,047
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**530,457**	1,808,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,798,866**	1,920,572
Attributable to:		
Owners of the parent	**1,331,100**	1,853,297
Non-controlling interests	**467,766**	67,275
	1,798,866	1,920,572

Consolidated Statement of Financial Position

31 December 2017

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	**10,937,682**	12,566,816
Investment properties	18	**12,890,379**	9,730,242
Prepaid land lease payments	19	**4,813,295**	5,650,727
Goodwill	20	**1,409,574**	1,592,664
Other intangible assets	21	**39,594**	48,292
Investments in a joint venture	22	**921**	—
Investments in associates	23	**1,839,748**	2,533,377
Available-for-sale equity investments	24	**2,937,478**	1,768,191
Prepayments	30	**357,358**	323,855
Deferred tax assets	25	**576,534**	580,617
Total non-current assets		**35,802,563**	34,794,781
CURRENT ASSETS			
Inventories	26	**236,103**	279,543
Completed properties held for sale		**922,108**	1,447,664
Properties under development	27	**5,886,069**	4,850,424
Equity investments at fair value through profit or loss	28	**212**	246,584
Trade receivables	29	**7,991**	20,354
Prepayments, deposits and other receivables	30	**3,209,654**	3,062,374
Pledged deposits	31	**310,322**	146,028
Cash and cash equivalents	31	**1,456,783**	1,127,580
Total current assets		**12,029,242**	11,180,551
CURRENT LIABILITIES			
Trade and bills payables	32	**2,953,491**	3,073,406
Deposits received, accruals and other payables	33	**7,583,674**	8,045,464
Interest-bearing bank loans and other borrowings	34	**8,721,632**	10,714,305
Income tax payable		**336,676**	379,318
Dividend payable		**433**	433
Total current liabilities		**19,595,906**	22,212,926
NET CURRENT LIABILITIES		**(7,566,664)**	(11,032,375)
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,235,899**	23,762,406

Consolidated Statement of Financial Position

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	34	**11,017,391**	8,442,087
Deferred tax liabilities	25	**3,416,085**	3,227,867
Other long-term liabilities		**6,117**	7,680
Provision for retirement benefits	35	**8,133**	8,203
Total non-current liabilities		**14,447,726**	11,685,837
Net assets		**13,788,173**	12,076,569
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**460,153**	460,153
Equity component of convertible bonds		**55,538**	55,538
Other reserves	37	**10,556,491**	9,620,118
		11,072,182	10,135,809
Non-controlling interests		**2,715,991**	1,940,760
Total equity		**13,788,173**	12,076,569

Consolidated Statement of Changes In Equity

Year ended 31 December 2017

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 36)	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 37)	Statutory surplus reserve RMB'000 (note 37)	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	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	–	–	–	–	–	–	–	(246,030)	–	–	–	(246,030)	2,183	(243,847)
Revaluation of properties upon transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	–	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	–	–	–	–	–	–	–	–	–	–	–	–	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

Consolidated Statement of Changes In Equity

Year ended 31 December 2017

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 36)	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 37)	Statutory surplus reserve RMB'000 (note 37)	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 2017	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
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,071,973	1,071,973	196,436	1,268,409
Other comprehensive income for the year:														
Changes in fair value of available-for-sale equity investments,	–	–	–	–	–	–	–	(165,629)	–	–	–	(165,629)	1,929	(163,700)
Revaluation of properties upon transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	–	480,724	–	–	–	480,724	359,952	840,676
Exchanges differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	23,164	–	23,164	–	23,164
Defined benefit retirement plans	–	–	–	–	–	–	–	–	(358)	–	–	(358)	(80)	(438)
Tax effect of components of other comprehensive income	–	–	–	–	–	–	–	(78,774)	–	–	–	(78,774)	(90,471)	(169,245)
Total comprehensive income for the year	–	–	–	–	–	–	–	236,321	(358)	23,164	1,071,973	1,331,100	467,766	1,798,866
Compensation shares transferred to non-controlling interests(note 37)	–	–	–	–	–	(381,069)	–	–	–	–	–	(381,069)	381,069	–
Purchase of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(103)	(103)
Deregistration of subsidiaries	–	–	–	–	–	–	(317)	–	–	–	–	(317)	–	(317)
Profit appropriated to reserve	–	–	–	–	–	–	125,138	–	–	–	(125,138)	–	–	–
Final 2016 dividends paid (note 15)	–	–	–	–	–	–	–	–	–	–	(13,341)	(13,341)	–	(13,341)
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(73,501)	(73,501)
At 31 December 2017	460,153	1,575,001*	(32,312)*	352,871*	55,538	(352,878)*	699,119*	2,470,908*	(82)*	(97,480)*	5,941,344*	11,072,182	2,715,991	13,788,173

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

* These reserve accounts comprise the consolidated other reserves of RMB10,556,491,000 (2016: RMB9,620,118,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,852,625**	596,497
Adjustments for:			
Interest income	6	**(33,327)**	(23,256)
Depreciation and amortisation		**906,334**	808,142
Gain on partial disposal of shares in an associate	12	**(621,812)**	—
Foreign exchange(gain)/loss, net	12	**(50,727)**	83,410
Impairment of trade receivables	11	**3,901**	267
Impairment of other receivables	11	**6,478**	1,208
Impairment of goodwill	12	**183,081**	—
Loss on disposal of items of property, plant and equipment	12	**459**	2,018
Gain on disposal of an available-for-sale equity investment	12	**(312,441)**	—
Gain on disposal of equity investments at fair value through profit or loss	12	**(89,605)**	—
Fair value gain on investment properties	12	**(175,073)**	(76,240)
Fair value (gains)/losses on equity investments at fair value through profit or loss	12	**(52)**	3,962
Dividend income from available-for-sale equity investments	12	**(40,081)**	(36,857)
Finance costs	13	**924,616**	789,552
Share of profits and losses of associates		**(27,707)**	(26,220)
Share of losses of a joint venture		**79**	—
Cash flows from operating activities		**2,526,748**	2,122,483
Decrease in completed properties held for sale		**546,111**	871,617
Additions of properties under development		**(921,661)**	(1,060,642)
Decrease in inventories		**43,440**	65,602
Provision for retirement benefits paid	35	**(847)**	(978)
Decrease in trade receivables		**8,462**	5,070
Increase in prepayments and other receivables		**(82,464)**	(67,100)
(Decrease)/increase in trade and bills payables		**(119,915)**	40,794
Increase/(decrease) in deposits received, accruals and other payables		**649,227**	(1,021,194)
Cash generated from operations		**2,649,101**	955,652
Interest received		**33,327**	23,256
PRC tax paid		**(604,210)**	(634,064)
Net cash flows from operating activities		**2,078,218**	344,844

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(517,071)**	(686,216)
Purchase of items of investment properties		**(30,990)**	(322,463)
Proceeds from disposal of items of property, plant and equipment		**11,295**	3,794
Proceeds from disposal of equity investments at fair value through profit or loss		**337,733**	—
Purchase of held for trading financial assets			—
Purchase of available-for-sale equity investments		**(1,020,139)**	(503,928)
Proceeds from disposal of available-for-sale equity investments		**—**	146,000
Purchase of land lease prepayments		**(76,947)**	(190,472)
Purchase of other intangible assets		**(2,507)**	(2,944)
Loans to a related party		**(399,933)**	—
Repayment of loan by a related party		**200,000**	—
Loans to an associate		**—**	(185,420)
Repayment of loans by an associate		**112,646**	—
Loan to a third party		**(70,000)**	—
Acquisition of subsidiaries		**(96,418)**	(2,561,551)
Increase in an investment in an associate		**(4,000)**	(147,049)
Acquisition of interests in a joint venture		**(1,000)**	—
Acquisition of a non-controlling interest		**(103)**	(1,030)
Settlement of acquisition consideration		**—**	(755,935)
Proceeds from partial disposal of shares in an associate		**1,400,000**	—
Dividend paid by subsidiaries to non-controlling shareholders		**(73,501)**	(25,055)
Dividend received from an associate		**7,938**	5,513
Dividend income from available-for-sale equity investments	12	**40,081**	36,857
Increase in pledged bank deposits		**(164,294)**	(86,539)
Net cash flows used in investing activities		**(347,210)**	(5,276,438)
CASH FLOWS USED IN/FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**12,404,089**	13,657,014
Repayment of bank loans		**(11,828,996)**	(8,922,898)
Interest paid		**(1,189,423)**	(1,085,603)
Loans from a fellow subsidiary		**232,328**	1,214,500
Repayment of loans to a fellow subsidiary		**(1,081,252)**	—
Final dividend paid		**(13,341)**	—
Repurchase and cancellation of shares		**—**	(844)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000 (Restated)
Net cash flows used in/from financing activities		**(1,476,595)**	4,862,169
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**254,413**	(69,425)
Effect of foreign exchange rate changes, net		**74,790**	(51,863)
Cash and cash equivalents at beginning of year		**1,127,580**	1,248,868
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,456,783**	1,127,580
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	31	**1,456,783**	1,127,580
Cash and cash equivalents as stated in the statement of cash flows		**1,456,783**	1,127,580

Notes to Financial Statements

31 December 2017

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 %	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	—	81.69	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	—	81.69	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	—	81.69	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	—	81.69	Operation of a department store
Zhuhai City Maoye Department Store Co., Ltd. (珠海市茂業百貨有限公司)**	PRC/Mainland China 24 August 2001	RMB4,800,000	—	81.69	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	—	81.69	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	—	81.69	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	—	79.98	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	—	81.69	Operation of a department store

Notes to Financial Statements

31 December 2017

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	—	81.69	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	—	81.69	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	—	81.69	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	—	65.35	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	—	81.69	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	—	81.69	Investment holding and operation of department stores
Chengdu Maoye Estate Co., Ltd. (成都茂業地產有限公司)**	PRC/Mainland China 15 July 2008	RMB8,000,000	—	81.69	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	—	73.52	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
Maoye Hotel Shenyang (瀋陽茂業酒店有限公司)**	PRC/Mainland China 30 August 2007	RMB10,000,000	—	99	Hotel business

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 Commercial City Property Management Co., Ltd. (瀋陽商城物業管理有限公司)**	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	–	50.94	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	–	81.69	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
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

Notes to Financial Statements

31 December 2017

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
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 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	—	81.69	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	—	81.69	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	—	57.18	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	—	57.18	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	—	57.18	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	—	57.18	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	—	57.18	Operation of a department store
Inner Mongolia Supermarket Chain Co., Limited (內蒙古維多利超市連鎖有限公司)**	PRC/Mainland China 6 March 2003	RMB20,000,000	—	57.18	Operation of a supermarket

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 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	—	57.18	Operation of a department store
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	—	57.18	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	—	57.18	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	—	57.18	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	—	57.18	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	—	57.18	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	—	57.18	Property management
Maoye Data Intelligence Information Technology (Shenzhen) Co., Limited (茂業數智聯合信息技術(深圳)有限公司)**	PRC/Mainland China 23 January 2017	RMB10,000,000	—	78	Investment holding
Shenzhen Maoye Commercial Factoring Co., Limited (深圳茂業商業保理有限公司)**	PRC/Mainland China 17 December 2017	RMB5,000,000	—	81.69	Investment holding

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

** Companies registered as limited liability companies under PRC law

The 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 2017, the Group had net current liabilities of approximately RMB 7,566,664,000. 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) the Group's expected cash inflows from operating activities in 2018;

(2) the directors of the Company are also confident that bank borrowings, which will expire during the next 12 months, could be renewed upon expiration based on the Group's past experience and credit standing;

(3) the unutilized credit facility of the Group amounted to RMB727,373,000 as at 31 December 2017; and

(4) subsequent to 31 December 2017, the Group has obtained new banking facilities with an aggregate amount of RMB300,000,000 and RMB130,000,000 with maturity of three years and one year, respectively.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. 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.

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.

Notes to Financial Statements

31 December 2017

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in Annual *Improvements to IFRS 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

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

(a) Amendments to IAS 7 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. Disclosure of the changes in liabilities arising from financing activities is provided in note 38 to the financial statements.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiaries, joint ventures or associates that are classified as held for sale or included in a disposal group held for sale as at 31 December 2017.

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.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 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 described below:

The IASB issued amendments to IFRS 2 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 a certain amount in order to meet an employee's tax obligation associated with the share-based payment; 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. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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 will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

Upon adoption of IFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. The Group has assessed that the equity investments currently held as available for sale of RMB1,377,108,000 as at 31 December 2017, that are currently measured at amortised cost, will be reclassified as financial assets at fair value through other comprehensive income.

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 will 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. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that the standard is not expected to have any significant impact on the Group's financial statements upon the initial adoption of the standard.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 licences 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 will adopt IFRS 15 from 1 January 2018 and plans to adopt the full retrospective approach. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15.

The Group's principal activities comprise the operation and management of department stores and property development in Mainland China. The directors of the Company anticipate that the application of IFRS 15 may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting period.

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

IFRS 16, issued in January 2016, 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise 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). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group will adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 39(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB4,374,842,000. Upon adoption of IAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in its associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and the consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, 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 or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

When an investment in an associate or a joint venture 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

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 (or valuation) 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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves. 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%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

Investment properties

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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)

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 6.1% 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. Proposed final dividends are disclosed in the notes to the financial statements.

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 2017 was RMB1,409,574,000 (31 December 2016: RMB1,592,664,000). 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 2017 was RMB12,890,379,000 (31 December 2016: RMB9,730,242,000). 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 2017 was RMB89,086,000 (31 December 2016: RMB147,216,000). The amount of unrecognized tax losses at 31 December 2017 was RMB1,636,439,000 (31 December 2016: RMB1,334,191,000). Further details are contained in note 25 to the financial statements.

- *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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

- *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 29 and note 30 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 25 to the financial statements.

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 to 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 2017					
Segment revenue:					
Sales to external customers	4,632,329	936,685	187,625	–	5,756,639
Intersegment revenue	–	7,153	–	(7,153)	–
Other income	1,375,108	1,458	41,111	–	1,417,677
Cost of sales	(1,551,098)	(687,532)	(17,240)	–	(2,255,870)
Employee expenses	(505,780)	(34,754)	(55,352)	–	(595,886)
Depreciation and amortisation	(707,423)	(143,949)	(54,962)	–	(906,334)
Operating lease rental expenses	(422,344)	(1,283)	(410)	–	(424,037)
Other operating expenses	(1,129,350)	(142,020)	(69,757)	7,153	(1,333,974)
Other gains	435,010	29,853	626,535	–	1,091,398
Operating profit/(loss)	2,126,452	(34,389)	657,550	–	2,749,613
Finance costs	(635,340)	(259,295)	(29,981)	–	(924,616)
Share of profits and losses of associates	27,707	(79)	–	–	27,628
Profit/(loss) before tax	1,518,819	(293,763)	627,569	–	1,852,625
Income tax expense	(478,830)	(106,985)	1,599	–	(584,216)
Profit/(loss) for the year	1,039,989	(400,748)	629,168	–	1,268,409
Attributable to:					
Owners of the parent	809,122	(366,828)	629,679	–	1,071,973
Non-controlling interests	230,867	(33,920)	(511)	–	196,436
	1,039,989	(400,748)	629,168	–	1,268,409

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
Other segment information:					
Impairment losses recognized in the statement of profit or loss	**11,600**	**–**	**–**	**–**	**11,600**
Reversal of impairment losses on accounts receivable	**(1,221)**	**–**	**–**	**–**	**(1,221)**
Gain on partial disposal of shares in an associate	**–**	**–**	**(624,840)**	**–**	**(624,840)**
Gain on disposal of equity investments at fair value through profit or loss	**(89,605)**	**–**	**–**	**–**	**(89,605)**
Gain on disposal of an available-for-sale equity investment	**(312,441)**	**–**	**–**	**–**	**(312,441)**
Goodwill impairment	**183,081**	**–**	**–**	**–**	**183,081**
Investments in associates	**1,839,748**	**–**	**–**	**–**	**1,839,748**
Capital expenditure*	**214,375**	**1,034,182**	**26,460**	**–**	**1,275,017**

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties, properties under development, other intangible assets and completed properties held for sale including assets from the acquisition of subsidiaries.

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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
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, prepaid land lease payments, 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

	2017	2016
	RMB'000	RMB'000
Commissions from concessionaire sales	**2,105,513**	1,908,762
Direct sales	**1,759,881**	1,446,115
Rental income from the leasing of shop premises	**566,498**	376,145
Management fee income from the operation of department stores	**2,002**	4,058
Rental income from investment properties	**306,488**	128,976
Sale of properties	**871,873**	1,927,573
Others	**144,384**	49,710
	5,756,639	5,841,339

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

Total sales proceeds from concessionaire sales	**13,186,780**	11,611,219
Commissions from concessionaire sales	**2,105,513**	1,908,762

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

Rental income	**552,124**	360,394
Sublease rental income	**14,374**	15,751
	566,498	376,145

6. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Income from suppliers and concessionaires		
– Administration and management fee income	**727,673**	569,289
– Promotion income	**443,116**	290,806
– Credit card handling fees	**170,992**	139,522
Reversal of long-aged unredeemed prepaid cards*	**–**	21,361
Interest income	**33,327**	23,256
Others	**42,569**	39,804
	1,417,677	1,084,038

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

7. COST OF SALES

	2017 RMB'000	2016 RMB'000
Purchases of and changes in inventories	**1,551,098**	1,285,618
Cost of properties sold	**687,532**	1,376,857
Others	**17,240**	4,616
	2,255,870	2,667,091

8. EMPLOYEE EXPENSES

	2017 RMB'000	2016 RMB'000
Wages and salaries	**509,551**	472,386
Retirement benefits	**63,028**	54,186
Other employee benefits	**23,307**	16,077
	595,886	542,649

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:

	2017 RMB'000	2016 RMB'000
Fees	**675**	698
Other emoluments:		
Salaries and allowances	**1,352**	1,956
Retirement benefits	**36**	69
	1,388	2,025
	2,063	2,723

8. EMPLOYEE EXPENSES (continued)

(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 2017		
Mr. Pao Ping Wing	**208**	**208**
Mr. Leung Hon Chuen	**156**	**156**
Mr. Chow Chan Lum	**311**	**311**
	675	**675**
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

There were no other emoluments payable to the independent non-executive directors for the year ended 31 December 2017 (2016: Nil).

8. EMPLOYEE EXPENSES (continued)

(b) Executive directors, a non-executive director and the chief executive

	Salaries and allowances RMB'000	Retirement benefits RMB'000	Total remuneration RMB'000
Year ended 31 December 2017			
Executive directors:			
Mr. Zhong Pengyi	**120**	**—**	**120**
Mr. Liu Bo	**840**	**20**	**860**
Non-executive director:			
Mr. Wang Bin*	**272**	**16**	**288**
Chief executive:			
Mr. Huang Mao Ru	**120**	**—**	**120**
	1,352	**36**	**1,388**

	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

* On 5 May 2017, Mr. Wang Bin, the prior executive director, was designated as the non-executive director. There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2017 (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2016: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2016: three) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and allowances	**1,492**	1,367
Retirement benefits	**70**	50
	1,562	1,417

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

	2017	2016
Nil to HK$1,000,000	**4**	3

10. OPERATING LEASE RENTAL EXPENSES

	2017 **RMB'000**	2016 RMB'000
Operating lease rental	**410,006**	282,875
Operating sublease rental	**14,031**	17,557
	424,037	300,432

11. OTHER OPERATING EXPENSES

	Notes	**2017** **RMB'000**	2016 RMB'000
Utility expenses		**403,605**	335,207
Promotion and advertising expenses		**139,484**	121,186
Repair and maintenance expenses		**114,666**	77,744
Entertainment expenses		**18,407**	11,421
Office expenses		**48,876**	58,339
Other tax expenses		**370,480**	376,613
Professional service fees		**91,098**	66,627
Auditors' remuneration		**5,400**	6,200
Bank charges		**80,343**	105,388
Impairment of trade receivables	29	**3,901**	267
Impairment of other receivables	30	**6,478**	1,208
Pre-operating expenses		**—**	26,648
Others		**51,236**	43,265
		1,333,974	1,230,113

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12. OTHER GAINS AND LOSSES

	Notes	2017 RMB'000	2016 RMB'000
Loss on disposal of items of property, plant and equipment		**(459)**	(2,018)
Gain on partial disposal of shares in an associate	23	**621,812**	—
Foreign exchange gain/(loss), net		**50,727**	(83,410)
Fair value gains/(losses) on equity investments at fair value through profit or loss		**52**	(3,962)
Gain on disposal of equity investments at fair value through profit or loss		**89,605**	—
Gain on disposal of an available-for-sale equity investment		**312,441**	—
Fair value gains on investment properties	18	**175,073**	76,240
Dividend income from available-for-sale equity investments		**40,081**	36,857
Impairment of goodwill	20	**(183,081)**	—
Penalty accrued		**(45,555)**	(48,808)
Others		**30,702**	7,980
		1,091,398	(17,121)

13. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank loans	**1,186,616**	1,132,637
Total interest expense on financial liabilities not at fair value through profit or loss	**1,186,616**	1,132,637
Less: Interest capitalised	**(262,000)**	(343,085)
	924,616	789,552

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 2017 (2016: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2016: 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 and use rights, borrowing costs and all property development expenditures. LAT of RMB24,164,000 was charged to the consolidated statement of profit or loss for the year ended 31 December 2017 (2016: RMB67,551,000).

	2017 **RMB'000**	2016 RMB'000
Current – CIT	**536,995**	446,053
Current – LAT	**24,164**	67,551
Deferred (note 25)	**23,057**	(29,168)
Total tax charge for the year	**584,216**	484,436

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:

2017	**Cayman Islands**		**BVI**		**Hong Kong**		**Mainland China**		**Total**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
(Loss) /profit before tax	**(11,062)**		**52**		**(35,279)**		**1,898,914**		**1,852,625**	
Tax at the statutory tax rate	**–**	**–**	**–**	**–**	**(5,821)**	**16.5**	**474,729**	**25**	**468,908**	**25**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	**–**	**–**	**15,544**	**(44)**	**–**	**–**	**15,544**	**1**
Lower tax rates for specific districts or countries	**–**	**–**	**–**	**–**	**–**	**–**	**(2,099)**	**–**	**(2,099)**	**–**
Profits and losses attributable to associates and a joint venture	**–**	**–**	**–**	**–**	**–**	**–**	**(6,927)**	**–**	**(6,927)**	**–**
Income not subject to tax	**–**	**–**	**–**	**–**	**–**	**–**	**(34,699)**	**(2)**	**(34,699)**	**(2)**
Expenses not deductible for tax	**–**	**–**	**–**	**–**	**–**	**–**	**3,180**	**–**	**3,180**	**–**
Tax losses not recognized	**–**	**–**	**–**	**–**	**5,821**	**(17)**	**85,506**	**5**	**91,327**	**5**
LAT	**–**	**–**	**–**	**–**	**–**	**–**	**24,164**	**1**	**24,164**	**1**
Tax effect of LAT	**–**	**–**	**–**	**–**	**–**	**–**	**(6,041)**	**–**	**(6,041)**	**–**
Adjustments in respect of current tax of previous periods	**–**	**–**	**–**	**–**	**5,463**	**(15)**	**–**	**–**	**5,463**	**–**
Others	**–**	**–**	**–**	**–**	**3,146**	**(9)**	**22,250**	**1**	**25,396**	**2**
Tax charge at the Group's effective tax rate	**–**	**–**	**–**	**–**	**24,153**	**(68)**	**560,063**	**30**	**584,216**	**32**

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

The share of tax attributable to associates amounting to RMB 6,006,000 (2016: RMB8,684,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

15. DIVIDENDS

	2017	2016
	RMB'000	RMB'000
Proposed final – HK3.88 cents (2016: HK0.3 cent) per ordinary share	**160,796**	13,915

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 RMB1,071,973,000 (2016: RMB46,382,000) and the weighted average number of ordinary shares of 5,140,326,000 (2016: 5,141,489,556) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

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 2017							
At 31 December 2016 and at 1 January 2017:							
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
At 1 January 2017, net of accumulated depreciation and impairment	10,280,099	296,255	15,768	56,282	1,050,225	868,187	12,566,816
Additions	98,262	6,677	–	8,925	–	445,784	559,648
Disposals	(5,780)	(815)	(1,570)	(2,281)	(1,308)	–	(11,754)
Depreciation provided during the year	(456,494)	(26,002)	(1,719)	(21,846)	(188,550)	–	(694,611)
Transfer to properties under development (note 27)	(93,279)	–	–	–	–	(147,229)	(240,508)
Transfer to investment properties (note 18)	(1,232,157)	–	–	–	–	–	(1,232,157)
Transfer from investment properties (note 18)	13,239	–	–	–	–	–	13,239
Transfer to other intangible assets (note 21)	–	–	–	–	–	(1,110)	(1,110)
Transfer from construction in progress	231,310	21,254	–	3,045	79,588	(335,197)	–
Transfer to properties held for sale	(24,484)	–	–	–	–	–	(24,484)
Transfer from properties held for sale	3,929	–	–	–	–	–	3,929
Exchange realignment	(1,618)	18	259	15	–	–	(1,326)
At 31 December 2017, net of accumulated depreciation and impairment	8,813,027	297,387	12,738	44,140	939,955	830,435	10,937,682
At 31 December 2017:							
Cost	10,638,584	608,758	17,057	219,913	1,534,822	837,048	13,856,182
Accumulated depreciation and impairment	(1,825,557)	(311,371)	(4,319)	(175,773)	(594,867)	(6,613)	(2,918,500)
Net carrying amount	8,813,027	297,387	12,738	44,140	939,955	830,435	10,937,682

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 2016							
At 31 December 2015 and at 1 January 2016:							
Cost (Restated)	6,386,854	472,321	15,312	196,105	693,439	4,024,725	11,788,756
Accumulated depreciation and impairment	(1,055,341)	(279,396)	(7,715)	(149,257)	(373,255)	(6,613)	(1,871,577)
Net carrying amount	5,331,513	192,925	7,597	46,848	320,184	4,018,112	9,917,179
At 1 January 2016, net of accumulated depreciation and impairment	5,331,513	192,925	7,597	46,848	320,184	4,018,112	9,917,179
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 27)	117,150	–	–	–	–	150,705	267,855
Transfer to investment properties (note 18) (Restated)	(317,987)	–	–	–	–	(3,173,435)	(3,491,422)
Transfer from investment properties (note 18)	–	–	–	–	–	632,292	632,292
Acquisition of subsidiaries	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 from construction in progress	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

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Amortisation of land lease payments of approximately RMB14,066,000 during the construction period was capitalised as part of the construction cost of the department stores under construction of the Group, and was included in the above additions.

The Group's land and buildings are held under medium term leases and are situated in Mainland China. Details of the Group's land and buildings pledged to secure the Group's interest-bearing bank loans are set out in note 34.

Certificates of ownership in respect of certain buildings of the Group with a net carrying amount of approximately RMB191,921,000 as at 31 December 2017 (31 December 2016: RMB2,732,561,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

18. INVESTMENT PROPERTIES

2017

	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 2017	4,144,331	5,585,911	9,730,242
Additions	298,917	—	298,917
Transfer to properties under development (note 27)	—	(45,582)	(45,582)
Transfer from property, plant and equipment (note 17)	1,232,157	—	1,232,157
Recognition of change in fair value of property, plant and equipment upon transfer to investment properties	840,676	—	840,676
Transfer to property, plant and equipment (note 17)	(13,239)	—	(13,239)
Transfer from prepaid land lease payments (note 19)	672,135	—	672,135
Net gain from fair value adjustment	175,073	—	175,073
Carrying amount at 31 December 2017	7,350,050	5,540,329	12,890,379

18. INVESTMENT PROPERTIES (continued)

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	292,330	—	292,330
Transfer to properties under development (note 27)	(51,848)	—	(51,848)
Transfer from property, plant and equipment (note 17)	317,987	—	317,987
Transfer from construction in progress (note 17)	—	3,173,435	3,173,435
Transfer to construction in progress (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 property, plant and equipment upon transfer to investment properties	434,626	2,289,438	2,724,064
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

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 2017 based on valuations performed by GuoZhongLian, an independent professionally qualified valuer, at approximately RMB13,465,789,000. 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 once a year when the valuation is performed for 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.

18. INVESTMENT PROPERTIES (continued)

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 34.

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately RMB2,778,079,000 as at 31 December 2017 (31 December 2016: RMB115,987,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

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 2017 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Commercial properties	**—**	**—**	**12,890,379**	**12,890,379**

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Commercial properties	—	—	9,730,242	9,730,242

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 (2016: Nil).

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 2017	2016
Commercial properties	Discounted cash flow method	Estimated rental value (per s.q.m. and per month)	**RMB14-RMB616**	RMB17-RMB625
		Rent growth (p.a.)	**0%-3%**	2%-5%
		Long term vacancy rate	**1%-40%**	1%-10%
		Discount rate	**6%-7%**	5%-7%
	Residual method	Budgeted construction cost to be incurred (per s.q.m)	**RMB99-RMB488**	RMB80-RMB689
		Remaining percentage to completion	**3%-34%**	2%-15%
		Anticipated developer's profit margin	**25%**	25%
	Comparison method	Market unit sale rate (per s.q.m)	**RMB16,200- RMB53,000**	RMB4,735-RMB10,681

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	**2017**	2016
		RMB'000	RMB'000
Carrying amount at 1 January		**5,886,381**	4,241,320
Acquisition of subsidiaries		**–**	2,488,501
Additions		**57,940**	90,870
Transfer to properties under development	27	**(94,633)**	(7,280)
Transfer from properties under development	27	**–**	166,520
Transfer to investment properties	18	**(672,135)**	(882,822)
		5,177,553	6,097,109
Amortisation provided during the year		**(198,062)**	(210,728)
Carrying amount at 31 December		**4,979,491**	5,886,381
Current portion included in prepayments, deposits and other receivables		**(166,196)**	(235,654)
Non-current portion		**4,813,295**	5,650,727

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 34.

The Group is in the process of applying for the certificates for a land use right with an aggregate carrying amount of approximately RMB100,547,000 as at 31 December 2017 (31 December 2016: RMB103,511,000).

Included in the amortisation provided during the year was an amount of approximately RMB 14,066,000, 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

	Note	2017 RMB'000	2016 RMB'000
At 1 January:			
Cost		**1,685,982**	377,252
Accumulated impairment		**(93,318)**	(93,318)
Net carrying amount		**1,592,664**	283,934
Cost at 1 January, net of accumulated impairment		**1,592,664**	283,934
Impairment provided during the year	12	**(183,081)**	—
Acquisition of subsidiaries		**—**	1,308,730
Deregistration of subsidiaries		**(9)**	—
Cost and net carrying amount at 31 December		**1,409,574**	1,592,664
At 31 December:			
Cost		**1,685,973**	1,685,982
Accumulated impairment		**(276,399)**	(93,318)
Net carrying amount		**1,409,574**	1,592,664

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 12% to 14% (2016: 11% to 13%). Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranging from 2% to 3% (2016: 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 77,336,000 to RMB 133,895,000, 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 2016	1,576,625	14,477	1,562	1,592,664
At 31 December 2017	**1,393,544**	**14,477**	**1,553**	**1,409,574**

Assumptions were used in the value in use calculation of the CGUs for 31 December 2017 and 2016. 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 after 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% (2016: 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.

Management performed impairment testing of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. During the year ended 31 December 2017, due to operating performance continued to decline among business units which affected the recoverable amount of the cash generating units of Chengdu Renhe Spring Department Store Co., Ltd., and Shandong Zibo Maoye Department Co., Ltd., which operate department stores located in Chengdu, Sichuan province and Zibo, Shandong province, separately, goodwill of approximately RMB85,739,000 and RMB97,342,000, respectively, were impaired.

21. OTHER INTANGIBLE ASSETS

	Note	Computer software 2017 RMB'000	Computer software 2016 RMB'000
Cost at 1 January, net of accumulated amortisation		**48,292**	57,405
Additions		**2,507**	2,944
Acquisition of subsidiaries		**—**	756
Amortisation provided during the year		**(12,315)**	(13,540)
Transfer from construction in progress	17	**1,110**	727
At 31 December		**39,594**	48,292
At 31 December:			
Cost		**90,050**	86,433
Accumulated amortisation		**(50,456)**	(38,141)
Net carrying amount		**39,594**	48,292

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

22. INVESTMENTS IN A JOINT VENTURE

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	**921**	—
	921	—

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Jiangsu Qinghehong Beverage Management Co., Ltd. ("Qinghehong Beverage")	Ordinary shares of RMB1 each	PRC/ Mainland China	50%	Beverage industry

23. INVESTMENTS IN ASSOCIATES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	**897,456**	1,193,145
Goodwill on acquisition	**942,292**	1,340,232
	1,839,748	2,533,377

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%	Operation of department store
Maoye Communication and Network Co., Ltd. ("Maoye Communication")	Ordinary shares of RMB1 each	PRC/Mainland China	24.20%	Information transmission and IT services
Shenzhen UGO E-Commerce Co., Ltd ("UGO")	Ordinary shares of RMB1 each	PRC/Mainland China	18.64%	Electronic commerce

(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.

23. INVESTMENTS IN ASSOCIATES (continued)

(i) Commercial City (continued)

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 2017 RMB'000	31 December 2016 RMB'000
Current assets	**1,185,249**	1,163,392
Non-current assets	**2,289,703**	2,610,300
Current liabilities	**(2,460,493)**	(2,617,031)
Non-current liabilities	**(12,433)**	(13,858)
Non-controlling interests of the associate	**(308,454)**	(308,597)
Net assets	**693,572**	834,206
Net assets, excluding goodwill	**693,572**	834,206
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	**167,983**	202,045
Goodwill on acquisition	**32,412**	32,412
Carrying amount of the investment	**200,395**	234,457

	2017 RMB'000	2016 RMB'000
Revenue	**332,507**	376,351
Loss for the year	**140,634**	(162,565)
Total comprehensive loss for the year	**140,634**	(162,565)
Fair value of the Group's investment	**470,675**	754,547

(ii) Maoye Communication

On 9 January 2017, Zhongzhao Investment Management Co., Ltd. ("Zhongzhao Investment") entered into an agreement with Shenzhen Tong Tai Da Investment Center (Limited Partnership) ("Tong Tai Da") to sell 70 million shares, which represented 11.26% equity interest in Maoye Communication to Tony Tai Da, at a consideration of RMB1,400 million which resulted in gain on disposal of RMB621,812,000. As a result, Zhongzhao Investment decreased its shareholding in Maoye Communication from 35.46% to 24.20%. Maoye Communication is still considered as an associate of the Group after the equity transfer and is accounted for using the equity method.

23. INVESTMENTS IN ASSOCIATES (continued)

(ii) Maoye Communication (continued)

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 2017 RMB'000	31 December 2016 RMB'000
Current assets	**1,171,242**	934,377
Non-current assets	**3,493,545**	3,598,972
Current liabilities	**(1,029,039)**	(1,119,297)
Non-current liabilities	**—**	—
Non-controlling interests of an associate	**—**	—
Net assets excluding non-controlling interests	**3,635,748**	3,414,052
Goodwill of an associate	**(793,787)**	(793,787)
Net assets, excluding goodwill	**2,841,961**	2,620,265
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**24.20%**	35.46%
Group's share of net assets of the associate, excluding goodwill	**687,755**	929,146
Goodwill on acquisition	**880,756**	1,307,820
Carrying amount of the investment	**1,568,511**	2,236,966

	2017 RMB'000	2016 RMB'000
Revenue	**868,065**	1,795,866
Profit for the year	**108,452**	176,500
Other comprehensive income	**—**	—
Total comprehensive income for the year	**108,452**	176,500
Dividend received	**7,938**	5,512
Fair value of the Group's investment	**2,007,816**	3,367,202

(iii) UGO

UGO is a strategic partner of the Group engaged in the electronic commerce industry, it finished the non-public targeted offering of 3,411,029 shares in April 2017. As a result, the shareholding of Zhongzhao Investment has been diluted, representing a decrease of the group's percentage shareholding in UGO from 20.92% to 18.64%. Zhongzhao Investment is still able to exercise significant influence in UGO through its representation in the board of directors of UGO as in prior years. Thus, UGO is still considered an associate of the Group and is accounted for using the equity method.

23. INVESTMENTS IN ASSOCIATES (continued)

(iii) UGO (continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current assets	**198,822**	128,681
Non-current assets	**45,950**	40,266
Current liabilities	**(20,963)**	(29,009)
Non-current liabilities	**—**	—
Non-controlling interests of an associate	**—**	—
Net assets excluding non-controlling interests	**223,809**	139,938
Goodwill of an associate	**—**	—
Net assets, excluding goodwill	**223,809**	139,938
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**18.64%**	20.92%
Group's share of net assets of the associate, excluding goodwill	**41,718**	29,275
Goodwill on acquisition	**29,124**	32,679
Carrying amount of the investment	**70,842**	61,954

	2017 RMB'000	2016 RMB'000
Profit for the year	**26,214**	18,565
Other comprehensive income	**—**	—
Total comprehensive income	**26,214**	18,565
Carrying amount of the Group's investments in the associate	**70,842**	61,955

24. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Listed equity investments, at fair value	**1,566,255**	1,285,069
Unlisted equity investments, at cost	**1,377,108**	489,007
	2,943,363	1,774,076
Provision for impairment	**(5,885)**	(5,885)
	2,937,478	1,768,191

During the year, the gross loss in respect of the Group's available-for-sale equity investments recognized in other comprehensive loss amounted to RMB163,700,000 (gross loss in 2016: RMB243,847,000), of which Nil (2016: 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 2017, the Group's listed equity investments with a carrying amount of RMB777,305,000 (31 December 2016: RMB608,779,600) and unlisted equity investment with a carrying amount of RMB521,570,000 (31 December 2016: Nil) were pledged as security for the Group's bank loans respectively.

As at 31 December 2017, certain unlisted equity investments with a carrying amount of RMB1,377,108,000 (31 December 2016: RMB489,007,000) were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably. The Group does not intend to dispose of them in the near future.

25. DEFERRED TAX

Movements in deferred tax 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	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 2016	537,465	88,385	377,147	7,380	263,781	25,310	8,494	292,625	1,600,587
Acquisition of subsidiaries	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 and 1 January 2017	**1,429,271**	**27,423**	**1,083,715**	**7,380**	**263,781**	**25,310**	**18,086**	**372,901**	**3,227,867**
Deferred tax credited to equity during the year	**–**	**(40,925)**	**210,169**	**–**	**–**	**–**	**–**	**–**	**169,244**
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 14)	**(58,635)**	**78,110**	**42,148**	**–**	**(89,685)**	**–**	**15,563**	**31,473**	**18,974**
At 31 December 2017	**1,370,636**	**64,608**	**1,336,032**	**7,380**	**174,096**	**25,310**	**33,649**	**404,374**	**3,416,085**

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 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 and 1 January 2017	9,957	2,459	12,656	14,545	147,216	375,251	18,533	580,617
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 14)	45,985	(208)	(931)	(14,545)	(58,130)	9,187	14,559	(4,083)
At 31 December 2017	55,942	2,251	11,725	--	89,086	384,438	33,092	576,534

Notes to Financial Statements

31 December 2017

25. DEFERRED TAX (continued)

The Group had tax losses of approximately RMB1,992,783,000 as at 31 December 2017 (31 December 2016: RMB1,923,055,000), 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:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Tax losses	**1,636,439**	1,334,191

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 in respect of tax losses of approximately RMB12,076,000 as at 31 December 2017 (31 December 2016: RMB72,000,000), 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 2017, the deferred tax liabilities of undistributed profits were not provided for was RMB332,602,000 (31 December 2016: RMB296,332,000).

26. INVENTORIES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Merchandise for resale	**243,043**	286,547
Provision against slow-moving inventories	**(6,940)**	(7,004)
	236,103	279,543

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

	2017 RMB'000	2016 RMB'000
At 1 January	**7,004**	7,047
Amount written off during the year	**(64)**	(43)
At 31 December	**6,940**	7,004

27. PROPERTIES UNDER DEVELOPMENT

	Notes	**2017** **RMB'000**	2016 RMB'000 (Restated)
Land lease prepayments, at cost			
At 1 January		**1,965,694**	2,156,698
Additions		**208,461**	399,617
Acquisition of subsidiaries		**—**	45,401
Transfer from prepaid land lease payments	19	**94,633**	7,280
Transfer to land lease prepayments	19	**—**	(166,520)
Transfer to completed properties held for sale		**—**	(528,630)
Transfer from investment properties	18	**—**	51,848
At 31 December		**2,268,788**	1,965,694
Development expenditure, at cost			
At 1 January		**2,884,730**	2,553,531
Additions		**446,461**	1,764,426
Acquisition of subsidiaries		**—**	223,090
Transfer from property, plant and equipment	17	**240,508**	—
Transfer from investment properties	18	**45,582**	—
Transfer to construction in progress	17	**—**	(150,705)
Transfer to property, plant and equipment	17	**—**	(117,150)
Transfer to completed properties held for sale		**—**	(1,388,462)
At 31 December		**3,617,281**	2,884,730
		5,886,069	4,850,424

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 34.

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Listed equity investments, at market value	**212**	246,584

The above equity investments at 31 December 2016 and 2017 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. The group disposed of an equity investment in 2017, with a gain on disposal of RMB89,605,000.

29. TRADE RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade receivables	**27,329**	36,098
Impairment	**(19,338)**	(15,744)
	7,991	20,354

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 60 days	**4,658**	5,872
61 to 90 days	**422**	488
91 to 180 days	**579**	1,308
181 to 270 days	**145**	49
271 to 360 days	**566**	69
Over 360 days	**20,959**	28,312
	27,329	36,098
Impairment	**(19,338)**	(15,744)
	7,991	20,354

The balance of trade receivables mainly relates to sales of properties.

29. TRADE RECEIVABLES (continued)

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

	2017 RMB'000	2016 RMB'000
At 1 January	**15,744**	15,477
Impairment losses recognized during the year	**5,122**	382
Amount reversed during the year	**(1,221)**	(115)
Amount written off during the year	**(307)**	—
At 31 December	**19,338**	15,744

Included in the above provision for impairment of trade receivables as at 31 December 2017 was a provision for individually impaired trade receivables of RMB19,338,000 (31 December 2016: RMB15,744,000) with a gross carrying amount before provision of approximately RMB27,329,000 (31 December 2016: RMB15,744,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interests and/or principal payments and only a portion of the receivables is expected to be recovered.

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

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets		
Prepayments	**357,358**	323,855
Current assets		
Prepayments	**480,512**	428,867
Deposits and other receivables	**2,676,703**	2,649,862
Loan to a third party	**70,000**	—
	3,227,215	3,078,729
Impairment of other receivables	**(17,561)**	(16,355)
	3,209,654	3,062,374

The loan to a third party of RMB70,000,000 (2016: Nil) bears interest at 8% per annum and is repayable in one year.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Associates	**87,802**	200,304
Fellow subsidiaries	**238,978**	223,066
Non-controlling shareholders of subsidiaries	**408,351**	208,561
A company significantly influenced by a director of the Company	**516,013**	147,401
	1,251,144	779,332

Included in the balances due from associates is an amount of RMB87,377,000 due to Commercial City which includes the loan amount of RMB75,660,000 (31 December 2016: RMB184,238,000) and the related interest payable. The loan bears interest at 10% per annum and is repayable in one year. During the year, the interest income generated from the loans was RMB3,266,000 (2016: RMB9,021,000).

Included in the balances due from non-controlling shareholders of subsidiaries is an an amount of RMB399,933,400 (31 December 2016: RMB200,000,000), which is non-interest bearing. The amount is repaid in January 2018.

The remaining balances due from associates and other related companies are unsecured, interest-free and repayable on demand.

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

	2017 RMB'000	2016 RMB'000
At 1 January	**16,355**	15,239
Acquisition of subsidiaries	**—**	2,784
Impairment losses recognised during the year (note 11)	**6,478**	1,208
Amounts written off during the year	**(5,272)**	(2,876)
At 31 December	**17,561**	16,355

Included in the above provision for impairment of other receivables as at 31 December 2017 was a provision for individually impaired other receivables of approximately RMB17,561,000 (31 December 2016: RMB16,355,000) with a gross carrying amount of approximately RMB882,532,000 (31 December 2016: RMB779,332,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

31. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Cash and bank balances	**1,456,783**	1,127,580
Time deposits	**310,322**	146,028
	1,767,105	1,273,608
Less: Pledged bank balances for construction in progress	**(137,475)**	(35,069)
Pledged time deposits for housing fund loans	**(11,132)**	(9,170)
Pledged bank balances for mortgages	**(14,915)**	(7,788)
Pledged bank balances for suppliers' loans	**–**	(525)
Pledged bank balances for bank loans	**(135,000)**	(80,000)
Pledged time deposit for bank acceptance bills	**(11,800)**	(13,476)
Cash and cash equivalents	**1,456,783**	1,127,580

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	**1,724,400**	1,123,425
Hong Kong dollar	**7,434**	10,328
United States dollar	**35,262**	139,854
Great British pound	**9**	1
	1,767,105	1,273,608

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,724,400,000 (31 December 2016: RMB1,123,425,000). 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.

32. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	**2,298,222**	2,132,672
91 to 180 days	**117,409**	578,506
181 to 360 days	**130,795**	56,552
Over 360 days	**407,065**	305,676
	2,953,491	3,073,406

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

The Group's bills payable amounted to RMB18,000,000 as at 31 December 2017 (31 December 2016: RMB3,500,000).

33. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Deferred income	**2,549,296**	1,853,348
Deposits received	**527,278**	482,390
Accrued operating lease rental expenses	**76,006**	80,357
Accrued utilities	**36,129**	27,964
Accrued liabilities	**140,817**	233,385
Accrued staff costs	**65,063**	57,964
Provision for coupon liabilities	**137,036**	115,870
Value-added tax and other tax payables	**297,639**	337,416
Payables for construction	**1,804,407**	1,974,362
Loans from a fellow subsidiary	**388,573**	1,229,047
Loan from a company significantly influenced by a director of the Company	**408,902**	320,394
Loans from the non-controlling shareholders of a subsidiary	**156,530**	--
Other payables	**995,998**	1,332,967
	7,583,674	8,045,464

33. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES (continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Associates	**153**	108
Fellow subsidiaries	**390,957**	1,242,310
An non-controlling shareholder of a subsidiary	**156,530**	218,530
Companies significantly influenced by a director of the Company	**408,902**	320,394
	956,542	1,781,342

Included in the balances due to fellow subsidiaries is an amount of RMB240,778,000 (31 December 2016: RMB1,228,109,000) which includes the loans to Maoye Department Store Investment Limited of RMB161,447,000 and RMB67,015,000 and the related interest payable. The loans of RMB161,447,000 and RMB67,015,000 bear interest at 3.24% and 3.29% per annum, respectively and are repayable in one year. During the year, the loan interest expenses were RMB43,818,000 (2016: RMB28,732,000).

Included in the balance due to a companies significantly influenced by a director of the Company is an amount of RMB408,902,000 (31 December 2016: 320,394,000) which includes a loan amount of RMB200,000,000 and related interest and penalty payable. The loan amount bears interest at 8.48% per annum and interest penalty at 0.05% per day. During the year, the loan interest and penalty expenses were RMB17,833,000 and RMB45,552,000 (2016: RMB17,883,000 and RMB39,233,000), respectively.

The remaining balances due to related companies are unsecured, interest-free and repayable on demand.

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

34. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	31 December 2017			31 December 2016 (Restated)		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured	**3.59-7.00**	**2018**	**4,608,376**	5.00-6.49	2017	7,223,980
Current portion of long term interest-bearing bank loans – unsecured	**4.00**	**2018**	**481,263**	6.70	2017	699,054
Current portion of long term interest-bearing bank loans – secured	**4.66-6.83**	**2018**	**1,103,326**	5.46-6.9	2017	1,261,184
Other borrowings –secured	**5.90**	**2018**	**569,970**	—	—	—
USD senior note – secured (a)	**7.00**	**2018**	**1,958,697**	7.75	2017	1,530,087
			8,721,632			10,714,305
Non-current						
Non-current portion of interest-bearing bank loans – secured	**5.10-8.50**	**2019-2032**	**9,322,502**	5.00-12.50	2018-2025	5,661,672
Corporate bond – unsecured (b)	**4.50**	**2021**	**1,694,889**	4.00-4.50	2018-2021	2,780,415
			11,017,391			8,442,087
			19,739,023			19,156,392

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Analysed into:		
Bank and other loans repayable:		
Within one year	**8,721,631**	10,714,305
In the second year	**2,800,849**	1,205,547
In the third to fifth years, inclusive	**6,982,543**	6,746,540
Beyond five years	**1,234,000**	490,000
	19,739,023	19,156,392

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

Notes:

(a) On 24 October 2017, the Company issued a senior note with principal amount of US$300,000,000 (the "2017 Note"). The 2017 Note is listed on The Stock Exchange of Hong Kong Limited. The 2017 Note bears interest at 7% per annum, payable semi-annually on 24 April and 23 October, and will be mature on 23 October 2018, unless redeemed earlier. The offering price is 100% of the principal amount. The carrying amount of the 2017 Note at 31 December 2017 is RMB1,958,697,000.

(b) On 6 January 2016, Shenzhen Maoye Shangsha completed the issuance of corporate bond with a total principal amount of RMB1,100,000,000 on the Shanghai Stock Exchange of the PRC. The corporate bond carries interest at 4.0% per annum, payable annually on 5 January in arrears, and has a term of up to 3 years at maximum. On 27 December 2017, Shenzhen Maoye Shangsha redeemed part of the corporate bond with a principal amount of RMB618,619,000 from the open market. There was no gain or loss from the redemption.

The carrying amount of the corporate bond at 31 December 2017 amounts to RMB481,263,000. The fair value of the corporate bond at 31 December 2017 amounts to RMB477,674,000 (31 December 2016: RMB1,055,890,000). The fair value is calculated using the market price of the corporate bond on 31 December 2017.

On 6 January 2016, Shenzhen Maoye Shangsha completed the issuance of another corporate bond with a total principal amount of RMB1,700,000,000 on the Shanghai Stock Exchange of the PRC. The corporate bond carries interest at 4.5% per annum, payable annually on 5 January in arrears, and has a term of up to 5 years at maximum. The bond is embedded with a right for issuer to adjust par interest rate and a right for investors to repurchase the bond at the end of the third year.

The carrying amount of the corporate bonds at 31 December 2017 is RMB1,694,889,000. The fair value of the corporate bonds at 31 December 2017 is RMB1,572,670,000 (31 December2016: RMB1,577,600,000). The fair value is calculated using the market price of the corporate bonds on 31 December 2017.

(c) 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 RMB2,841,756,000 (31 December 2016: RMB3,272,990,000);

(ii) certain investment properties of the Group with a net carrying amount of approximately RMB5,283,735,000 (31 December 2016: RMB4,198,868,000);

(iii) certain land lease prepayments of the Group with a net carrying amount of approximately RMB1,219,418,000 (31 December 2016: RMB1,245,743,000);

(iv) certain properties under development of the Group with a net carrying amount of approximately RMB149,646,000 (31 December 2016: RMB529,908,000); and

(v) certain stocks of Maoye Commercial and Maoye Communication with carring amount of RMB7,488,539,000 and RMB 1,569,775,000, respectively, and certain available-for-sale investments with carrying amount of RMB1,298,875,000.

In addition, Zhongzhao, Shenzhen Maoye Group, Maoye Commercial, Shenzhen Maoye, Shenzhen Maoye Shangsha, Shenzhen Hezhengmao Investment, Mr. Huang Mao Ru and Mrs. Huang Jingzhang (spouse of Mr. Huang Mao Ru), have guaranteed certain of the Group's bank loans up to RMB5,215,125,000 (31 December 2016: RMB3,052,125,000) as at the end of the reporting year.

(d) Except for the 7.00% secured USD senior notes of RMB1,958,697,000 (31 December 2016: RMB1,530,087,000) and the 3.93% secured bank loan of RMB139,636,000 (31 December 2016: Nil) which are denominated in United States dollars, the 3.59% secured bank loan of RMB83,591,000 (31 December 2016: Nil) which is denominated in Hong Kong dollars, all borrowings are in RMB.

(e) Except for bank loans with a carrying amount of RMB13,351,624,000 (31 December 2016: RMB14,675,536,000) at fixed interest rates, all borrowings bear interest at floating interest rates.

The Group had the following undrawn banking facilities at the year end:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amount of undrawn banking facilities	**727,373**	67,000

35. PROVISION FOR RETIREMENT BENEFITS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Defined benefit obligations	**8,944**	9,003
Long-term retirement benefits	**59**	92
Less: current portion of retirement benefits	**(870)**	(892)
	8,133	8,203

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 2017 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:

	31 December 2017	31 December 2016
Discount rate (%)	**4.00%**	3.00%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 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.

35. PROVISION FOR RETIREMENT BENEFITS (continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Interest cost	**350**	307
Net benefit expenses	**350**	307
Recognized in finance costs	**350**	307

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

	2017 RMB'000	2016 RMB'000
At 1 January	**9,003**	8,922
Interest cost	**350**	307
Pension payments made	**(847)**	(981)
Benefit expenses recognized in other comprehensive income	**438**	755
At 31 December	**8,944**	9,003

Notes to Financial Statements

31 December 2017

35. PROVISION FOR RETIREMENT BENEFITS (continued)

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

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

2017

		Pension cost charged to profit or loss			Remeasurement gains in other comprehensive income			
	1 January 2017 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 2017 RMB'000
Defined benefit obligations	**9,003**	**350**	**350**	**(847)**	**438**	**–**	**438**	**8,944**
Benefit liability	**9,003**	**350**	**350**	**(847)**	**438**	**–**	**438**	**8,944**

36. ISSUED CAPITAL

	31 December 2017 HK$'000	31 December 2016 HK$'000
Issued and fully paid:		
5,140,326,000 (31 December 2016: 5,140,326,000) ordinary shares of HK$0.10 each	**514,033**	514,033
Equivalent to RMB'000	**460,153**	460,153

During the year, there was no movement in issued capital.

37. 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 68 to 69 of the financial statements.

(i) Contributed surplus

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 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.

37. RESERVES (continued)

(i) Contributed surplus (continued)

According to the compensation agreement, the Vendors promised to Maoye Commercial that the total audited net profits of the Target Entities for the years ended 31 December 2016, 2017 and 2018 would be not less than RMB711,011,000 (the "2016 Profit Guarantee") RMB779,222,200 and RMB839,703,400, respectively. According to the special audited accounts of the Target Entities for the year ended 31 December 2016 audited by Ruihua Certified Public Accounts the total net profits of the Target Entities was approximately RMB569,084,800, without taking into account the effect of non-operating gains and losses. The amount was lower than the 2016 Profit Guarantee by RMB141,926,200. Therefore, the 2016 Profit Guarantee has not been met. According to the compensation agreement, Maoye Commercial should be entitled to repurchase 70,854,116 compensation shares at the cost of RMB1 from the Vendors, representing approximately 6.1% of the total consideration shares ("the Repurchase").

However, the resolution to the Repurchase was not approved by the shareholders of Maoye Commercial at the shareholders' meeting held on 11 April 2017. Accordingly, on 18 July 2017, pursuant to the terms of the compensation agreement, the compensation shares of 70,754,453 should be transferred from the Vendors, respectively, to the shareholders of Maoye Commercial (other than the Vendors) as listed on the shareholders' register of Maoye Commercial as of the close of trading on 5 May 2017, in proportion to their then shareholding in Maoye Commercial, for no consideration. The carrying amount of Maoye Shangsha's investment in the compensation shares of 70,754,453 was recognized as deduction of contributed surplus. Upon completion of such transfers, Maoye Shangsha's shareholding in Maoye Commercial has decreased from 1,481,430,321 shares to 1,414,838,703, representing a decrease in percentage shareholding from 85.53% to 81.69%.

(ii) Statutory surplus reserve

The amount of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 68 to 69 of the financial statements.

In accordance with the PRC Company Law, the PRC subsidiary of the Group is required to allocate 10% of its profit after tax to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	USD Senior note RMB'000	Loans from a fellow subsidiary RMB'000	Dividend payable RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2017	19,156,392	1,530,087	1,237,497	–	158,357	20,552,246
Changes from financing cash flows	146,483	428,610	(848,924)	(13,341)	(1,189,423)	(1,476,595)
Interest expense	7,538	–	–	–	917,078	924,616
2016 final dividend	–	–	–	13,341	–	13,341
Interest capitalized	–	–	–	–	262,000	262,000
At 31 December 2017	17,780,326	1,958,697	388,573	–	148,012	20,275,608

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:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	**691,953**	428,609
In the second to fifth years, inclusive	**1,288,601**	961,295
After five years	**587,494**	536,670
	2,568,048	1,926,574

39. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	**420,541**	425,239
In the second to fifth years, inclusive	**1,429,706**	1,456,040
After five years	**2,524,595**	2,485,807
	4,374,842	4,367,086

40. COMMITMENTS

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for, in respect of land and buildings	**2,649,667**	3,359,330

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:

	2017 **RMB'000**	2016 RMB'000
(1) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye Group (i) & (vi)	**25,909**	25,909
Zhong Zhao Investment (Group) Limited (中兆投資(集團)有限公司) (i) & (vi)	**19,790**	19,790
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**	75,891
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (vi)	**7,566**	7,566
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (vi)	**32,765**	30,581
Shenzhen Friendship Trading Centre Co., Ltd. ("Shenzhen Friendship") (深圳友誼貿易中心有限公司) (iv) & (vi)	**–**	1,881
	161,921	161,618
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)	**2,002**	4,048
Changzhou Taifu Real Estate Development Co., Ltd. (常州泰富房地產開發有限公司) (i) & (vii)	**–**	10
	2,002	4,058

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)

	2017 RMB'000	2016 RMB'000
(2) Non-recurring transactions		
Loans to:		
Commercial City (ii)	—	190,000
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v) & (viii)	**399,933**	200,000
	399,933	390,000
Loans repayment by:		
Commercial City (ii)	**112,646**	—
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v)	**200,000**	—
	312,646	—
Interest income on loans to:		
Commercial City (ii)	**3,266**	9,021
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v)	**26,148**	5,677
	29,414	14,698
Loans from:		
Shenzhen Maoye Group (i)	—	1,214,500
Maoye Department Store Investment Limited (i) & (ix)	**232,328**	8,449
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v)	—	62,000
	232,328	1,284,949
Loans repayment to:		
Shenzhen Maoye Group (i)	**1,081,252**	—
Victory Investment Holdings Co., Ltd. (維多利投資控股有限公司) (v)	—	62,000
	1,081,252	62,000

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2017 **RMB'000**	2016 RMB'000
Interest expense on loans from:		
Shenzhen Maoye Group (i)	**35,947**	28,732
Maoye Department Store Investment Limited (ix)	**5,995**	—
	41,942	28,732
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i) & (x)	**1,469,500**	594,000
Shenzhen Demao Investment Enterprises (Limited Partnership) & Shenzhen Hezhengmao Investment Enterprise (Limited Partnership) (iii) & (x)	**35,000**	—
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (iv) & (x)	**1,581,591**	880,000
	3,086,091	1,474,000

41. **RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

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

(i) They are fellow subsidiaries of the Company.

(ii) Commercial City is an associate of the Company.

(iii) Shenzhen Demao Investment Enterprises (Limited Partnership) and Shenzhen Hezhengmao Investment Enterprise (Limited Partnership) are companies significantly influenced by a director of the Company.

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

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

(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) In December 2017, Victory Investment Holdings Co., Ltd borrowed loans from Shenzhen Maoye Shangsha with an aggregate amount of RMB399,933,000, which are non-interest bearing and have been repaid in January 2018.

(ix) The Group and Maoye China borrowed loans from Maoye Department Store Investment Limited with the principal amounts of RMB161,447,000 and RMB67,015,000 in year ended 31 December 2017, which bear interest at rates of 3.24% and 3.29% per annum, respectively. The loans are repayable in one year.

(x) Certain of the Group's bank loans were guaranteed by a fellow subsidiary of the Company, Mr. Huang Mao Ru and Mrs. Huang Jingzhang, Shenzhen Demao Investment Enterprises (Limited Partnership) and Shenzhen Hezhengmao Investment Enterprise (Limited Partnership) jointly and severally.

(b) Outstanding balances with related parties:

Details of the Group's outstanding balances with related parties as at the end of the reporting period are included in note 30 and 33 to the financial statements.

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management

	2017 RMB'000	2016 RMB'000
Salaries and allowances	**3,833**	4,381
Retirement benefits	**191**	197
	4,024	4,578

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

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

(d) Commitments with related parties

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	**162,078**	145,695
In the second to fifth years, inclusive	**544,676**	570,584
After five years	**1,514,240**	1,552,114
	2,220,994	2,268,393

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:

2017

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	—	—	2,937,478	2,937,478
Trade receivables	—	7,991	—	7,991
Financial assets included in prepayments, deposits and other receivables	—	2,515,138	—	2,515,138
Equity investments at fair value through profit or loss	212	—	—	212
Pledged deposits	—	310,322	—	310,322
Cash and cash equivalents	—	1,456,783	—	1,456,783
	212	4,290,234	2,937,478	7,227,924

Financial liabilities	Financial liabilities at amortized cost RMB'000
Trade and bills payables	2,953,491
Financial liabilities included in other payables and accruals	4,599,702
Interest-bearing bank loans and other borrowings	19,739,023
	27,292,216

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Financial liabilities	Financial liabilities at amortized cost RMB'000 (Restated)
Trade and bills payables	3,073,406
Financial liabilities included in other payables and accruals	5,763,680
Interest-bearing bank loans and other borrowings	19,156,392
	27,993,478

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	
	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)	**31 December 2017 RMB'000**	31 December 2016 RMB'000 (Restated)
Financial assets				
Available-for-sale investments – listed equity investments	**1,566,255**	1,285,069	**1,566,255**	1,285,069
Equity investments at fair value through profit or loss	**212**	246,584	**212**	246,584
	1,566,467	1,531,653	**1,566,467**	1,531,653
Financial liabilities				
Interest-bearing bank loans and other borrowings	**19,739,023**	19,156,392	**19,739,023**	19,156,392
	19,739,023	19,156,392	**19,739,023**	19,156,392

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 2017

	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	**212**	**—**	**—**	**212**
Available-for-sale equity investments:				
Equity shares	**1,566,255**	**—**	**—**	**1,566,255**
	1,566,467	**—**	**—**	**1,566,467**

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 (31 December 2016: 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 (2016: 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 34 above.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) and the Group's equity during the year.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
31 December 2017			
RMB	**100**	**(89,784)**	**—**
RMB	**(100)**	**89,784**	**—**
31 December 2016			
RMB	100	(63,633)	—
RMB	(100)	63,633	—

* 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.

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**
2017		
If RMB weakens against the United States dollar	**(5%)**	**(98,006)**
If RMB strengthens against the United States dollar	**5%**	**98,006**
2016		
If RMB weakens against the United States dollar	(5%)	(95,160)
If RMB strengthens against the United States dollar	5%	95,160

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 29 and 30, respectively.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

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

		31 December 2017		
	On demand RMB'000	**Less than 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Trade and bills payables	**—**	**2,953,491**	**—**	**2,953,491**
Deposits received, accruals and other payables	**—**	**4,599,702**	**—**	**4,599,702**
Interest-bearing bank and other borrowings	**—**	**9,711,751**	**12,169,881**	**21,881,632**
	—	**17,264,944**	**12,169,881**	**29,434,825**

		31 December 2016		
	On demand RMB'000	Less than 1 year RMB'000 (Restated)	Over 1 year RMB'000	Total RMB'000 (Restated)
Trade and bills payables	—	3,073,406	—	3,073,406
Deposits received, accruals and other payables	—	5,763,680	—	5,763,680
Interest-bearing bank and other borrowings	—	11,491,837	9,372,816	20,864,653
	—	20,328,923	9,372,816	29,701,739

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

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

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

	31 December 2017	**Year ended 31 December 2017 High/low**	31 December 2016	Year ended 31 December 2016 High/low
Shenzhen – A Share Index	**1,986**	**2,149/1,834**	2,060	2,237/1,703
Shanghai – A Share Index	**3,463**	**3,614/3,159**	3,250	3,519/2,779

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 2017 and 2016.

Group		**Increase/ decrease in profit before tax RMB'000**	**Increase/ decrease in equity* RMB'000**
31 December 2017			
Equity investments listed in:			
Shanghai	– available-for-sale	**—**	**53,792**
	– at fair value through profit or loss	**—**	**—**
Shenzhen	– available-for-sale	**—**	**20,792**
	– at fair value through profit or loss	**10,117**	**—**
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	—

* Excluding retained profits

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2017 and 2016.

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 2017 and 2016 were as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Interest-bearing bank loans and other borrowings	**19,739,023**	19,156,392
Less: Cash and cash equivalents and pledged deposits	**(1,767,105)**	(1,273,608)
Net debt	**17,971,918**	17,882,784
Equity attributable to owners of the parent	**11,072,182**	10,112,635
Adjusted capital	**11,072,182**	10,112,635
Capital and net debt	**29,044,100**	27,995,419
Gearing ratio	**62%**	64%

45. EVENTS AFTER THE REPORTING PERIOD

i. On 9 January 2018, Chengdu Maoye Estate Co., Ltd., a wholly-owned subsidiary of Maoye Commercial, entered into the Sale and Purchase Agreement with Maoye Holdings (China) Limited, a company wholly-owned by Mrs. Huang Jing Zhang. Pursuant to this agreement, Maoye Holdings (China) Limited agreed to (i) purchase the entire equity interest in Qinhuangdao Maoye Land at a consideration of RMB8,711,900 and (ii) repay the loan from Shenzhen Department Store Co., Ltd. in the principal amount of RMB60,000,000 plus interest accrued thereon, and the amount payable to Chengdu Maoye Estate Co., Ltd. in the sum of RMB4,794,000.

ii. On 25 January 2018, the board of directors of Maoye Commercial passed a resolution approving the purchase of a 65% equity interest in Chongqing Maoye Department Store Co., Ltd. (the "Target Entity") from Maoye Department Stores (China) Limited, and a 35% equity interest in the Target Entity from Zhongzhao Investment Management Co., Ltd. respectively at a total cash consideration of RMB403,301,400.

    According to the resolution, If this transaction is completed before 31 December 2018, Maoye Department Stores (China) Limited and Zhongzhao Investment Management Co., Ltd. (the "Vendors") will promise to Maoye Commercial that audited net profit (after deducting non-recurring gains and losses) of the Target Entity for the financial years 2018, 2019 and 2020 will amount to RMB27,861,900, RMB 30,261,200 and RMB32,509,800 respectively. If the aggregate actual net profit (after deducting non-recurring gains and losses) of the Target Entity at the end of each year is less than the promised total cumulative net profit of the same period, the Vendors will make cash compensation to Maoye Commercial according to the relevant agreement.

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 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**139,761**	139,761
CURRENT ASSETS		
Prepayments and other receivables	**46,844**	—
Dividend receivable	**1,168,383**	1,250,291
Due from subsidiaries	**3,032,659**	2,550,184
Pledged deposits	**10,867**	10,867
Cash and cash equivalents	**31,492**	1,183
Total current assets	**4,290,245**	3,812,525
CURRENT LIABILITIES		
Other payables and accruals	**28,846**	210,784
Due to subsidiaries	**158,016**	168,850
Due to the immediate holding company	**173,807**	—
Interest-bearing bank loans	**2,181,924**	1,530,087
Total current liabilities	**2,542,593**	1,909,721
NET CURRENT ASSETS	**1,747,652**	1,902,804
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,887,413**	2,042,565
Net assets	**1,887,413**	2,042,565
Equity		
Issued capital	**460,153**	460,153
Reserves	**1,427,260**	1,526,874
Total equity	**1,887,413**	2,042,565

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 2016	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
Total comprehensive loss for the year	–	–	–	–	(144,090)	(11,062)	(155,152)
At 31 December 2017	1,575,565	55,538	–	152,671	(167,888)	(188,626)	1,427,260

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. COMPARATIVE AMOUNTS

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

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2018.

Corporate Information

BOARD OF DIRECTORS

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)*

Non-Executive Director
Mr. Wang Bin

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

REGISTERED OFFICE

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PLACE OF BUSINESS IN HONG KONG

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No.1 Harbour Road, Wanchai, Hong Kong

COMPANY SECRETARY

Ms. So Ka Man *(ACS, ACIS)*

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. So Ka Man

INDEPENDENT AUDITOR

Ernst & Young

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.maoye.cn

STOCK CODE

848