THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Maoye International Holdings Limited you should at once pass this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Maoye International Holdings Limited

茂業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 848)

MAJOR TRANSACTION

ACQUISITION OF LAND

20 November 2008

TABLE OF CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Land by the Company pursuant to the Confirmation Agreement
"Board"	the board of Directors
"Chengshang"	Chengshang Group Co., Ltd (成商集團股份有限公司), a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828). The Company currently holds 135,643,158 shares in Chengshang through Shenzhen Maoye Shangsha Company Limited, representing approximately 66.77% of its issued share capital
"Company"	Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
"Confirmation Agreement"	the agreement dated 21 October 2008 entered into between the Purchaser and Taiyuan Land Resources Bureau (太原市國土資源局) confirming the Purchaser's successful bid for the Land at RMB780,000,000
"Directors"	the directors of the Company
"Global Offering"	the global offering of the Shares which took place on 5 May 2008
"Group"	the Company and its subsidiaries
"Juyi Company"	Sichuan Juyi Property Development Company (四川聚溢房地產開發公司), a company incorporated in the PRC
"Land"	three (3) parcels of land located at the south of Yong Kang Jie (永康街), north of Qin Xian Bei Jie (親賢北街), east of Ti Yu Xi Lu (體育西路) and west of Ti Yu Lu (體育路). The first parcel is designated for residential purpose whereas the second and third parcels are designated for commercial purpose

"Latest Practicable Date"	17 November 2008
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Maoye Shangsha"	Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司), a wholly owned subsidiary of the Company
"PRC"	The People's Republic of China
"Prospectus"	the prospectus of the Company dated 21 April 2008
"Purchaser"	newly incorporated wholly-owned subsidiaries of the Company incorporated in the PRC
"RMB"	Renminbi, the lawful currency in the PRC
"SFO"	the Securities and Futures Ordinance (CAP. 571)
"Shares"	shares of the Company
"Shareholders"	holders of shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wuhou Building"	Wuhou Garden Building at the fourth sector of South First Ring Road of Chengdu City (成都市一環路南四段武侯花園大樓)
"Zhongfa"	Chengdu Zhongfa Huanghe Industrial Company Limited, a company incorporated under the laws of People's Republic of China

Maoye International Holdings Limited
茂業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 848)

Executive Directors:
Mr. Huang Mao Ru, *Chairman*
Mr. Zou Minggui
Mr. Wang Guisheng
Ms. Wang Fuqin

Non-executive Directors:
Mrs. Huang Jingzhang
Mr. Zhong Pengyi

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

Registered office:
Scotia Centre,
4th Floor,
P.O. Box 2804,
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KY1-1112,
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Head office:
39/F, World Finance Centre,
4003 Shennan East Road,
Shenzhen,
PRC

20 November 2008

To the shareholders of the Company

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF LAND

1. INTRODUCTION

As announced by the Company on 23 October 2008, the Company, through its wholly-owned subsidiaries, was successful in its bid at a public auction held on 21 October 2008 for the Land located in Taiyuan, the PRC at a price of RMB780,000,000. On 21 October 2008, the Purchaser entered into the Confirmation Agreement with the Taiyuan Land Resources Bureau (太原市國土資源局), the Vendor, confirming the Purchaser's successful bid for the Land.

As the applicable percentage ratios in respect of the Acquisition is greater than 25% but less than 100%, pursuant to Rule 14.08 of the Listing Rules, the Acquisition constitutes a major transaction for the Company under the Listing Rules.

The purpose of this letter is to give you further information on the Acquisition and other information as prescribed by the Listing Rules.

2. THE CONFIRMATION AGREEMENT

Date: 21 October 2008

Parties:

Vendor: Taiyuan Land Resources Bureau (太原市國土資源局). The Company confirmed that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Taiyuan Land Resources Bureau is a third party independent of the Company and its connected persons. Based on the best knowledge of the Board, the Group has not entered into any transaction with the Vendor during the past 12 months.

Purchaser: The newly incorporated wholly-owned subsidiaries of the Company.

Summary: The Purchaser has successfully bid for the Land at RMB780,000,000 which is designated for commercial and residential purposes.

Consideration: The total consideration for the Acquisition is RMB780,000,000.

Payment of consideration: The consideration of RMB780,000,000 is to be satisfied in cash in three instalments. The Purchaser is required to pay the first instalment, an amount of RMB380,000,000, within 60 days from the successful bid of the Land, which is equivalent to approximately 48.72% of the consideration. The amount of RMB380,000,000 paid on 17 October 2008 as deposit, less the handling fee of 1.5% of the total consideration, for the auction will be used for satisfaction of part of the first instalment.

The second instalment of RMB200,000,000 will be paid before 30 March 2009.

The balance of the consideration, being the amount of RMB200,000,000, will be paid within three (3) days after the Land is delivered to the Purchaser on 30 June 2009.

Completion: Completion of the Acquisition is scheduled to take place on 30 June 2009. Under the terms of the auction, the Purchaser will enter into a land use right sale agreement with the Vendor and application for the issue of the new land use right certificate will take place after payment by the Purchaser of the consideration in full.

Valuation: A property valuation report on the Land as required under the Listing Rules by independent valuers is appended in Appendix II of this Circular.

3. BASIS OF DETERMINATION OF THE CONSIDERATION

The Board considers that the value of the Land is commensurate with the consideration for the Acquisition which was arrived at as a result of a successful bid by the Purchaser at an open auction having taken the location and potential value of the Land and the average market price or assessed value of similar plots of land in the proximity. Based on information currently available, the Company believes that the cost of the development of the property, including construction costs and the consideration of the Land, will be lower than the current market value of the properties in comparable location. On the basis set out above, the Directors consider the bidding price to be fair and reasonable.

The Company intends to finance the Acquisition partly by internal resources and partly from the proceeds of the Global Offering.

4. PARTICULARS OF THE LAND

The Land covers a total area of approximately 92,792.11 square meters, and is located in Taiyuan, the PRC. Approximately 68,005.21 square meters are designated for commercial use and approximately 24,786.9 square meters are designated for residential use. The terms for the grant of the land use right of the Land are 50 years for the residential portion and 40 years for the commercial portion.

The Land is located at the Qin Xian Jie, Chang Feng business district, the central business district in Taiyuan, the provincial capital of the Shanxi Province. Through development of the site, the Company expects to expand its network into the core business district of Taiyuan by establishing a large scale department store at such premium location. As part of the proposal, the Company intends to craft the project as a composite commercial property development to dually benefit from commercial property development and commercial property operations. It is intended that part of the composite commercial property, with a total gross floor area of approximately 450,000 square meters, will be used internally by the Group for operation of a large-scale department store and other parts would either be sold or leased. The estimated gross floor area of the department store is 70,000 square meters, and the estimated gross floor area of residential properties totalling approximately 120,000 square meters.

Factory buildings and temporary shops are situated on the Land at present. The Vendor will be responsible for the relocation of such buildings and shops, and vacant possession is expected to be given at completion by the Vendor.

The Land is expected to be delivered to the Purchaser on 30 June 2009. Under the terms of the auction, construction is required to commence within one year from the date of delivery of the Land. Construction is required to be completed within four years from the date of delivery of the Land. No penalty is stipulated in the terms of the auction if such schedule is not met. It is nonetheless the intention of the Company for the Land to be developed in accordance with the schedule.

The valuer, DTZ Debenham Tie Leung Limited, currently ascribes no commercial value to the Land as the Group has not obtained the State-owned Land Use Rights Certificate(s) yet. If the Group had fully settled the auction price and the relevant handling charges and obtained all appropriate State-owned Land Use Rights Certificate(s) of the Land, the capital value of the Land as at 24 October 2008 would be RMB820,000,000.

5. REASONS FOR THE ACQUISITION

The Shanxi Province is a key province in the PRC rich in energy resources. Taiyuan, the provincial capital of the Shanxi Province, has very robust economic powers and huge development potentials. Moreover, the Land is located in the Qin Xian Jie, Chang Feng business district, one of the two key economic districts in Taiyuan. The Company plans to craft the development as the most influential commercial centre in the area with a view to stimulate the entire retail market of the Shanxi Province. The designated uses of the Land are commercial and residential, which are in line with the Company's long term and business strategies.

The Company intends to engage external parties for the construction of the composite commercial property. The total capital investment of the development, including the cost of the Land, is expected to be approximately RMB2,000,000,000. The development cost of the commercial property will be funded by internal resources and other funding means including bank borrowings; while the acquisition of the Land will be partly funded by proceeds of the Global Offering and partly by internal resources. The Company shall, in accordance with the market strategy of the Company, continue to focus on retail and department stores operations. To control the economic risk of the development and to take advantage of external expertise in property development, the Company may co-operate with other parties for the development of the project. The Company will comply with the provisions of the Listing Rules in the event of such co-operation.

The Directors further believe the project will assist the Group in strengthening its business development in the area and act as a platform for the rapid development of the Group's business in central PRC, and to further enhance the Group's business development and profit strength. The project matches well with the Group's long term growth strategy for the area.

The Directors consider that the terms of the Acquisition are fair and reasonable, and that the Acquisition is on normal commercial terms and in the best interests of the Company and its Shareholders as a whole.

6. FINANCIAL AND TRADING IMPACT OF THE GROUP

The Directors expect that the Acquisition will enable the Group to expand its network of department stores in Taiyuan and will have a positive impact on the earnings and assets of the Company in long term. The Acquisition is funded partly by internal resources of the Group and partly from the proceeds of the Global Offering, hence it has little impact on the liabilities of the Group. However, the Directors expect that the development of the Land will increase the capital expenditure of the Group in short term.

7. REQUIREMENTS OF THE LISTING RULES

As the applicable percentage ratios in respect of the Acquisition of the Land is greater than 25% but less than 100%, under Rule 14.08 of the Listing Rules, the Acquisition constitutes a major transaction for the Company under the Listing Rules.

Under the Listing Rules, the Acquisition is subject to the approval of the Shareholders. Written approval of the Acquisition by Maoye Department Store Investment Limited, the holder of approximately 82.68% of the total issued share capital of the Company, has been obtained on 22 October 2008. Since none of the Shareholders is required to abstain from voting on the Acquisition, approval of the Acquisition by Shareholders at a Shareholders' meeting will not be required pursuant to Rule 14.44 of the Listing Rules.

The Company confirms that, to the best of the Directors' knowledge, information and belief, Taiyuan Land Resources Bureau is a third party independent of the Company and its connected persons. As the relevant percentage ratios calculated pursuant to Rule 14.08 of the Listing Rules in respect of the Acquisition exceeds 25% but less than 100%, the Acquisition constitutes a major transaction.

8. INFORMATION ON THE PARTIES

The Group is a leading department store chain in the affluent regions of southern and southwestern China, operating eighteen stores (including nine Maoye-branded stores and nine Chengshang-branded stores) across nine cities and targeting the medium to high-end segment of the retail market.

Taiyuan Land Resources Bureau, is a governmental department of the PRC.

9. OTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

By Order of the Board
Maoye International Holdings Limited
Mr. Huang Mao Ru
Chairman

I. SUMMARY FINANCIAL INFORMATION

The financial information for the interim results of the Group for the six months ended 30 June 2007 and 2008 have been extracted from the interim report of the Group for the six months ended 30 June 2008, the financial information for the annual results of the Group for the years ended 31 December 2005, 31 December 2006 and 31 December 2007 have been extracted from the prospectus of the Company. The auditors have expressed an unqualified opinion on those financial statements in their report for the years ended 31 December 2005, 31 December 2006, 31 December 2007, and six months ended 30 June 2008 respectively.

(i) Results

	Year ended 31 December			Six months ended 30 June	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	918,140	1,352,600	1,567,301	820,853	740,525
Other income	186,867	299,102	355,638	172,372	217,715
Purchases of and changes in inventories	(457,078)	(669,911)	(728,055)	(397,359)	(304,627)
Employee expenses	(110,000)	(196,750)	(93,395)	(57,083)	(60,662)
Depreciation and amortisation	(91,721)	(133,397)	(128,898)	(64,033)	(58,314)
Operating lease rental expenses	(94,383)	(135,558)	(128,513)	(75,547)	(60,439)
Other operating expenses	(200,706)	(264,507)	(284,802)	(146,122)	(137,249)
Other gains/(losses), net	4,122	(18,482)	83,946	12,838	79,726
Operating profit	155,241	233,097	643,222	265,919	416,675
Finance costs	(31,937)	(53,005)	(99,140)	(45,867)	(27,693)
Share of profits and losses of associates	3,274	3,804	3,573	563	(313)
PROFIT BEFORE INCOME TAX	126,578	183,896	547,655	220,615	388,669
Income tax	(9,476)	(5,964)	(103,567)	(6,344)	(77,717)
PROFIT FOR THE YEAR	117,102	177,932	444,088	214,271	310,952

	Year ended 31 December			Six months ended 30 June	
	2005	**2006**	**2007**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Attributable to:					
Equity holders of the Company	136,759	217,059	416,999	194,711	300,556
Minority interests	(19,657)	(39,127)	27,089	19,560	10,396
	117,102	177,932	444,088	214,271	310,952
DIVIDENDS	–	–	1,063,950	–	–
Special dividend					72,608
Proposed interim dividend					148,583
					221,191
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Basic	RMB0.03	RMB0.05	RMB0.10	RMB0.05	RMB0.07

(ii) Assets and liabilities

	31 December			30 June
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	875,200	833,782	825,382	820,510
Investment properties	352,309	334,778	318,332	101,728
Land lease prepayments	362,147	347,000	369,935	1,214,271
Goodwill	38,134	45,114	45,286	45,286
Investments in associates	39,124	78,412	30,509	27,297
Available-for-sale equity investments	27,818	26,606	106,195	106,195
Properties under development	–	145,983	–	–
Prepayments	3,629	3,956	4,543	47,040
Deferred tax assets	79,849	119,406	51,591	35,113
Total non-current assets	1,778,210	1,935,037	1,751,773	2,397,440
CURRENT ASSETS				
Inventories	87,614	98,654	113,131	102,718
Equity investments at fair value through profit or loss	–	4,895	11,573	9,512
Trade receivables	3,794	2,929	3,938	2,632
Prepayments and other receivables	450,470	391,011	224,151	162,037
Due from related parties	698,574	1,399,120	1,101,015	120,375
Cash and cash equivalents	553,537	372,665	391,577	2,852,743
Total current assets	1,793,989	2,269,274	1,845,385	3,250,017
CURRENT LIABILITIES				
Trade payables	726,452	747,188	840,254	695,752
Deposits received, accruals and other payables	677,070	501,462	483,929	475,878
Interest-bearing bank loans	667,000	773,800	610,381	574,762
Due to related parties	384,405	416,305	58,636	4,320
Income tax payable	25,929	54,828	36,171	44,257
Dividends payable	–	–	209,547	–
Total current liabilities	2,480,856	2,493,583	2,238,918	1,794,969
NET CURRENT LIABILITIES	(686,867)	(224,309)	(393,533)	1,455,048
TOTAL ASSETS LESS CURRENT LIABILITIES	1,091,343	1,710,728	1,358,240	3,852,488

	31 December			30 June
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	1,091,343	1,710,728	1,358,240	3,852,488
NON-CURRENT LIABILITIES				
Deferred tax liability	125,796	117,919	110,042	107,058
Interest-bearing bank loans	21,968	456,726	786,712	746,086
Total non-current liabilities	147,764	574,645	896,754	853,144
Net assets	943,579	1,136,083	461,486	2,999,344
EQUITY				
Equity attributable to equity holders of the Company				
Paid-in capital/issued share capital	51,135	51,135	75	461,587
Proposed interim dividend	–	–	–	148,583
Reserves	632,685	849,171	200,683	2,103,268
	683,820	900,306	200,758	2,713,438
Minority interests	259,759	235,777	260,728	285,906
Total equity	943,579	1,136,083	461,486	2,999,344

II. AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

Set out below are the audited combined income statements, combined balance sheets, combined cash flow statement of the Group and notes to the financial statements reproduced from the propectus of the Company.

COMBINED INCOME STATEMENTS

		Year ended 31 December	
	Sections	**2006**	**2007**
		RMB'000	*RMB'000*
REVENUE	*5*	1,352,600	1,567,301
Other income	*6*	299,102	355,638
Purchases of and changes in inventories		(669,911)	(728,055)
Employee expenses	*7*	(196,750)	(93,395)
Depreciation and amortisation		(133,397)	(128,898)
Operating lease rental expenses	*8*	(135,558)	(128,513)
Other operating expenses	*9*	(264,507)	(284,802)
Other gains/(losses), net	*10*	(18,482)	83,946
Operating profit		233,097	643,222
Finance costs	*11*	(53,005)	(99,140)
Share of profits and losses of associates	*19*	3,804	3,573
PROFIT BEFORE INCOME TAX		183,896	547,655
Income tax	*12*	(5,964)	(103,567)
PROFIT FOR THE YEAR		177,932	444,088
Attributable to:			
Equity holders of the Company		217,059	416,999
Minority interests		(39,127)	27,089
		177,932	444,088
DIVIDENDS	*13*	–	1,063,950
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic	*14*	RMB0.05	RMB0.10

COMBINED BALANCE SHEETS

		31 December	
	Sections	**2006**	**2007**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	833,782	825,382
Investment properties	*16*	334,778	318,332
Land lease prepayments	*17*	347,000	369,935
Goodwill	*18*	45,114	45,286
Investments in associates	*19*	78,412	30,509
Available-for-sale equity investments	*20*	26,606	106,195
Properties under development	*21*	145,983	–
Prepayments	*26*	3,956	4,543
Deferred tax assets	*22*	119,406	51,591
Total non-current assets		1,935,037	1,751,773
CURRENT ASSETS			
Inventories	*23*	98,654	113,131
Equity investments at fair value through profit or loss	*24*	4,895	11,573
Trade receivables	*25*	2,929	3,938
Prepayments and other receivables	*26*	391,011	224,151
Due from related parties	*36*	1,399,120	1,101,015
Cash and cash equivalents	*27*	372,665	391,577
Total current assets		2,269,274	1,845,385
CURRENT LIABILITIES			
Trade payables	*28*	747,188	840,254
Deposits received, accruals and other payables	*29*	501,462	483,929
Interest-bearing bank loans	*30*	773,800	610,381
Due to related parties	*36*	416,305	58,636
Income tax payable		54,828	36,171
Dividends payable		–	209,547
Total current liabilities		2,493,583	2,238,918
NET CURRENT LIABILITIES		(224,309)	(393,533)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,710,728	1,358,240

	Sections	31 December 2006 *RMB'000*	31 December 2007 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		1,710,728	1,358,240
NON-CURRENT LIABILITIES			
Deferred tax liability	*22*	117,919	110,042
Interest-bearing bank loans	*30*	456,726	786,712
Total non-current liabilities		574,645	896,754
Net assets		1,136,083	461,486
EQUITY			
Equity attributable to equity holders of the Company			
Paid-in capital/issued share capital	*31*	51,135	75
Reserves		849,171	200,683
		900,306	200,758
Minority interests		235,777	260,728
Total equity		1,136,083	461,486

COMBINED CASH FLOW STATEMENTS

	Sections	Year ended 31 December 2006 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		183,896	547,655
Adjustments for:			
Share of profits and losses of associates		(3,804)	(3,573)
Interest income	*6*	(8,022)	(9,943)
Depreciation and amortisation		133,397	128,898
Impairment of goodwill	*9*	–	200
Impairment of trade receivables	*9*	2,231	2,351
Impairment of inventories	*9*	–	2,068
Impairment/(reversal of impairment) of other receivables	*9*	(527)	(760)
Impairment of an amount due from a related party	*9*	–	3,870
Loss on disposal of items of property, plant and equipment	*10*	1,014	4,574
Gain on disposal of subsidiaries	*10*	–	(64,448)
Gain on disposal of associates	*10*	–	(585)
Fair value gain on equity investments at fair value through profit or loss	*10*	(3,256)	(7,310)
Gain on disposal of equity investments at fair value through profit or loss	*10*	–	(14,517)
Loss on capital restructuring in a subsidiary	*10*	22,324	–
Finance costs	*11*	53,005	99,140
Cash flows from operating activities		380,258	687,620
Increase in inventories		(11,040)	(21,224)
Increase in trade receivables		(1,366)	(2,901)
Decrease/(increase) in prepayments and other receivables		42,414	(113,607)
Increase in amounts due from related parties		–	(7,840)
Increase in trade payables		20,736	116,213
Increase/(decrease) in deposits received, accruals and other payables		(15,878)	164,571
Increase/(decrease) in amounts due to related parties		70,143	(180,696)
Cash generated from operations		485,267	642,136
Interest received	*6*	8,022	9,943
PRC tax paid		(24,499)	(68,813)
Net cash inflow from operating activities		468,790	583,266

	Sections	Year ended 31 December 2006 RMB'000	2007 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		1,762	2,315
Purchase of items of property, plant and equipment		(65,246)	(96,292)
Proceeds from disposal of items of property, plant and equipment		4,975	14,716
Purchase of investment properties		(44)	(2,470)
Purchase of land lease prepayments		–	(40,366)
Disposal of land lease prepayments		–	5,900
Acquisition of associates		(40,000)	–
Purchase of available-for-sale equity investments		–	(6,864)
Purchase of properties under development		(145,983)	–
Purchase of equity investments at fair value through profit or loss		(427)	(9,253)
Proceeds from disposal of equity investments at fair value through profit or loss		–	24,402
Acquisition of subsidiaries	*32(a)*	(139,440)	(12,332)
Acquisition of an additional interest in a subsidiary		(14,159)	(2,937)
Disposal of subsidiaries	*32(b)*	–	22,574
Decrease/(increase) in bank deposits with original maturity of over three months when acquired	*27*	(108,520)	81,420
Net cash outflow from investing activities		(507,082)	(19,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		1,317,300	1,672,800
Repayments of bank loans		(775,742)	(1,511,733)
Decrease/(increase) in amounts due from related parties		(698,419)	302,957
Increase/(decrease) in amounts due to related parties		(40,661)	27,309
Interest paid		(53,005)	(99,140)
Dividends paid		–	(854,403)
Net cash inflow/(outflow) from financing activities		(250,527)	(462,210)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(288,819)	101,869
Exchange realignment		(573)	(1,537)
Cash and cash equivalents at beginning of year		551,637	262,245
CASH AND CASH EQUIVALENTS AT END OF YEAR	*27*	262,245	362,577

NOTES TO THE FINANCIAL STATEMENTS

1. SUBSIDIARIES AND ASSOCIATES AS AT 31 DECEMBER 2007

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Subsidiaries:					
Maoye Department Store Holdings Limited (茂業百貨控股有限公司)	British Virgin Islands 11 September 2007	US$50,000	100	–	Investment holding
Maoye Department Stores (China) Limited ("Maoye China") (茂業百貨(中國)有限公司)	Hong Kong 7 December 1993	HK$100,000	–	100	Investment holding
Zhongzhao Commercial Market Development (Shenzhen) Co., Ltd. ("Zhongzhao Commercial") (中兆商業市場開發(深圳)有限公司)	PRC 18 June 2004	HK$1,000,000	–	100	Investment holding
Zhongzhao Investment Management Co., Ltd. ("Zhongzhao Investment Management") (中兆投資管理有限公司)	PRC 28 October 1997	RMB50,000,000	–	100	Investment holding
Shenzhen Maoye Shangsha Co., Ltd. ("Maoye Shangsha") (深圳茂業商廈有限公司)*	PRC 31 January 1996	US$12,000,000	–	100	Investment holding and operation of a department store
Shenzhen Maoye Department Store Shennan Co., Ltd. ("Maoye Shennan") (深圳市茂業百貨深南有限公司)	PRC 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Heping Maoye Department Store Ltd. ("Heping Maoye") (深圳市和平茂業百貨有限公司)	PRC 20 April 2000	RMB1,000,000	–	100	Operation of a department store
Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. ("Maoye Huaqiangbei") (深圳市茂業百貨華強北有限公司)	PRC 31 March 2003	RMB1,000,000	–	100	Operation of a department store

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenzhen Maoye Oriental Times Department Store Co., Ltd. ("Maoye Oriental Times") (深圳市茂業東方時代百貨有限公司)	PRC 8 August 2005	RMB1,200,000	–	100	Operation of a department store
Zhuhai Maoye Department Store Co., Ltd. ("Zhuhai Maoye") (珠海市茂業百貨有限公司)	PRC 24 August 2001	RMB4,800,000	–	100	Operation of a department store
Chongqing Maoye Department Store Co., Ltd. ("Chongqing Maoye") (重慶市茂業百貨有限公司)	PRC 27 August 2004	RMB30,000,000	–	100	Operation of a department store
Chengshang Group Co., Ltd. ("Chengshang") (成商集團股份有限公司)*	PRC 31 December 1993	RMB203,148,000	–	69.23	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 18 March 1998	RMB48,000,000	–	64.89	Investment holding
Chengdu Chengshang Motor Vehicle Co., Ltd. (成都成商汽車有限責任公司)	PRC 26 May 2003	RMB6,000,000	–	65.11	Sale of automobiles and provision of the related repair and maintenance services
Chengdu Chengshang United Motor Vehicle Co., Ltd. (成都成商聯合汽車有限責任公司)	PRC 23 September 2004	RMB6,000,000	–	65.32	Sale of automobiles and provision of the related repair and maintenance services
Chengdu People's Department Store (Group) Nanchong Chuanbei Co., Ltd. (成都人民商場(集團)南充川北有限責任公司)	PRC 20 November 2001	RMB20,000,000	–	69.23	Operation of a department store

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chengdu People's Department Store (Group) Luzhou Chuannan Co., Ltd. (成都人民商場(集團)瀘州川南有限責任公司)	PRC 26 August 2003	RMB3,000,000	–	62.30	Operation of a department store
E'mei Shan Chengshang Phoenix Co., Ltd. ("E'mei Shan Chengshang") (峨嵋山成商鳳凰湖有限公司)	PRC 11 March 1997	RMB33,730,000	–	55.38	Operation of hotel and provision of ancillary services
Chengdu People's Department Store (Group) Mianyang Co., Ltd. ("Chengshang Mianyang") (成都人民商場(集團)綿陽有限公司)	PRC 13 September 2007	RMB5,000,000	–	69.23	Operation of a department store
Associate:					
Yinchuan New Century Broadcasting Network Co., Ltd. ("Yinchuan New Century") (銀川新世紀廣播電視網絡有限責任公司)@	PRC 8 July 2000	RMB20,000,000	–	18.92	Construction of television network

* Maoye Shangsha acquired a 74.25% equity interest in Chengshang on 29 June 2005 (Section ect32(a)).

@ An equity interest of more than 20% in this associate is held by Chengshang. The Group's interest in this associate is accounted for under the equity method of accounting because the Group has significant influence over this entity by way of representation on the board of directors and participation in the policy-making process through Chengshang.

2. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company is a limited company incorporated in the Cayman Islands. The Company's registered office is located at the offices of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Caymand KY1-1112, Cayman Islands. Pursuant to the Reorganisation as described in the paragraph headed "The Reorganisation" in the section "History and Structure" to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group.

The Reorganisation involved companies under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information as set out in this report has been prepared on a combined basis by applying the principles of merger accounting.

Accordingly, the combined income statements, combined cash flow statements and combined statements of changes in equity of the Group for the year and the combined balance sheets of the Group as at 31 December 2005, 2006 and 2007 have been prepared on the combined basis as if the current group structure had been in existence throughout the year, or since their respective dates of incorporation/registration, whichever is the shorter period.

For subsidiaries historically acquired by or disposed of by the Group during the year, their financial statements are consolidated from or to their effective dates of acquisition or disposal.

All material intra-group transactions and balances have been eliminated on combination.

3. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB and the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The following applicable new and revised standards, which are generally effective for annual periods beginning on or after 1 January 2005, 1 December 2005, 1 January 2006 and 1 January 2007, have been adopted as at the beginning of the year:

IAS 1 (amended)	Presentation of Financial Statements
IAS 2 (revised)	Inventories
IAS 7 (amended)	Cash Flow Statements
IAS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (amended)	Events after the Balance Sheet Date
IAS 12 (amended)	Income Taxes
IAS 14 (amended)	Segment Reporting
IAS 16 (amended)	Property, Plant and Equipment
IAS 17 (amended)	Leases
IAS 18 (amended)	Revenue
IAS 19 (amended)	Employee Benefits
IAS 20 (amended)	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21 (amended)	The Effects of Changes in Foreign Exchange Rates
IAS 23 (amended)	Borrowing Costs
IAS 24 (revised)	Related Party Disclosures
IAS 27 (amended)	Consolidated and Separate Financial Statements
IAS 28 (amended)	Investments in Associates
IAS 32 (amended)	Financial Instruments: Presentation
IAS 33 (amended)	Earnings per Share
IAS 36 (amended)	Impairment of Assets
IAS 37 (amended)	Provisions, Contingent Liabilities and Contingent Assets
IAS 38 (amended)	Intangible Assets
IAS 39 (amended)	Financial Instruments: Recognition and Measurement
IAS 40 (amended)	Investment Property
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease

The Financial Information has been prepared under the historical cost convention, except for listed equity investments, which have been measured at fair value. The Financial Information is prepared in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2007, the Group had net current liabilities of approximately RMB393,533,000. The Directors have prepared the Financial Information on a going concern basis notwithstanding the net current liabilities position because the Directors are in the opinion that the Group will have sufficient working capital for at least the next twelve months from the date of the Prospectus, taking into account the cash flows from the operations.

The principal accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform to IFRSs, are set out below:

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Group controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries, other than under the Reorganisation, has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Acquisition of minority interests

Minority interests represent the interests of outside equity holders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of net assets acquired is recognised as goodwill.

Associates

An associate is an entity, not being a subsidiary or jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the combined balance sheets at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the combined income statements and combined reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a particular component engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined to present its segment information by business segment on a primary segment reporting basis. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the combined balance sheets as an asset, initally measured at cost and subsequently at cost less any impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identifiable asset in the combined balance sheets.

The carrying amount of goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount 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 synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 *Segment Reporting*.

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

Where goodwill forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the combined income statements.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the combined income statements in the period in which it arises.

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its holding company;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined income statements in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the combined income statements in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs, less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line basis over the estimated useful lives ranging from 10 to 40 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in the combined income statements in the year of the retirement or disposal.

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 combined income statements on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the combined income statements on the straight-line basis over the lease terms.

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

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the combined income statements. The net fair value gain or loss recognised in the combined income statements does not include any dividends or interest earned on these financial assets which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the combined income statements when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the combined income statements. Interest and dividends earned and reported as interest income and dividend income, respectively and are recognised in the combined income statements as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the combined income statements as "Impairment losses on available-for-sale equity investments" and are transferred from the available-for-sale investment revaluation reserve.

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 securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at each balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) 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. The amount of the impairment loss is recognised in the combined income statements. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are amortised when they are assessed as uncollectible.

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the combined income statements, is transferred from equity to the combined income statements. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" required judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the combined income statements.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

– the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

– the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank loans)

Financial liabilities including trade and other payables and interest-bearing bank loans are initially recognised at the fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the combined income statements.

Gains and losses are recognised in the combined income statements when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Inventories

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

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Cash and cash equivalents

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

For the purpose of the combined balance sheets, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at each balance sheet date 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 income statement.

Coupon liabilities

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the combined income statements, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

- where the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at each balance sheet date.

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

Revenue recognition

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

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

(b) Direct sales of merchandise and sale of automobiles are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the merchandise sold.

(c) Rental income is recognised on the straight-line accrual basis over the lease terms.

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

(e) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

(a) Defined contribution pension schemes

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

(b) Other employee benefits

The predecessor of Chengshang was a state-owned enterprise (the "SOE"). The Group had taken over the employees of the SOE as a result of its acquisition of Chengshang. A one-off payment for settlement of the termination benefits entitled by certain of the SOE employees who were made redundant (the "SOE employees") was received by Chengshang from Chengdu State-owned Asset Investment and Operation Company (成都市國有資產投資經營公司), the previous parent company of the SOE.

The Group recognises the fund from the one-off payment received from the parent company of the SOE as a liability at initial recognition. Subsequent payments of the termination benefits to the SOE employees are debited against the liability.

Additional termination benefits contributed by the Group to the SOE employees are expensed as incurred. The Group has no legal obligation for termination benefits beyond the contributions made.

Borrowing costs

Borrowing costs a recognised as expenses in the combined income statements in the period in which they are incurred.

Dividends

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

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at each balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at each balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at each balance sheet date. The revenue and expenses of these foreign operations are translated to RMB at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences on retranslation are recognised directly in a separate component of equity.

For the purpose of the combined cash flow statements, 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.

Significant accounting judgements and estimates

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting dates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at each balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

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

Impairment of goodwill

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. 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 each balance sheet date.

Impairment of other receivables and amounts due from related parties

The Group estimates the provisions for impairment of other receivables and amounts due from related parties by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to 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, such difference will affect the carrying amount of other receivables and amounts due from related parties and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at each balance sheet date.

Impact of issued but not yet effective IFRSs

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

IAS 1 (revised)	Presentation of Financial Statements
Amendment to IAS 1	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising from Liquidation
IAS 23 (revised)	Borrowing Costs
IAS 27 (revised)	Consolidated and Separate Financial Statements
Amendment to IAS 32	Financial Instruments – Presentation
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 (revised)	Business Combinations
IFRS 8	Operating Segments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IAS 23 (revised) shall be applied for annual periods beginning on or after 1 January 2009. The standard require capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset and are part of that asset.

IFRS 8 sets out the requirements for disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This IFRS will supersede IAS 14 Segment Reporting and it shall be applied for annual periods beginning on or after 1 January 2009.

IAS 1 (revised), Amendment to IAS 1, IAS 27 (amended), Amendment to IAS 32, IFRS 2, IFRS 3 (revised), IFRIC 11, IFRIC 12, IFRIC 13 and IFRIC 14 shall be applied for annual periods beginning on or after 1 January 2009, 1 January 2009, 1 July 2009, 1 January 2009, 1 January 2009, 1 July 2009, 1 March 2007, 1 January 2008, 1 July 2008 and 1 January 2008, respectively. The Group is in the process of making an assessment of the impact of these new and revised IFRSs and IFRICs upon initial application. The Group anticipates that these new and revised IFRSs and IFRICs are unlikely to have any significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the operation of department stores segment comprises concessionaire and direct sales of merchandise;

(b) the sale of automobiles segment; and

(c) the "others" segment comprises, principally, the Group's leasing of investment properties, operations of hotels and provision of ancillary services and operation of restaurants, advertising, trading and construction of television networks.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the year.

	Operation of department stores *RMB'000*	Sale of automobiles *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2006				
Segment revenue:				
Sales to external customers	1,071,406	280,537	657	1,352,600
Other income	264,121	1,356	25,602	291,079
Total	1,335,527	281,893	26,259	1,643,679
Segment results	384,197	5,280	4,442	393,919
Other income and unallocated gains				12,902
Corporate and other unallocated expenses				(173,724)
Finance costs				(53,005)
Share of profits and losses of associates	1,630	–	2,174	3,804
Profit before income tax				183,896
Income tax				(5,964)
Profit for the year				177,932
Assets and liabilities				
Segment assets	3,697,170	91,790	171,056	3,960,016
Investments in associates	12,472	–	65,940	78,412
Corporate and other unallocated assets				165,883
Total assets				4,204,311
Segment liabilities	1,388,233	64,380	212,342	1,664,955
Corporate and other unallocated liabilities				1,403,273
Total liabilities				3,068,228
Other segment information:				
Depreciation and amortisation	100,799	2,180	14,946	117,925
Corporate and other unallocated amounts				15,472
				133,397
Capital expenditure	62,381	1,152	1,757	65,290
Impairment of trade receivables	2,231	–	–	2,231
Reversal of impairment of other receivables	(527)	–	–	(527)

	Operation of department stores RMB'000	Sale of automobiles RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2007				
Segment revenue:				
Sales to external customers	1,246,121	311,548	9,632	1,567,301
Other income	321,938	1,330	24,870	348,138
Total	1,568,059	312,878	34,502	1,915,439
Segment results	603,863	8,623	3,929	616,415
Other income and unallocated gains				91,446
Corporate and other unallocated expenses				(64,639)
Finance costs				(99,140)
Share of profits and losses of associates	587	–	2,986	3,573
Profit before income tax				547,655
Income tax				(103,567)
Profit for the year				444,088
Assets and liabilities				
Segment assets	3,060,261	167,701	172,189	3,400,151
Investments in associates	3,733	–	26,776	30,509
Corporate and other unallocated assets				166,498
Total assets				3,597,158
Segment liabilities	1,102,209	139,656	350,501	1,592,366
Corporate and other unallocated liabilities				1,543,306
Total liabilities				3,135,672
Other segment information:				
Depreciation and amortisation	99,204	3,262	8,303	110,769
Corporate and other unallocated amounts				18,129
				128,898
Capital expenditure	133,602	2,089	3,437	139,128
Impairment of goodwill	200	–	–	200
Impairment of inventories	2,068	–	–	2,068
Impairment of trade receivables	2,351	–	–	2,351
Reversal of impairment of other receivables	(760)	–	–	(760)
Impairment of an amount due from a related party	3,870	–	–	3,870

5. REVENUE

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Commissions from concessionaire sales	557,863	680,491
Direct sales	436,083	479,482
Sale of automobiles	280,537	311,548
Rental income from the leasing of shop premises	77,460	86,148
Management fee income from the operation of department stores	–	1,035
Others	657	8,597
	1,352,600	1,567,301

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

Total sales proceeds from concessionaire sales	2,733,889	3,318,096
Commissions from concessionaire sales	557,863	680,491

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

Rental income	37,475	42,010
Sublease rental income	38,125	40,302
Contingent rental income	1,860	3,836
	77,460	86,148

6. OTHER INCOME

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	156,856	180,051
– Promotion income	67,832	84,115
– Credit card handling fees	22,759	41,143
Rental income from investment properties	34,217	32,181
Interest income	8,022	9,943
Others	9,416	8,205
	299,102	355,638

7. EMPLOYEE EXPENSES

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Wages and salaries	123,062	81,279
Retirement benefits	9,863	6,232
Termination benefits*	57,580	–
Other employee benefits	6,245	5,884
	196,750	93,395

* The Group contributed to the termination benefits entitled by certain SOE employees taken over from the predecessor of Chengshang during the year ended 31 December 2006.

Details of directors' remuneration are as follows:

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Fees	–	150
Other emoluments:		
Salaries and allowances	702	1,758
Bonuses	600	600
Retirement benefits	18	35
	1,320	2,393
	1,320	2,543

(a) Independent non-executive directors

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

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Mr. Pao Ping Wing	–	60
Mr. Leung Hon Chuen	–	30
Mr. Chow Chan Lum	–	60
	–	150

There were no other emoluments payable to the independent non-executive directors during the year.

(b) Executive and non-executive directors

	Fees	Salaries and allowances	Bonuses	Retirement benefits	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2006					
Executive directors:					
Mr. Huang Maoru	–	–	–	–	–
Mr. Zou Minggui	–	360	400	9	769
Mr. Wang Guisheng	–	270	200	9	479
	–	630	600	18	1,248
Non-executive director:					
Mrs. Huang Jingzhang	–	72	–	–	72
Year ended 31 December 2007					
Executive directors:					
Mr. Huang Maoru	–	–	–	–	–
Mr. Zou Minggui	–	500	400	11	911
Mr. Wang Guisheng	–	326	200	11	537
Mr. Lu Fa Chee	–	291	–	2	293
	–	1,117	600	24	1,741
Non-executive directors:					
Mrs. Huang Jingzhang	–	641	–	11	652
Mr. Zhong Pengyi	–	–	–	–	–
	–	641	–	11	652

Mr. Huang Maoru, the controlling shareholder of the Group, received no remuneration during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Directors	1,248	2,100
Non-director employees	1,717	806
	2,965	2,906

The five highest paid individuals in the Group included two Directors during the years ended 31 December 2006 and 31 December 2007, whose emoluments are disclosed in Section 7(b) above.

Details of the remuneration of the above non-director, highest paid employees during the year are as follows:

	Year ended 31 December	
	2006	2007
	RMB'000	*RMB'000*
Salaries and allowances	881	780
Bonuses	810	–
Retirement benefits	26	26
	1,717	806

The remuneration of all of these non-director, highest paid employees fell within the band of nil to RMB1,000,000.

During the year, no remuneration was paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

8. OPERATING LEASE RENTAL EXPENSES

	Year ended 31 December	
	2006	2007
	RMB'000	*RMB'000*
Operating lease rental	131,080	121,268
Operating sublease rental	4,478	7,245
	135,558	128,513

9. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2006	2007
	RMB'000	*RMB'000*
Utility expenses	81,891	82,271
Promotion and advertising	27,303	28,041
Repair and maintenance expenses	24,753	24,359
Entertainment expenses	11,004	11,423
Office expenses	24,628	25,662
Other tax expenses	36,393	45,609
Professional service fees	12,489	10,167
Auditors' remuneration	890	580
Bank charges	18,199	20,327
Impairment of goodwill *(Section 18)*	–	200
Impairment of inventories	–	2,068
Impairment of trade receivables *(Section 25)*	2,231	2,351
Reversal of impairment of other receivables *(Section 26)*	(527)	(760)
Impairment of an amount due from a related party *(Section 36)*	–	3,870
Listing expenses for listing of existing shares	–	11,329
Others	25,253	17,305
	264,507	284,802

10. OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	(1,014)	(4,574)
Foreign exchange gains, net	1,413	865
Fair value gain on equity investments at fair value through profit or loss	3,256	7,310
Gain on disposal of equity investments at fair value through profit or loss	–	14,517
Loss on capital restructuring in a subsidiary *(Section 35(a))*	(22,324)	–
Gain on disposal of subsidiaries and associates	–	65,033
Others	187	795
	(18,482)	83,946

11. FINANCE COSTS

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Interest expenses	53,005	99,140

12. INCOME TAX

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.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the yer.

In accordance with the relevant PRC income tax rules and regulations, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 33% on their respective taxable income, except for certain PRC subsidiaries which are exempted or taxed at a preferential rate of 15%. Certain PRC subsidiaries of the Group are situated in the Shenzhen and Zhuhai Special Economic Zones and they are entitled to a preferential CIT rate of 15%.

Maoye Oriental Times commenced operation on 9 September 2005 and was granted a one-year tax holiday according to a tax exemption notice (Shen Guo Shui Fu Jian Mian [2005] no. 0265) issued by the Shenzhen Futian State Tax Bureau on 28 October 2005. Maoye Oriental Times was exempted from CIT for the year ended 31 December 2006.

According to a tax relief notice (Cai Shui [2001] no. 202) jointly issued by the Ministry of Finance and State Administration of Taxation and China Customs, foreign investment enterprises ("FIEs") located in the western region of Mainland China are entitled to a 50% reduction in state income tax for 10 years from 1 January 2001 to 31 December 2010. In addition, according to a tax exemption notice (Yu Fu Fa [2001] no. 14), FIEs situated in Chongqing are exempted from local income tax for two years commencing from its first year with assessable profits after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years. Chongqing Maoye commenced operation on 1 October 2004 and the year ended 31 December 2005 was its first profit-making year. Accordingly, Chongqing Maoye was subject to CIT at a rate of 15% for the year ended 31 December 2006 and is subject to CIT at a rate of 16.5% for the year ended 31 December 2007.

The major components of the Group's income tax expense are as follows:

	Year ended 31 December	
	2006	2007
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	53,398	51,825
Deferred *(Section 22)*	(47,434)	51,742
	5,964	103,567

A reconciliation of the income tax and profit from operating activities before income tax and minority interests multiplied by the applicable statutory tax rate is as follows:

	Year ended 31 December			
	2006		2007	
	RMB'000	*%*	*RMB'000*	*%*
Profit from operating activities before income tax and minority interests	183,896		547,655	
Tax at the statutory tax rate	60,686	33	180,726	33
Tax effect of:				
Lower tax rates for specific provinces or local authority	(63,035)	(34)	(73,724)	(14)
Effect on opening deferred tax of changes in rates *(Section 22)*	–	–	8,968	2
Tax incentives	(21,729)	(12)	–	–
Tax exemption for qualified fixed assets purchased	(1,401)	(1)	–	–
Income not subject to tax*	(74)	–	(39,461)	(7)
Expenses not deductible for tax	11,625	6	16,273	3
Tax losses not recognised	20,612	11	15,597	3
Tax effect of fair value adjustment	(7,877)	(4)	(7,877)	(2)
Others	7,157	4	3,065	1
Income tax	5,964	3	103,567	19

* Income not subject to tax for the year ended 31 December 2007 included an amount of approximately RMB37,186,000 which represented the tax impact on gain on disposals of Chengdu People's Department Store Chain Co., Ltd. (成都人民百貨連鎖有限公司) ("Department Store Chain") and Chongqing Jiefangbei Maoye Department Store Co., Ltd. (重慶解放碑茂業百貨有限公司) ("Chongqing Jiefangbei Maoye") (formerly known as Chongqing Dikang Department Store Co., Ltd. (重慶迪康百貨有限公司)), which are exempt from CIT.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

13. DIVIDENDS

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Dividends declared during the year:		
Zhongzhao Investment Management	–	272,712
Maoye China	–	658,012
Maoye Shennan	–	1,285
Maoye Huaqiangbei	–	67,630
Maoye Oriental Times	–	54,334
Zhuhai Maoye	–	9,977
	–	1,063,950

The dividends declared were approved by the equity holders of Zhongzhao Investment Management, Maoye China, Maoye Shennan, Maoye Huaqiangbei, Maoye Oriental Times and Zhuhai Maoye during the year ended 31 December 2007.

An amount of RMB854,403,000 of the declared dividends was paid during the year ended 31 December 2007. The remaining declared dividends of RMB209,547,000 was paid subsequent to 31 December 2007 (Section 37).

The Company declared a dividend of HK$80,000,000 (equivalent to approximately RMB72,608,000) on 22 March 2008. The dividend was paid on 7 April 2008 (section 37).

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company for each of the year, on the assumption that 4,250,000,000 shares, representing the number of shares of the Company immediately after the capitalisation issue described in the sections "Definitions" and "Appendix VI – Statutory and General Information" to the company's Prospectus but excluding any shares to be issued pursuant to the public offering, had been in issue throughout the year.

No diluted earnings per share amounts are presented for any of the year as no diluting events occurred during the year.

15. 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 2006							
At 1 January 2006:							
Cost	708,828	200,821	20,381	160,573	172,842	50,627	1,314,072
Accumulated depreciation and impairment	(168,666)	(121,264)	(11,757)	(82,456)	(48,123)	(6,606)	(438,872)
Net carrying amount	540,162	79,557	8,624	78,117	124,719	44,021	875,200
At 1 January 2006, net of accumulated depreciation and impairment	540,162	79,557	8,624	78,117	124,719	44,021	875,200
Additions	1,082	1,331	1,308	7,943	7,560	46,022	65,246
Disposals	(1,553)	(114)	(2,836)	(653)	(833)	–	(5,989)
Depreciation provided during the year	(28,161)	(12,792)	(1,697)	(18,696)	(39,329)	–	(100,675)
Transfers	40,489	3,288	–	–	20,825	(64,602)	–
At 31 December 2006, net of accumulated depreciation and impairment	552,019	71,270	5,399	66,711	112,942	25,441	833,782
At 31 December 2006:							
Cost	748,255	204,833	12,530	166,653	199,755	32,050	1,364,076
Accumulated depreciation and impairment	(196,236)	(133,563)	(7,131)	(99,942)	(86,813)	(6,609)	(530,294)
Net carrying amount	552,019	71,270	5,399	66,711	112,942	25,441	833,782
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost	748,255	204,833	12,530	166,653	199,755	32,050	1,364,076
Accumulated depreciation and impairment	(196,236)	(133,563)	(7,131)	(99,942)	(86,813)	(6,609)	(530,294)
Net carrying amount	552,019	71,270	5,399	66,711	112,942	25,441	833,782

	Land and buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fittings and other equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2007, net of accumulated depreciation and impairment	552,019	71,270	5,399	66,711	112,942	25,441	833,782
Additions	39,204	113	1,190	5,399	8,815	41,571	96,292
Acquisition of a subsidiary *(Section 32(a))*	28,139	2,036	253	224	–	2,900	33,552
Transfer to investment properties *(Section 16)*	(6,077)	–	–	–	–	–	(6,077)
Disposals	(11,870)	(648)	(779)	(1,027)	(4,809)	(157)	(19,290)
Disposal of subsidiaries *(Section 32(b))*	(690)	–	–	(1,038)	(15,232)	(132)	(17,092)
Depreciation provided during the year	(28,685)	(13,490)	(1,499)	(18,272)	(33,839)	–	(95,785)
Transfers	1,365	348	–	–	9,793	(11,506)	–
At 31 December 2007, net of accumulated depreciation and impairment	573,405	59,629	4,564	51,997	77,670	58,117	825,382
At 31 December 2007:							
Cost	799,678	207,768	10,605	168,387	166,221	64,726	1,417,385
Accumulated depreciation and impairment	(226,273)	(148,139)	(6,041)	(116,390)	(88,551)	(6,609)	(592,003)
Net carrying amount	573,405	59,629	4,564	51,997	77,670	58,117	825,382

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 Section 30.

16. INVESTMENT PROPERTIES

	31 December 2006 *RMB'000*	2007 *RMB'000*
Cost at 1 January, net of accumulated depreciation	352,309	334,778
Additions	44	2,470
Disposal of subsidiaries *(Section 32(b))*	–	(8,928)
Transfer from property, plant and equipment *(Section 15)*	–	6,077
Transfer from land lease prepayments *(Section 17)*	–	1,362
Depreciation provided during the year	(17,575)	(17,427)
At 31 December	334,778	318,332
At 31 December:		
Cost	420,088	392,336
Accumulated depreciation	(85,310)	(74,004)
Net carrying amount	334,778	318,332

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 Section 30.

At 31 December 2007, the fair value of the Group's investment properties was approximately RMB973,410,000, which was based on the valuation by CB Richard Ellis Limited, independent professionally qualified valuers, on an open market, existing use basis.

17. LAND LEASE PREPAYMENTS

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Carrying amount at 1 January	362,147	347,000
Acquisition of a subsidiary *(Section 32(a))*	–	5,517
Additions	–	40,366
Disposals	–	(5,900)
Transfer to investment properties *(Section 16)*	–	(1,362)
Amortisation provided during the year	(15,147)	(15,686)
Carrying amount at 31 December	347,000	369,935

The Group's leasehold land is held under a medium term lease and is situated in Mainland China.

Details of the Group's leasehold land pledged to secure the Group's interest-bearing bank loans are set out in Section 30.

The land use right certificate for a piece of land located at Mianyang, Sichuan, the PRC with carrying amount of approximately RMB40,282,000 as at 31 December 2007 has not yet been issued to the Group by the relevant PRC authorities. The Directors are in process of obtaining the relevant land use right certificate.

18. GOODWILL

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
At 1 January, net of accumulated impairment	38,134	45,114
Acquisition of a subsidiary *(Section 32(a))*	–	174
Acquisition of an additional interest in a subsidiary	6,980	198
Impairment during the year *(Section 9)*	–	(200)
At 31 December	45,114	45,286
At 31 December:		
Cost	45,883	46,255
Accumulated impairment	(769)	(969)
Net carrying amount	45,114	45,286

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the following three cash-generating units ("CGUs"), which are reportable segments, for impairment testing:

- the CGU of the operation of department stores;
- the CGU of the sale of automobiles; and
- the CGU of other segments.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	Operation of department stores	**Sale of automobiles**	**Other segments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2006	35,957	17	9,140	45,114
At 31 December 2007	35,954	17	9,315	45,286

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections ranged from 7% to 10%. Cash flows beyond the five-year period are extrapolated using the estimated growth rates ranged from 5% to 10%. The growth rates do not exceed the projected long-term average growth rates for the operation of department stores and sale of automobiles in the PRC.

Key assumptions were used in the value in use calculation of the CGUs for the years ended 31 December 2006 and 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

Purchase price inflation – Management has considered the possibility of increases in purchase price inflation ranged from 6% to 8%.

19. INVESTMENTS IN ASSOCIATES

	31 December 2006	**2007**
	RMB'000	*RMB'000*
Share of net assets	78,412	30,509

The Group's balances with its associates as at 31 December 2006 and 2007 are disclosed in Section 36.

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

Name of associate	Assets *RMB'000*	Liabilities *RMB'000*	Revenue *RMB'000*	Profit/(loss) *RMB'000*
Year ended 31 December 2006				
E'mei Shan Chengshang Phoenix Co., Ltd. ("E'mei Shan Chengshang") (峨嵋山成商鳳凰湖有限公司)	17,055	8,261	2,435	(746)
Chengdu People's Department Store (Group) Yibin Daguan Building Department Store Co., Ltd. ("Yibin Daguan Building") (成都人民商場宜賓大觀樓商場有限責任公司)	8,294	4,616	33,119	2,376
Yinchuan New Century Broadcasting Network Co., Ltd. ("Yinchuan New Century") (銀川新世紀廣播電視網絡有限責任公司)	16,251	2,782	3,686	1,935
Guangyuan New Century Broadcasting Network Co., Ltd. ("Guangyuan New Century") (廣元新世紀廣播電視網絡有限責任公司)	7,122	4,944	2,095	10
Leshan Shawan New Century Broadcasting Network Construction Co., Ltd. ("Leshan Shawan New Century") (樂山沙灣新世紀廣播電視網絡建設有限責任公司)	6,355	2,031	1,536	188
Ya'an New Century Broadcasting Network Co., Ltd. ("Ya'an New Century") (雅安新世紀廣播電視網絡建設有限責任公司)	10,796	4,842	2,721	626
Chengdu Chongde Investment Co., Ltd. ("Chengdu Chongde Investment") (成都崇德投資有限公司)	20,935	20,335	–	–
Wuxi Maoye Property Co., Ltd. (無錫茂業置業有限公司)	136,389	96,974	–	(585)
	223,197	144,785	45,592	3,804
Year ended 31 December 2007				
Yibin Daguan Building	8,065	4,332	32,395	587
Yinchuan New Century	15,822	1,813	4,133	2,089
Guangyuan New Century	7,493	5,265	2,106	50
Leshan Shawan New Century	6,322	1,977	2,027	189
Ya'an New Century	10,661	4,467	2,821	658
	48,363	17,854	43,482	3,573

20. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	32,341	111,930
Provision for impairment	(5,735)	(5,735)
	26,606	106,195

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

21. PROPERTIES UNDER DEVELOPMENT

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Land costs	145,983	–

Movements in the properties under development are as follows:

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
At 1 January	–	145,983
Additions	145,983	–
Disposal of a subsidiary *(Section 32(b))*	–	(145,983)
At 31 December	145,983	–

The Group's properties under development are situated in Chongqing, the PRC.

22. DEFERRED TAX

Movements in deferred tax assets are as follows:

	Deferred income	Provisions and accruals	Impairment of trade and other receivables	Losses available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	5,429	27,064	18,756	28,600	79,849
Deferred tax credited to the combined income statement during the year *(Section 12)*	4,221	17,597	790	16,949	39,557
At 31 December 2006 and 1 January 2007	9,650	44,661	19,546	45,549	119,406
Effect on opening deferred tax of changes in rates *(Section 12)*	–	(5,508)	(15)	(3,445)	(8,968)
Disposal of subsidiaries *(Section 32(b))*	–	(8,196)	–	–	(8,196)
Deferred tax credited/(charged) to the combined income statement during the year *(Section 12)*	(9,650)	(19,011)	381	(22,371)	(50,651)
At 31 December 2007	–	11,946	19,912	19,733	51,591

Movements in deferred tax liability are as follows:

	Fair value adjustment arising from acquisition of a subsidiary
	RMB'000
At 1 January 2006	125,796
Deferred tax credited to the combined income statement during the year *(Section 12)*	(7,877)
At 31 December 2006 and 1 January 2007	117,919
Deferred tax credited to the combined income statement during the year *(Section 12)*	(7,877)
At 31 December 2007	110,042

The Group had tax losses of approximately RMB22,089,000 and RMB12,875,000 as at 31 December 2006 and 2007, respectively, that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and there is insufficient convincing evidence that sufficient taxable profits will be available to allow the utilisation of the carryforward of tax losses before they expired in five years.

23. INVENTORIES

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Merchandise for resale	98,654	113,131

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Listed equity investments	4,895	11,573

The market value of the Group's short term investments as at 31 December 2007 was approximately RMB6,859,000 at the close of business of the nearest trading day in the year to the date of this report.

25. TRADE RECEIVABLES

The Group's revenue from the direct sales of merchandise and sale of automobiles are on a cash basis. The credit terms offered to customers of the Group's other businesses are generally two months.

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

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Within 60 days	2,345	3,438
61 to 90 days	775	1,161
91 to 180 days	1,044	3,944
181 to 270 days	114	322
271 to 360 days	–	95
Over 360 days	4,403	2,794
	8,681	11,754
Impairment of trade receivables	(5,752)	(7,816)
	2,929	3,938

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

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
At 1 January	3,521	5,752
Acquisition of a subsidiary	–	–
Impairment losses recognised during the year *(Section 9)*	2,231	2,351
Amount written off during the year	–	(287)
At 31 December	5,752	7,816

Included in the above provision for impairment of trade receivables as at 31 December 2006 and 2007 is a provision for individually impaired trade receivables of approximately RMB5,752,000 and RMB7,816,000 with carrying amount of approximately RMB5,752,000 and RMB7,816,000, respectively. The individually impaired trade receivables relate to customers that were in financial difficulties or in default in payments. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that were past due but not impaired is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**61 to 90 days**	**91 to 180 days**	**181 to 270 days**	**271 to 360 days**	**Over 360 days**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2006	2,929	2,345	584	–	–	–	–
31 December 2007	3,938	3,438	500	–	–	–	–

The trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

26. PREPAYMENTS AND OTHER RECEIVABLES

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Non-current assets		
Prepayments	3,956	4,543
Current assets		
Prepayments	122,720	125,840
Other receivables	302,936	134,094
	425,656	259,934
Impairment of other receivables	(34,645)	(35,783)
	391,011	224,151

Included in the prepayment and other receivables as at 31 December 2007 are prepayments for operating lease rental expenses of RMB82,497,000 covering the period from January to December 2008 and rental deposits of RMB13,877,000, respectively, which were paid to certain fellow subsidiaries of the Company (Section 36(1)).

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

	31 December 2006	2007
	RMB'000	*RMB'000*
At 1 January	35,172	34,645
Acquisition of a subsidiary	–	3,406
Impairment losses reversed during the year *(Section 9)*	(527)	(760)
Amount written off during the year	–	(1,508)
At 31 December	34,645	35,783

Included in the above provision for impairment of other receivables as at 31 December 2006 and 2007 is a provision for individually impaired other receivables of approximately RMB34,645,000 and RMB35,783,000 with carrying amount of approximately RMB34,645,000 and RMB35,783,000, respectively. The individually impaired other receivables relate to other debtors that were in financial difficulties or in default in payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

27. CASH AND CASH EQUIVALENTS

	31 December 2006	2007
	RMB'000	*RMB'000*
Cash in transit	11,019	34,766
Cash and bank balances	361,646	356,811
Cash and cash equivalents in the combined balance sheets	372,665	391,577
Less: Bank deposits with original maturity of over three months when acquired	(110,420)	(29,000)
Cash and cash equivalents in the combined cash flow statements	262,245	362,577

The cash in transit represents the sales proceeds settled by debit cards and credit cards, which have yet to be credited by the banks to the Group.

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

	31 December 2006	2007
	RMB'000	*RMB'000*
RMB	372,336	376,228
Hong Kong dollar	274	14,829
United States dollar	55	520
	372,665	391,577

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.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

28. TRADE PAYABLES

An aged analysis of the trade payables, based on the invoice dates, is as follows:

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Within 90 days	570,581	683,714
91 to 180 days	101,107	60,655
181 to 360 days	32,433	26,558
Over 360 days	43,067	69,327
	747,188	840,254

The trade payables are non-interest-bearing and are normally settled on 90 days' terms.

29. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Deferred income	90,686	181,764
Deposits received	76,286	83,474
Accrued operating lease rental expenses	95,431	69,294
Accrued utilities	15,308	7,369
Accrued liabilities	3,320	10,434
Accrued staff costs	27,635	17,073
Provision for coupon liabilities	967	4,136
Value-added tax and other tax payables	67,199	22,244
Other payables	124,630	88,141
	501,462	483,929

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

30. INTEREST-BEARING BANK LOANS

	Effective floating interest rates	Maturity	31 December 2006 RMB'000	2007 RMB'000
Current				
Bank loans – secured	4.514% – 8.75%	2006 – 2008	707,350	354,300
Bank loans – unsecured	4.78% – 9.22%	2006 – 2008	18,450	10,000
Current portion of long-term bank loans – secured	6.39% – 7.83%	2006 – 2008	48,000	246,081
			773,800	610,381
Non-current				
Long-term bank loans – secured	6.39% – 7.83%	2007 – 2017	456,726	786,712
			1,230,526	1,397,093

	2006 RMB'000	2007 RMB'000
Repayable:		
Within one year	773,800	610,381
In the second year	48,000	83,041
In the third year	75,000	85,114
Over three years	333,726	618,557
	1,230,526	1,397,093

The Group's bank loans are secured by:

(i) certain land and buildings of the Group with a net carrying amount of approximately RMB342,955,000 and RMB396,686,000 as at 31 December 2006 and 2007, respectively (Section 15);

(ii) certain investment properties of the Group with a net carrying amount of approximately RMB80,026,000 and RMB77,255,000 as at 31 December 2006 and 2007, respectively (Section 16);

(iii) certain land lease prepayment of the Group with a net carrying amount of approximately RMB267,345,000 and RMB224,482,000 as at 31 December 2006 and 2007, respectively (Section 17); and

(iv) properties of certain fellow subsidiaries of the Company (Section 36(1)(vii)).

In addition, the Group's secured bank loans are guaranteed by certain related parties (Section 36(1)(vii)).

The Group had the following undrawn banking facilities:

	31 December 2006 RMB'000	2007 RMB'000
Floating rate		
– expiring within one year	700,000	–

The carrying amounts of the interest-bearing bank loans approximate to their fair values.

31. PAID-IN CAPITAL/ISSUED SHARE CAPITAL

The paid-in capital/issued share capital as at 31 December 2006 represents the combined paid-in capital/issued share capital of Maoye China, Zhongzhao Commercial and Zhongzhao Investment Management. The issued share capital as at 31 December 2007 represented the issued share capital of Maoye China and the Company.

The Company was incorporated in the Cayman Islands on 8 August 2007 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each, and one share of HK$0.1 of the Company was allotted and issued on the same date. As at 31 December 2007, the Company had no distributable reserve.

Pursuant to a resolution in writing of the shareholder of the Company passed on 10 January 2008, the authorised share capital of the Company was increased to HK$900,000,000 divided into 9,000,000,000 shares of HK$0.10 each.

Save for aforesaid, the Company has not carried on any other business since its date of incorporation and up to 31 December 2007.

32. NOTES TO THE COMBINED CASH FLOW STATEMENTS

(a) Acquisition of subsidiaries

Chengshang originally held a 49.92% equity interest in E'mei Shan Chengshang which was treated as an associate of Chengshang and was accounted for under the equity method of accounting. In January 2007, Chengshang acquired an additional 34.93% equity interest in E'mei Shan Chengshang from Hengda Industry Co., Ltd. (恒達實業有限公司), an independent third party, for a consideration of approximately RMB12,517,000 as agreed between both parties with reference to the net asset value of E'mei Shan Chengshang based on its statutory financial statements for the year ended 31 December 2006. This resulted in an increase of Chengshang's equity interest in E'mei Shan Chengshang from 49.92% to 84.85%. E'mei Shan Chengshang then became a subsidiary of the Group. In February 2007, the registered capital of E'mei Shan Chengshang increased from RMB25,600,000 to RMB33,730,000 and Chengshang contributed an additional paid-in capital of RMB5,264,000 in E'mei Shan Chengshang. The net effect was a decrease of Chengshang's equity interest in E'mei Shan Chengshang from 84.85% to 80%. The Group then effectively holds a 55.38% equity interest in E'mei Shan Chengshang.

	Sections	**Fair value recognised on 31 January 2007** *RMB'000*	**Carrying amount as at 31 January 2007** *RMB'000*
Property, plant and equipment	*12*	33,552	25,465
Land lease prepayments	*14*	5,517	5,517
Cash and cash equivalents		185	185
Trade receivables		458	458
Prepayments, deposits and other receivables		1,495	1,495
Inventories		374	374
Interest-bearing bank loans		(5,500)	(5,500)
Trade payables		(58)	(58)
Deposits received, accruals and other payables		(3,206)	(3,206)
Minority interests		(6,601)	–
		26,216	24,730
Goodwill on acquisition	*15*	174	
		26,390	

	Sections	Fair value recognised on 31 January 2007	Carrying amount as at 31 January 2007
		RMB'000	*RMB'000*
Satisfied by:			
Cash		12,517	
Other receivables		5,264	
Investments in associates		8,609	
		26,390	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Year ended 31 December 2007
	RMB'000
Cash consideration	12,517
Cash consideration paid	12,517
Cash and cash equivalents acquired	(185)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	12,332

The effect of the acquisition on the financial results of the Group from the dates of acquisition to the end of the respective year is as follows:

	Year ended 31 December 2007
	RMB'000
Revenue	5,114
Loss for the year	512

(b) Disposal of subsidiaries

During the year ended 31 December 2007, the Group disposed of the following subsidiaries to certain independent third parties and fellow subsidiaries of the Company:

(i) On 30 March 2007, Chengshang disposed of the entire equity interest in Chengdu Luoni Trading Co., Ltd. (成都洛尼商貿有限公司), a company engaged in property leasing, to Mr. Wan Shuiliang, an independent third party, for a consideration of approximately RMB1,040,000 which was determined based on the cost of investment in Chengdu Luoni Trading Co., Ltd..

(ii) On 30 March 2007, Chengshang disposed of the entire equity interest in Chengdu Yifu Trading Co., Ltd. (成都易福商貿有限公司), a company engaged in property leasing, to Mr. Zhao Sanhu, an independent third party, for a consideration of approximately RMB1,040,000 which was determined based on the cost of investment in Chengdu Yifu Trading Co., Ltd..

(iii) On 30 March 2007, Chengshang disposed of the entire equity interest in Chengdu Jiaheng Trading Co., Ltd. (成都家恒商貿有限公司), a company engaged in property leasing, to Ms. Zhou Shixia, an indepentdent third party, for a consideration of approximately RMB825,000 which was determined based on the cost of investment in Chengdu Jiaheng Trading Co., Ltd..

(iv) On 30 May 2007, the Group disposed of a 70% equity interest in Chongqing Chongde Industry Co., Ltd. (重慶崇德實業有限公司), a company engaged in real estate development, to Shenzhen Maoye (Group) Co., Ltd. (深圳茂業(集團)股份有限公司), a fellow subsidiary of the Company, for a consideration of RMB14,000,000 which was determined based on the cost of investment in Chongqing Chongde Industry Co., Ltd..

(v) On 11 July 2007, Maoye Shangsha disposed of 75% and 5% equity interests in Department Store Chain and Chongqing Jiefangbei Maoye, which are engaged in the operation of department stores, respectively, to Maoye Industry for an aggregate consideration of approximately RMB54,117,000 as agreed between both parties with reference to the respective assets valuation reports issued by China United Assets Appraisal Co., Ltd. (中聯資產評估有限公司), an independent valuer registered in the PRC. The disposals resulted in a gain on disposal of approximately RMB46,356,000. As Department Store Chain directly holds a 95% equity interest in Chongqing Jiefangbei Maoye, Maoye Shangsha has effectively disposed of a 76.25% equity interest in Chongqing Jiefangbei Maoye.

(vi) On 26 July 2007, Maoye Shangsha disposed of a 77.01% equity interest in Jia Jia Store, an investment holding company and a 60% equity interest in Shenzhen Heping Shangsha Co., Ltd. (深圳茂業和平商厦有限公司) ("Heping Shangsha"), a company engaged in the operation of a department store, to Shenzhen Maoye Industry Development Co., Ltd. ("Maoye Industry") (深圳茂業實業發展(深圳)有限公司) for considerations of approximately RMB6,696,000 and RMB23,840,000, respectively, which were determined based on the costs of investment in Shenzhen Jiajia Chinese Products Co., Ltd. and Heping Shangsha, respectively.

(vii) On 30 September 2007, Chengshang disposed of the entire equity interest in Nanchong Sangni Trading Co., Ltd. (南充桑尼經貿有限公司), a company engaged in property leasing, to Mr. Zhan Yijing, an independent third party, for a consideration of approximately RMB2,101,000 as agreed between both parties.

(viii) On 30 September 2007, Chengshang disposed of the entire equity interest in Nanchong Daobo Trading Co., Ltd. (南充道博經貿有限公司), a company engaged in property leasing, to Mr. Hu Zhongbiao, an independent third party, for a consideration of approximately RMB2,133,000 as agreed between both parties.

(ix) On 30 September 2007, Chengshang disposed of the entire equity interest in Chengdu Qianhe Trading Co., Ltd. (成都仟和商貿有限公司), a company engaged in property leasing, to Ms. Luo Xueqin and Mr. Luo Yatao, independent third parties, for a consideration of approximately RMB1,543,000 as agreed between both parties.

(x) On 30 September 2007, Chengshang disposed of the entire equity interest in Chengdu Sifu Trading Co., Ltd. (成都思富商貿有限公司), a company engaged in property leasing, to Mr. Jinwei, Ms. Yubei and Ms. Xiali, independent third parties, for an aggregate consideration of approximately RMB1,543,000 as agreed among the parties.

(xi) On 30 September 2007, Chengshang disposed of the entire equity interest in Chengdu Shengshen Trade Co., Ltd. (成都盛升商貿有限公司), a company engaged in property leasing, to Mr. Zhang Junlin, an independent third party, for a consideration of approximately RMB2,178,000 as agreed between both parties.

(xii) On 30 October 2007, Chengshang disposed of the entire equity interest in Chengdu Yidao Trading Co., Ltd. (成都亦道商貿有限公司), a company engaged in property leasing, to Ms. Zheng Yan, an independent third party, for a consideration of approximately RMB2,191,000 as agreed between both parties.

(xiii) On 23 November 2007, Chengshang disposed of the entire equity interest in Chengdu Huashi Trading Co., Ltd. (成都華士商貿有限公司), a company engaged in property leasing, to Mr. Mr. Luo Yatao, an independent third party, for a consideration of approximately RMB1,630,000 as agreed between both parties.

(xiv) On 6 December 2007, Chengshang disposed of the entire equity interest in Chengdu Sike Trading Co., Ltd. (成都思可商貿有限公司), a company engaged in property leasing, to Mr. Wu Ping and Mr. Wu Guanghua, independent third parties, for a consideration of approximately RMB1,423,000 and RMB136,000 respectively, as agreed between both parties.

(xv) On 6 December 2007, Chengshang disposed of the entire equity interest in Chengdu Bishengkai Trading Co., Ltd. (成都畢生凱商貿有限公司), a company engaged in property leasing, to Mr. Wu Ping and Mr. Wu Guanghua, independent third parties, for a consideration of approximately RMB769,000 and RMB63,000 respectively, as agreed between both parties.

(xvi) On 6 December 2007, Chengshang disposed of the entire equity interest in Chengdu Weijiamei Trading Co., Ltd. (成都維家美有限公司), a company engaged in property leasing, to Mr. Wu Ping and Mr. Wu Guanghua, independent third parties, for a consideration of approximately RMB964,000 and RMB85,000 respectively, as agreed between both parties.

(xvii) On 20 December 2007, Chengdu People's Department Store (Group) Nanchong Chuanbei Co., Ltd. disposed of the entire equity interests in Nanchong Yuanpei Trading Co., Ltd. (南充元培商貿有限公司), Nanchong Langkong Trading Co., Ltd. (南充朗空商貿有限公司), Nanchong Luoke Trading Co., Ltd. (南充洛克商貿有限公司), Nanchong Shengda Trading Co., Ltd. (南充勝達商貿有限公司), Nanchong Xiongye Trading Co., Ltd. (南充雄業商貿有限公司), Nanchong Xindu Trading Co., Ltd. (南充信都商貿有限公司), Nanchong Huaxin Trading Co., Ltd. (南充華信商貿有限公司), Nanchong Nuodun Trading Co., Ltd. (南充諾頓商貿有限公司), Nanchong Keli Trading Co., Ltd. (南充科力商貿有限公司), Nanchong Jichang Trading Co., Ltd. (南充吉昌商貿有限公司) and Nanchong Shenhong Trading Co., Ltd. (南充深宏商貿有限公司) to Shichuan Boer Costume Co., Ltd. (四川波爾服裝有限公司), an independent third party, for an aggregate consideration of approximately RMB28,880,000 as agreed between both parties.

	Sections	Year ended 31 December 2007 RMB'000
Net assets disposed of:		
Property, plant and equipment	*15*	17,092
Investment properties	*16*	8,928
Properties under development	*21*	145,983
Cash and cash equivalents		10,532
Dividends receivable		8,889
Prepayments and other receivables		219,579
Due from related parties		86,281
Deferred tax assets	*22*	8,196
Inventories		5,053
Trade payables		(23,205)
Deposits received, accruals and other payables		(185,310)
Due to related parties		(204,282)
Income tax payable		(8,987)
Minority interests		(6,000)
		82,749
Gain on disposal of subsidiaries		64,448
		147,197
Satisfied by:		
Cash		33,106
Prepayments and other receivables		15,438
Due from related parties		98,653
		147,197

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

	Year ended 31 December 2007 RMB'000
Cash consideration	33,106
Cash and cash equivalents disposed of	(10,532)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	22,574

As part of the Reorganisation, Heping Maoye acquired all the businesses and assets related to the operation of a department store from Heping Shangsha and Maoye Shangsha disposed of its equity investment in Heping Shangsha on 26 July 2007 (Section 32(b)(vi)). The combined financial results of the subsidiaries disposed of, excluding Heping Shangsha, that have been included in the Financial Information are as follows:

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Revenue	7,225	4,410
Loss for the year	59,949	33,045

(c) Major non-cash transactions during the year ended 31 December 2007

In February 2007, Chengshang contributed an additional paid-in capital of RMB5,264,000 in E'mei Shan Chengshang, which was set off against other receivables.

In April 2007, Chengshang acquired a 31.07% equity interest in Chongqing Medicines Co., Ltd. (重慶醫藥股份有限公司) from Sichuan Dikang Industry Holding Group Co., Ltd. (四川迪康產業控股集團股份有限公司), Sichuan Science Park of Modernisation of Traditional Chinese Medicine Investment Co., Ltd. (四川中藥現代化科技園投資有限公司) and Chengdu Dikang Blood Science and Technology Co., Ltd. (成都迪康血液科技有限公司) for an aggregate consideration of approximately RMB72,730,000, which was set off against other receivables.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Section 16) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 13 years.

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

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Within one year	74,254	78,669
In the second to fifth years, inclusive	113,506	95,337
After five years	8,656	9,613
	196,416	183,619

(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 2.5 to 20 years.

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

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Within one year	98,697	124,849
In the second to fifth years, inclusive	111,522	491,191
After five years	89,221	682,089
	299,440	1,298,129

34. COMMITMENTS

In addition to the operating lease commitments as set out in Section 33(b) above, the Group had the following capital commitments:

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Contracted, but not provided for, in respect of land and buildings	7,426	25,680

35. CONTINGENT LIABILITIES

Chengshang is a public company with its A shares listed on the Shanghai Stock Exchange. As at 31 December 2006, all non-tradable shares of Chengshang were converted to tradable shares through the implementation of a capital restructuring plan which was approved by the shareholders of Chengshang on 31 May 2006. The key terms of the capital restructuring plan are as follows:

(a) Maoye Shangsha has undertaken to transfer to the holders of the tradable shares of Chengshang at a ratio of 2 shares for every 10 tradable shares held by the shareholders, based on the shareholding as at 6 June 2006. As a result, Maoye Shangsha has transferred its 10,197,915 shares to the holders of tradable shares of Chengshang (Section 10).

(b) Maoye Shangsha has undertaken to transfer 2,554,201 shares to the holders of the tradable shares of Chengshang in the event that that one of the following incidents occurs:

(i) the statutory net profit of Chengshang for the year ended 31 December 2007 is less than RMB60 million;

(ii) a qualified audit opinion is issued for the statutory financial statements of Chengshang for the year ended 31 December 2007; or

(iii) the abovementioned statutory financial statements cannot be issued before the statutory timeline.

(c) Maoye Shangsha has undertaken to transfer 2,554,201 additional shares to the holders of the tradable shares of Chengshang in the event that that one of the following incidents occurs:

(i) the statutory net profit of Chengshang for the year ending 31 December 2008 is less than RMB80 million;

(ii) a qualified audit opinion is issued for the statutory financial statements of Chengshang for the year ending 31 December 2008; or

(iii) the abovementioned statutory financial statements cannot be issued before the statutory timeline.

The Group issued guarantees in favour of banks in respect of bank loans granted to a fellow subsidiary of the Company (Section 36(1)(viii)) with the maximum liabilities under the guarantees issued as follows:

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Shenzhen Maoye (Group) Co., Ltd. (深圳茂業(集團)股份有限公司)	220,000	545,000

The Directors confirm that the above guarantees will be releaesd upon the listing of the Company's share on the Main Board of the Stock Exchange.

36. RELATED PARTY TRANSACTIONS AND BALANCES

(1) In addition to the transactions detailed in Section 32 above, The Group had the following material transactions with related parties:

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
(a) Recurring transactions		
Operating lease rental expenses charged by:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (iii)	10,972	19,736
Zhong Zhao Investment (Groups) Limited ("Zhongzhao Investment Groups") (中兆投資(集團)有限公司) (i) & (iii)	6,332	7,251
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (iii)	46,577	54,689
Shenzhen Chongde Real Estate Co., Ltd. (深圳市崇德地產有限公司) (i) & (iii)	736	424
Shenzhen Maoye Property Management Company (深圳市茂業物業經營公司) (i) & (iii)	6,833	6,304
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (iii)	16,159	16,159
	87,609	104,563

	Year ended 31 December 2006 RMB'000	2007 RMB'000
Property management service fee charged by:		
Chongde Property Management (Shenzhen) Co., Ltd. (崇德物業管理(深圳)有限公司) (i) & (iv)	754	–
Management fee income from the operation of department stores:		
Chongqing Jiefangbei Maoye (i) & (v)	–	273
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (v)	–	503
Wuxi Maoye Baifu Supermarket Co., Ltd. (無錫茂業百福超級市場有限公司) (i) & (v)	–	259
	–	1,035
Sales of goods to:		
Chengdu People's Department Store Huanghe Commercial City Co., Ltd. ("Chengshang Huanghe") (成都人民商場黃河商業城有限責任公司) (ii) & (vi)	12,934	25,751

(b) Non-recurring transactions

	2006 RMB'000	2007 RMB'000
Bank loans secured by the properties of:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (vii)	107,500	–
Maoye (Shenzhen) Real Estate Development Co., Ltd. (茂業(深圳)房地產開發有限公司) (i) & (vii)	–	17,500
Shenzhen Chongde Real Estate Co., Ltd. (i) & (vii)	44,000	20,500
Shenzhen Maoye Property Business Co., Ltd. (i) & (vii)	177,726	164,970
Zhongzhao Industry (Shenzhen) Co., Ltd. (中兆實業(深圳)有限公司) (i) & (vii)	25,000	80,000
	354,226	282,970
Bank loans guaranteed by:		
Shenzhen Maoye (Group) Co. Ltd. (i) & (vii), Mr. Huang Mao Ru and Mrs. Huang Jingzhang (ii) & (vii) jointly and severally	202,726	164,970
Mr. Huang Maoru and Mrs. Huang Jingzhang jointly and severally (ii) & (vii)	300,000	667,823
	502,726	832,793
Guarantees issued in favour of banks in respect of bank loans granted to:		
Shenzhen Maoye (Group) Co., Ltd. (i) & (viii)	220,000	545,000

(i) They are fellow subsidiaries of the Company.

(ii) They are directors of the Company.

(iii) The operating lease rental expenses charged by the fellow subsidiaries of the Company were determined based on prices available to third party tenants.

(iv) The property management service fee charged by the fellow subsidiary of the Company was determined based on prices available to third party tenants.

(v) The management fee income from the operation of the department stores were determined based on the underlying contracts as agreed between the Group and the fellow subsidiaries of the Company.

(vi) These transactions were conducted in accordance with terms agreed between the Group and its associate.

(vii) Certain of the Group's bank loans were secured by the properties of certain fellow subsidiaries of the Company or guaranteed jointly and severally by a fellow subsidiary of the Company, Mr. Huang Mao Ru and Mrs. Huang Jingzhang (Section 30). The Directors confirm that the security over the properties and the guarantees were fully released subsequent to 31 December 2007.

Certain of the Group's bank loans were guaranteed jointly and severally by Mr. Huang Mao Ru and Mrs. Huang Jingzhang. The Directors confirm that the guarantees will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

(viii) The Group issued guarantees in favour of banks in respect of bank loans granted to a fellow subsidiary of the Company (Section 35). The Directors confirm that the guarantees will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

In addition to the above transactions, the Group had the following transactions with related parties:

(ix) On 20 August 2007, Zhuhai Maoye and Zhongzhao Investment Group, a fellow subsidiary of the Company, entered into a debt assignment agreement under which Zhuhai Maoye has transferred to Zhongzhao Investment Group a non-trade balance of approximately RMB5,300,000 due from Zhuhai Jinshan Department Stores Development Co., Ltd. ("Zhuhai Jinshan") (珠海金山百貨發展有限公司), the landlord of the property used by Zhuhai Maoye for the operation of its department store, to partly offset a non-trade balance due to Zhongzhao Investment Group. The amount due to Zhuhai Maoye by Zhuhai Jinshan represented fund advanced by Zhuhai Maoye to Zhuhai Jinshan in order to meet its working capital requirement. The Group has recorded no gain or loss arising from the debt assignment.

(x) The Group made advances to certain fellow subsidiaries of the Company during the year. In the opinion of the Directors, the advances made to the fellow subsidiaries of the Company were mainly used by them for financing their real estate development projects.

Included in the current portion of prepayments and other receivables as at 31 December 2007 (Section 26) are prepayments for operating lease rental expenses of approximately RMB82,497,000 covering the period from January to December 2008 and rental deposits of approximately RMB13,877,000, respectively, which were paid to certain fellow subsidiaries of the Company.

In the opinion of the Directors, the above transactions were conducted in the ordinary course of business of the Group. The Directors confirm that the recurring transactions with related parties will continue after the listing of the Company's shares on the Main Board of the Stock Exchange.

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

	31 December 2006	2007
	RMB'000	*RMB'000*
Due from related parties		
Due from associates	69,271	125,093
Due from fellow subsidiaries	1,329,849	979,792
	1,399,120	1,104,885
Impairment of amounts due from associates	–	(3,870)
	1,399,120	1,101,015
Due to related parties		
Due to associates	1,875	1,905
Due to a director – Mr. Huang Maoru	67,678	–
Due to fellow subsidiaries	346,612	56,731
Due to minority shareholders of subsidiaries	140	–
	416,305	58,636

Included in the balance due from associates as at 31 December 2007 is an amount due from Chengshang Huanghe, which represents an aggregate payment of RMB116 million (the "Payment") made by Chengshang under the guarantees for certain bank loans borrowed by Chengshang Huanghe. Chengshang had not received any payment and Chengdu Zhongfa Huanghe Industrial Co., Ltd. ("Zhongfa") (中發黃河實業有限公司), an independent third party which provided counter-guarantee for this amount in the form of real property collateral, and which was sued by Chengshang under the counter-guarantee to recover the Payment. The court ruled for Chengshang in a number of judgements between the period from June 2005 and May 2007, and has further seized the real property collateral provided by Zhongfa for auction in payment of the judgement award. Mr. Huang Maoru, MOY International Holdings Limited and Maoye Department Store Investment Limited, which are ultimately controlled by Mr.Huang Maoru, have undertaken to indemnify the Group on 17 April 2008 against any losses arising from this litigation.

Movements in the provision for impairment of amounts due from associates are as follows:

	31 December 2006	2007
	RMB'000	*RMB'000*
At 1 January	–	–
Impairment losses recognised during the year *(Section 9)*	–	3,870
At 31 December	–	3,870

Included in the above provision for impairment of amounts due from associates as at 31 December 2007 is a provision for individually impaired amount due from an associate of approximately RMB3,870,000 with carrying amount of approximately RMB6,805,000. The individually impaired amount due from an associate relate to an associate that was in financial difficulties. The Group does not hold any collateral or other credit enhancements over this balance.

Included in the balances due to fellow subsidiaries as at 31 December 2006 are aggregate amounts of approximately RMB180,696,000 which are trade in nature, unsecured, interest-free and repayable on demand. Included in the balances due from fellow subsidiaries as at 31 December 2007 is an aggregate amount of approximately RMB1,035,000 which are trade in nature, unsecured, interest-free and repayable on demand. The remaining balances with the fellow subsidiaries and other related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of the balance with related parties that were neither past due nor impaired relate to related parties for whom there was no recent history of default.

An aggregate amount of RMB979,792,000 due from the fellow subsidiaries of the Company and an aggregate amount of RMB56,731,000 due to the fellow subsidiaries of the Company as at 31 December 2007 were fully settled subsequent to 31 December 2007.

The carrying amounts of the balances with related parties approximate to their fair values.

(3) Compensation of key management

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Salaries and allowances	1,446	2,411
Bonuses	1,260	600
Retirement benefits	44	70
	2,750	3,081

Further details of directors' remunerations are included in Section 7.

37. POST BALANCE SHEET EVENTS

The following significant post balance sheet events took place subsequent to 31 December 2007:

(1) The declared dividends of RMB209,547,000 (Section 13) was paid subsequent to 31 December 2007.

(2) The company declared a dividends of HK$80,000,000 (equivalent to approximately RMB72,608,000) (Section 13) on 22 March 2008. The dividend was paid on 7 April 2008.

(3) An amount of RMB979,792,000 due from the fellow subsidiaries of the Company and an amount of RMB56,731,000 due to the fellow subsidiaries of the Company as at 31 December 2007 were fully settled subsequent to 31 December 2007 (Section 36(2)).

(4) On 9 January 2008, Chengshang Mianyang opened a new store in Mianyang, Sichuan Province, the PRC.

(5) The Group acquired the right to use a piece of land located at Nanshan, Shenzhen, the PRC on 14 March 2008 at a consideration of approximately RMB650 million, which was fully paid in March 2008.

(6) An aggregate amount of prepayments for operating lease rental expenses of approximately RMB15,120,000 was paid to certain fellow subsidiaries of the Company covering the period from 1 April 2008 to 31 December 2008.

(7) Subsequent to 31 December 2007, there were significant falls in many major international stock markets, including the exchanges on which the Group's listed equity investments are traded. Further details of the market values of the Group's listed equity investments are included in Section 24 above. The decline in the carrying amounts of the listed equity investments subsequent to 31 December 2007 and up to the date of this report has not been reflected in the Financial Information.

(8) The companies comprising the Group underwent the Reorganisation in the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange.

38. 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 and liquidity risk. The board 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 Section 30 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 income tax (through the impact of floating rate borrowings) during the year. There was no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before income tax *RMB'000*
31 December 2006		
RMB	-100	7,859
RMB	+100	(7,859)
31 December 2007		
RMB	-100	13,758
RMB	+100	(13,758)

Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

A reasonably possible change of 5% in the exchange rate between Hong Kong dollar and RMB would have no material impact on the Group's profit or loss during the Year and there would be no impact on the Group's equity.

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale equity investments, amounts due from associate, other receivables, with a maiximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Sections 25 and 26 above.

The Group is also exposed to credit risk through the guarantees given to banks in connection with banking facilities granted to and utilised by a fellow subsidiary of the Company, further details of which are disclosed in Sections 35 and 36 above.

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 31 December 2006 and 2007, based on the contracted undiscounted payments, was as follows:

		31 December 2006		
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	773,800	456,726	1,230,526
Trade payables	–	747,188	–	747,188
Other payables	–	124,630	–	124,630
Due to related parties	416,305	–	–	416,305
	416,305	1,645,618	456,726	2,518,649

		31 December 2007		
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	610,381	786,712	1,397,093
Trade payables	–	840,254	–	840,254
Other payables	–	88,141	–	88,141
Due to related parties	58,636	–	–	58,636
	58,636	1,538,776	786,712	2,384,124

Capital management

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

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. Net debt is calculated as interest-bearing bank loans less cash and cash equivalents. Adjusted capital represents equity attributable to equity holders of the Company and includes the amounts due to related parties. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2006 and 2007 are as follows:

	31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Interest-bearing bank loans	1,230,526	1,397,093
Less: Cash and cash equivalents	(372,665)	(391,577)
Net debt	857,861	1,005,516
Capital	900,306	200,758
Capital and net debt	1,758,167	1,206,274
Gearing ratio	49%	83%

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 equity investments at fair value through profit or loss (Section 24). The Group's listed equity investments are listed on the Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the balance sheet dates.

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

	31 December 2006	**High/low 2006**	**31 December 2007**	**High/low 2007**
Shenzhen – A Share Index	569	569/294	1,520	1,629/572
Shanghai – A Share Index	2,815	2,815/1,241	5,521	6,395/2,744

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 2006 and 2007.

	Carrying amount of listed equity investments	**Increase/decrease in profit before income tax**
	RMB'000	*RMB'000*
31 December 2006		
Equity investments listed in:		
Shenzhen	4,736	226
Shanghai	404	19
31 December 2007		
Equity investments listed in:		
Shenzhen	2,508	119
Shanghai	9,644	459

INDEBTEDNESS

Borrowings

At the close of the business on 30 September 2008, being the practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total bank loans of RMB1,423.8 million, of which RMB200 million was unsecured and RMB1,223.8 million was secured RMB698 million of the bank loans is repayable within one year and RMB83.8 million is repayable after one year but within two years.

Pledge of assets

As at 30 September 2008, buildings, investment properties and land use rights with net carrying amounts of RMB488 million, time deposits of RMB25 million and US$50 million had been pledged to commercial banks to obtain bank loans of RMB1,223.8 million.

Contingent liabilities

As at 30 September 2008, there was no guarantee given by the Group in respect of banking facilities available to associates of the Group.

Banking facilities

The group had no undrawn baking facilities as at 30 September 2008.

Subsequent to 30 September 2008, the Group has obtained additional banking facilities of RMB50 million which has been pledged by time deposits of US$10 million.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business of 30 September 2008.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2008, up to and including the Latest Practicable Date.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources available to the Group, the presently available banking facilities and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of the Circular.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2008, being the date to which the latest published audited accounts of the Group were made up. However, in light of the turmoil in global financial markets and the impact this will have on PRC's retail market, the Group's revenue and profit might be adversely affected, similar to that experience by other operators in the retail industry.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the property in the PRC as at 24 October 2008.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

20 November 2008

The Directors
Maoye International Holdings Limited
39th Floor, Block A
World Finance Centre
4003 Shennan Dong Road
Shenzhen
Guangdong Province
The People's Republic of China

Dear Sirs,

Re: Plot No. LP-0813, south of Yong Kang Street, north of Qin Xian North Street, east of Ti Yu West Street and west of Ti Yu Road, Xiao Dian District, Taiyuan City, Shanxi Province, the People's Republic of China (the "PRC")
(中華人民共和國山西省太原市小店區永康街以南、親賢北街以北、體育西路以東、體育路以西、地塊編號LP-0813)

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with the instructions of Maoye International Holdings Limited (the "Company") for us to value the captioned property situated in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 24 October 2008.

DEFINITION OF MARKET VALUE

Our valuation of the property represents our opinion of its market value which in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined to mean the "estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company and the advice provided by the Company's PRC legal adviser, King & Wood PRC lawyers, are set out in the notes in the valuation certificate.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties issued by the Hong Kong Institute of Surveyors.

METHOD OF VALUATION

We have valued the property on the basis that it will be and can be developed and completed in accordance with the latest development schemes provided to us. We have assumed that approvals from relevant authorities for such schemes have been obtained; the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the Direct Comparison method by making reference to comparables sales evidence as available in the relevant market.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as statutory notices, easements, tenure, identification of property, site area and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. Except otherwise stated, we were also advised by the Company that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the title to the property. However, we have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us.

SITE INSPECTION

We have inspected the exterior of the property. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for the future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the site and floor areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all money amounts indicated herein our valuation are in Renminbi (RMB), the lawful currency of the PRC.

We enclose herewith our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew Ka Fai Chan
Registered Professional Surveyor
(General Practice Division)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Director

Note: Mr. Andrew Ka Fai Chan is a Registered Professional Surveyor who has over 20 years' of experience in the valuation of properties in Hong Kong, Macau and the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 24 October 2008
Plot No. LP-0813, south of Yong Kang Street, north of Qin Xian North Street, east of Ti Yu West Street and west of Ti Yu Road, Xiao Dian District, Taiyuan City, Shanxi Province, the PRC	The property comprises 3 parcels of land with a total site area of 92,792.11 sq.m. As advised by the Company, the property is planned to be developed into a composite development comprising commercial and office uses, with a total gross floor area of approximately 451,567.10 sq.m.. The details of development scale are listed as below;	A number of warehouses and retail shops are currently erected on portion of the property, which are pending for demolition to make way for redevelopment.	No commercial value (please see note 3)

Portion	GFA *(sq.m.)*
Department store	70,000
Shopping centre	60,000
Office	90,000
Apartment	120,026.05
Residential	111,541.05
Total	451,567.10

According to the Company, the construction works of the Property are to be commenced in July 2009 and scheduled for completion in December 2013, and the development will be divided into 2 phases.

The land use rights of the property have been granted for a term of 40 years for commercial use and 50 years for residential use.

Notes:

(1) According to the Confirmation Agreement entered into between Taiyuan Land Resources Bureau (the “Vendor”) and 深圳世金漢宮超市有限公司 (Shenzhen Shi Jin Han Gong Supermarket Co. Ltd.) and 深圳港島銀座超市有限公司 (Shenzhen Gang Dao Yin Zuo Supermarket Co. Ltd.) (the “Joint Bidder”), two wholly owned subsidiaries of the Company dated 21 October 2008, the land use rights of the property, comprising a total site area of 92,792.11 sq.m. have been successfully bidden by the Joint Bidder at the public auction held on 21 October 2008. The auction price is RMB780,000,000.

(2) According to the Notice of State-owned Land Use Rights Auction published by Taiyuan Land Resources Bureau on 26 September 2008, the planning criteria of the property is summarised as below;

Plot No.	Site Area *(sq.m.)*	Plot Ratio	Use
1	24,786.90	4.5	Residential
2	7,078.70	5	Commercial
3	60,926.51	5	Commercial
Total	92,792.11		

(3) In the course of our valuation, we have ascribed no commercial value to the property. Had the Company and its subsidiaries (the "Group") fully settled the auction price and relevant handling charges, and obtained all appropriate State-owned Land Use Rights Certificate(s) of the property, the capital value of the property as at 24 October 2008 would be RMB820,000,000.

(4) According to Business Licence No. 440301503323579, Shenzhen Gang Dao Yin Zuo Supermarket Co. Ltd. was established with a registered capital of US$30,000,000 for a valid operation period from 18 August 2008 to 18 August 2038.

According to Business Licence No. 440301503323742, Shenzhen Shi Jin Han Gong Supermarket Co. Ltd. was established with a registered capital of US$30,000,000 for a valid operation period from 18 August 2008 to 18 August 2038.

According to the Company, the development of the property will be carried out by wholly-owned subsidiaries of the Company which are to be established.

(5) We have been provided with legal opinion on the property dated 17 November 2008, prepared by the Group's legal adviser, King & Wood PRC lawyers, which contains, inter alias, the following information;

(i) As the joint bidder, Shenzhen Gang Dao Yin Zuo Supermarket Co., Ltd. and Shenzhen Shi Jin Han Gong Supermarket Co., Ltd. has won the bidding for the land use rights of the property through the public auction on 21 October 2008, which is valid and legal under the PRC laws;

(ii) The auction deposit has been paid and will be counted as portion of the land premium;

(iii) After settlement of all the land premium and relevant fees, completion of registration of the new company, signing the State-owned Land Use Rights Grant Contract with Taiyuan Land Resources Bureau, and obtaining the State-owned Land Use Rights Certificate(s), the new company shall not have any legal impediment to obtain the land use rights of the property.

(6) The status of title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	No
Building Ownership Certificate	No
Business Licence	No

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (together, "Discloseable Interests") were as follows:

(a) Beneficial Interests in the Shares

	Number of Shares held (long position)				
Director	**Personal Interests**	**Corporate Interests**	**Family Interests**	**Total**	**Percentage of Shares held in the entire share capital**
Mr. Huang Mao Ru	–	4,250,000,000 *(Note A)*	–	4,250,000,000	82.68%
Mrs. Huang Jingzhang	–	–	4,250,000,000 *(Note B)*	4,250,000,000	82.68%

Notes:

(A) The corporate interest of 4,250,000,000 is in respect of shares held by MOY International Holdings Limited, whose entire interest is held by Mr. Huang.

(B) Mrs. Huang Jingzhang is deemed to be interested in the Shares by virtue of the fact that she is the wife of Mr. Huang Mao Ru, the chairman and executive director of the Company.

Save as disclosed above, none of the Directors had any Discloseable Interests as at the Latest Practicable Date.

(b) Long position in the shares of associated corporations

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

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the issued share capital in such associated corporation
Mr. Huang Mao Ru	Interest of controlled corporation	2 *(Note (a))*	100%
Mrs. Huang Jingzhang	Interest of spouse	2 *(Note (b))*	100%

Notes:

(a) These shares were held by MOY International Holdings Limited, which was wholly owned by Mr. Huang Mao Ru.

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

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

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the issued share capital in such associated corporation
Mr. Huang Mao Ru	Beneficial owner	100	100%
Mrs. Huang Jingzhang	Interest of spouse	100 *(Note)*	100%

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

3. NON-DIRECTORS' INTERESTS IN SECURITIES

Name of substantial shareholder	Capacity	Number of shares held (long position)	Percentage of Shares held in the entire share capital
MOY International Holdings Limited	Interest of a controlled corporation *(Note A)*	4,250,000,000	82.68%
Maoye Department Store Investment Limited	Beneficial owner	4,250,000,000	82.68%

Note:

(A) MOY International Holdings Limited directly holds the entire interest in Maoye Department Store Investment Limited and is accordingly deemed to have an interest in the shares of the Company interested by Maoye Department Store Investment Limited.

Save as disclosed above, the Directors are not aware of any person (not being a Director or chief executive of the Company) who as at the Latest Practicable Date had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

(b) Other than Mr. Zhong Pengyi's interest in a competing business (disclosed on page 112 of the Prospectus), no Director has any interest, and as far as each Director is aware none of his associates have any interests, in any business which competes or is likely to compete, either directly or indirectly, with the existing business of the Group.

5. LITIGATION

(a) Litigation between Chengshang and Juyi Company

A subsidiary of the Company, Chengshang, has issued proceedings against Juyi Company at the People's Intermediate Court of Chengdu City with regards to a loan agreement dispute. On 24 July 2008, Chengshang received summons from the People's Intermediate Court of Chengdu City in relation to the same.

Before end of June 2000, Chengshang provided an interim financial assistance totalling RMB50 million to Juyi Company for the construction of Wuhou Building. Juiyi Company subsequently repaid a portion of the financial assistance. On 10 February 2003, Changshang and Juyi Company entered into a loan agreement to formalize the interim financial assistance and confirmed that outstanding balance of the financial assistance remained at RMB43,300,000 (the "Loan"). On 5 March 2003, Juyi Company mortgaged the first floor of Wuhou Building to Chengshang as security for the Loan. The mortgaged property has a floor area of 8934.22 square meters. Juyi Company subsequently repaid a portion of the outstanding Loan. RMB21,650,000 of the Loan is still outstanding currently.

Chengshang has decided to issue proceedings against Juyi Company to recover the outstanding Loan. Among other litigation requests, Chengshang is seeking the People's Intermediate Court of Chengdu City to enter judgment against Juyi Company to repay the outstanding Loan of RMB21,650,000 immediately, together with accrued interest of RMB10,388,900 (Based on banks' one year loan interest rate at the equivalent period, starting from 10 February 2003).

(b) Claim by Chengshang against Zhongfa

On page 106 of the Prospectus, it was disclosed that a claim had been made by Chengshang against Zhongfa for, amongst others, the payment of a sum of RMB116.0 million.

On 30 October 2008, Chengshang entered into a settlement agreement with, amongst others, Zhongfa in relation to the Claim (the "Settlement Agreement"). Under the Settlement Agreement, amongst others, Zhongfa agreed to pay Chengshang a total amount of RMB128.3 million, representing the RMB116.0 million amount claimed together with RMB12.3 million interest, for settlement of the Claim. Pursuant to the terms thereof, Chengshang agreed to release the real property collateral back to Zhongfa after Zhongfa pays the settlement amount in full.

(c) Dispute over guarantee provided

On 30 December 1997, Chengdu Municipal Finance Bureau (成都市財政局), Chengdu People's Department Store Huanghe Commercial City Limited ("Chengshang Huanghe")and Chengshang entered into a loan agreement pursuant to which Chengdu Municipal Finance Bureau advanced a three-month loan of RMB20 million at an interest rate of 0.6% per month to Chengshang Huanghe on the same date; Chengshang guaranteed such loan under the loan agreement. The loan was necessary due to Chengshang Huanghe's cashflow difficulties at the commencement of its business and the need to ensure stability in the price of its merchandise as a state-owned enterprise at that time. Chengshang Huanghe used the loan mainly to purchase merchandise in order to satisfy the market during the holiday season in early 1998. Pursuant to the terms of the loan agreement, the loan shall be repaid by March 1998, and if Chengshang Huanghe fails to repay the loan, Chengshang shall be liable to repay the loan within one month from the date of notice to Chengshang. No such notice has been served by the lender when Chengshang Huanghe failed to repay the loan. According to Article 32 of the Judicial Explanation regarding the PRC Security Law by the Supreme People's court, the effective period of a guarantee expires after two years from the maturity date of the loan being guaranteed if the guarantee period is not clearly provided in the guarantee. According to the legal counsel acting for Chengshang, it can be argued the effective period of the guarantee for the principal loan should have ended in March 2000; however, this is still under dispute. In addition, according to the opinion of the legal counsel acting for Chengshang in this case, Chengshang Huanghe submitted a report regarding the repayment of the loan to Chengdu Municipal Trade and Grain Bureau in 2002 in which Chengshang Huanghe undertook to repay RMB5 million in 2002 and the balance before the end of 2003.

As Chengshang Huanghe failed to repay such loan, Chengdu Municipal Commerce Bureau (成都市商務局) filed a lawsuit against Chengshang as guarantor and Chengshang Huanghe as borrower in May 2007 for repayment of the loan and accrued interest of RMB5 million.

On 5 June 2008, Chengdu Intermediate People's Court ruled that Chengshang was liable to the debt of RMB20,000,000 and interest of RMB5,000,000 owed by Chengshang Huanghe to Chengdu Municipal Finance Bureau, to which Chengshang was the guarantor. Chengshang has appointed Sichuan Dinli Law Firm to appeal to Sichuan Province Superior Court. Chengshang's PRC counsel is of the opinion that the evidence which the Chengdu Intermediate People's Court relied on cannot prove that Chengshang is liable for the debt as a guarantor. The case has been accepted by Sichuan Province Superior Court.

Each of Mr. Huang Mao Ru, MOY International Holdings Limited and Maoye Department Store Investment Limited has jointly and severally undertaken to indemnify the Group against any loss arising from this litigation.

As at the Latest Practicable Date, save as disclosed above, the Group was not engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

6. GENERAL

(a) The Secretary of the Company is Ms. Soon Yuk Tai who is a Chartered Secretary and an Associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(b) The qualified accountant of the Company is Mr. Wang Guisheng who is qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants of England.

(c) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112 Cayman Islands. The head office of the Company is situated at 39/F, World Finance Centre, 4003 Shennan East Road, Shenzhen PRC. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, which is situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) As at the date of this circular, the executive directors of the Company are Mr. Huang Mao Ru, Mr. Zou Minggui, Mr. Wang Guisheng and Ms. Wang Fuqin. The non-executive directors of the Company are Mr. Zhong Pengyi and Mrs. Huang Jingzhang. The independent non-executive directors of the Company are Mr. Pao Ping Wing, Mr. Leung Hon Chuen, and Mr. Chow Chan Lum.

(e) The English language text of this document shall prevail over the Chinese language text.

7. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advice, which is contained in this Circular:

Name	Qualification
King & Wood PRC lawyers	PRC counsel
DTZ Debenham Tie Leung Limited	Independent professional valuer

DTZ Debenham Tie Leung Limited and King & Wood PRC lawyers have given and have not withdrawn their written consent to the issue of this Circular with the inclusions of their respective letter and references to their names in the form and context in which they appear.

8. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, King & Wood PRC lawyers and DTZ Debenham Tie Leung Limited:

(a) were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2008, being the date to which the latest published audited accounts of the Company were made up;

(b) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) the valuation report of DTZ Debenham Tie Leung Limited is given as at the date of this circular for incorporation herein.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

(a) an equity transfer agreement dated 8 January 2007 and entered into between E'mei Shan Heng Da Industrial Company Limited (峨嵋山恒達實業有限公司) as transferor and Chengshang as transferee in relation to the transfer of a 34.93% equity interest in E'mei Shan Chengshang Feng Huang Company Limited (峨嵋山成商鳳凰有限公司) at a consideration of RMB12,517,400;

(b) an equity transfer agreement dated 31 March 2007 and entered into between Chengshang as transferor and Maoye Shangsha as transferee in relation to the transfer of a 75% equity interest and a loan of RMB12,826,400 in the Chengdu Remin Department Store Chain Limited (成都人民百貨連鎖有限公司) ("Remin Department Store") and a 5% equity interest and a loan of RMB97,778,400 in Chongqing Di Kang Department Store Company Limited (重慶迪康百貨有限公司) at a consideration of RMB49,798,900;

(c) a fund borrowing agreement dated 24 January 2007 and entered into between Maoye Shangsha as lender and Chengshang as borrower in relation to an inter-company loan of not more than RMB50 million;

(d) an equity transfer agreement dated 4 April 2007 and entered into between Guizhou Mai Ken Construction & Decoration Company Limited (貴州麥肯建築裝飾有限公司) as transferor and Maoye Shangsha as transferee in relation to the transfer of a 4.23% equity interest in Guiyang Friendship Group Holdings Company Limited (貴陽友誼(集團)股份有限公司) ("Guiyang Friendship Group") at a consideration of RMB5,062,500;

(e) an equity transfer agreement dated 26 May 2007 and entered into between Guizhou Commercial Storage & Transportation (Group) Company Limited (貴州商業儲運(集團)有限公司) as transferor and Maoye Shangsha as transferee in relation to the transfer of 1.03% equity interest in Guiyang Friendship Group at a consideration of RMB1,353,000;

(f) an equity transfer agreement dated 30 May 2007 and entered into between Zhong Zhao Investment (Groups) Limited (中兆投資(集團)有限公司) as transferor and Maoye Department Stores (China) Limited (茂業百貨(中國)有限公司) as transferee in relation to the transfer of a 100% equity interest in Zhongzhao Commercial Market Development (Shenzhen) Company Limited (中兆商業市場開發(深圳)有限公司) at a consideration of HK$1 million;

(g) an equity transfer agreement dated 11 July 2007 and entered into between Maoye Shangsha as transferor and Shenzhen Maoye Industry Development Co., Ltd. (深圳茂業實業發展有限公司) ("Maoye Industry") as transferee in relation to the transfer of a 75% equity interest and a loan of RMB12,826,400 in the Remin Department Store and a 5% equity interest and a loan of RMB97,778,400 in Chongqing Di Kang Department Store Company Limited (重慶迪康百貨有限公司) at a consideration of RMB49,798,900;

(h) an equity transfer agreement dated 27 July 2007 and entered into between Zhongzhao Industry (Shenzhen) Co., Ltd. (中兆實業(深圳)有限公司) as transferor and Zhongzhao Commercial Market Development (Shenzhen) Company Limited (中兆商業市場開發(深圳)有限公司) as transferee in relation to the transfer of a 46% equity interest in Zhongzhao Investment Management Company Limited (中兆投資管理有限公司) ("Zhongzhao Investment Management") at a consideration of RMB23 million;

(i) an equity transfer agreement dated 27 July 2007 and entered into between Maoye Industry as transferor and Zhongzhao Commercial Market Development (Shenzhen) Company Limited (中兆商業市場開發(深圳)有限公司) as transferee in relation to the transfer of a 54% equity interest in Zhongzhao Investment Management at a consideration of RMB27 million;

(j) an equity transfer agreement dated 24 August 2007 and entered into between Shenzhen Jia Jia Chinese Products Company Limited (深圳市家家國貨有限公司) ("Jia Jia Store") and Shenzhen Maoye Heping Shangsha Company Limited (深圳茂業和平商厦有限公司) as transferors and Maoye Shangsha and Zhongzhao Investment Management as transferees in relation to the transfers from Jia Jia Store to (i) Maoye Shangsha of 65% equity interest in Shenzhen Maoye Department Store Shennan Company Limited (深圳市茂業百貨深南有限公司) ("Maoye Shennan") for RMB650,000, and (ii) Zhongzhao Investment Management of 11% equity interest in Maoye Shennan for RMB110,000, and the transfer from Shenzhen Maoye Heping Shangsha Company Limited to Zhongzhao Investment Management of 24% equity interest in Maoye Shennan for RMB240,000;

(k) an equity transfer agreement dated 24 August 2007 and entered into between Jia Jia Store (深圳市家家國貨有限公司) and Shenzhen Maoye Department Store Company Limited (深圳市茂業百貨有限公司) as transferors and Maoye Shangsha and Zhongzhao Investment Management as transferees in relation to the transfers from

Jia Jia Store to (i) Maoye Shangsha of 65% equity interest in Shenzhen Maoye Huaqiangbei Department Store Company Limited (深圳市茂業百貨華強北有限公司) ("Maoye Huaqiangbei") for RMB650,000, and (ii) Zhongzhao Investment Management of 25% equity interest in Maoye Huaqiangbei for RMB250,000, and the transfer from Shenzhen Maoye Department Store Company Limited of 10% equity interest in Maoye Huaqiangbei to Zhongzhao Investment Management for RMB100,000;

(l) an equity transfer agreement dated 24 August 2007 and entered into between Jia Jia Store (深圳市家家國貨有限公司) and Shenzhen Maoye Heping Shangsha Company Limited (深圳茂業和平商厦有限公司) as transferors and Maoye Shangsha and Zhongzhao Investment Management as transferees in relation to the transfers from Jia Jia Store to (i) Maoye Shangsha of 65% equity interest in Heping Maoye for RMB650,000, and (ii) Zhongzhao Investment Management of 11% equity interest in Heping Maoye for RMB110,000, and the transfer from Shenzhen Maoye Heping Shangsha Company Limited to Zhongzhao Investment Management of 24% equity interest in Heping Maoye for RMB240,000;

(m) an equity transfer agreement dated 24 August 2007 and entered into between Jia Jia Store (深圳市家家國貨有限公司) and Shenzhen Maoye Department Store Company Limited (深圳市茂業百貨有限公司) as transferors and Maoye Shangsha and Zhongzhao Investment Management as transferees in relation to the transfer from Jia Jia Store to Zhongzhao Investment Management of 17% equity interest in Shenzhen Maoye Oriental Times Department Store Company Limited (深圳市茂業東方時代百貨有限公司) ("Maoye Oriental Times") for RMB204,000, and the transfers from Shenzhen Maoye Department Store Company Limited to (i) Maoye Shangsha of 65% equity interest in Maoye Oriental Times for RMB780,000, and (ii) Zhongzhao Investment Management of 18% equity interest in Maoye Oriental Times for RMB216,000;

(n) an equity transfer agreement dated 10 December 2007 between Zhongzhao Investment Management as transferor and Maoye Shangsha as transferee in relation to the transfer of 35% equity interest in Maoye Oriental Times at a consideration of RMB420,000;

(o) an equity transfer agreement dated 26 November 2007 between Zhongzhao Investment Management as transferor and Maoye Shangsha as transferee in relation to the transfer of 35% equity interest in Heping Maoye at a consideration of RMB350,000;

(p) an equity transfer agreement dated 26 November 2007 between Zhongzhao Investment Management as transferor and Maoye Shangsha as transferee in relation to the transfer of 35% equity interest in Maoye Huaqiangbei at a consideration of RMB350,000;

(q) an equity transfer agreement dated 10 December 2007 between Zhongzhao Investment Management as transferor and Maoye Shangsha as transferee in relation to the transfer of 35% equity interest in Maoye Shennan at a consideration of RMB350,000;

(r) an equity transfer agreement date 26 November 2007 between Zhongzhao Investment Management as transferor and Maoye Shangsha as transferee in relation to the transfer of 35% equity interest in Zhuhai Maoye Department Store Company Limited (珠海市茂業百貨有限公司) at a consideration of RMB1,680,000;

(s) a master management agreement dated 13 January 2008 and entered into between Maoye Holdings Limited and the Company, the details of which have been set out in the section headed "Relationship with the Controlling Shareholder and Connected Transactions" in the Prospectus;

(t) a master leasing agreement dated 13 January 2008 and entered into between Maoye Holdings Limited and the Company, the details of which have been set out in the section headed "Relationship with the Controlling Shareholder and Connected Transactions" in the Prospectus;

(u) a sale and purchase agreement dated 14 March 2008 between Shenzhen Maoye Shanghai Co. Ltd. and Shenzhen Land Resources Bureau for the acquisition of a land at a consideration of RMB650,000,000;

(v) a deed of non-competition and call option dated 17 April 2008 and entered into between Mr. Huang Mao Ru, Maoye Holdings Limited and Richon Holdings Limited (collectively, the "Covenantors") and the Company (which superseded the deed of non-competition and call option dated January 13, 2008 among the same parties), under which the Covenantors have given us certain non-competition undertakings and a call option referred in "Relationship with the Controlling Shareholder and Connected Transactions" in the Prospectus;

(w) the Hong Kong underwriting agreement dated 25 April 2008 and entered into between, among others, the Company, Goldman Sachs (Asia) L.L.C., the Hong Kong and Shanghai Banking Corporation Limited, UBS AG, J.P. Morgan Securities (Asia Pacific) Limited, BNP Paribas Capital (Asia Pacific) Limited, BOCI Asia Limited, China Everbright Securities (HK) Limited and First Shanghai Securities Limited;

(x) a deed of indemnity dated 17 April 2008 and entered into between Mr. Huang Mao Ru, MOY International Holdings Limited, Maoye Department Store Investment Limited (collectively, the "Indemnifiers") and the Company for ourselves and as trustee for our present subsidiaries, under which the Indemnifiers have given certain indemnities in favor of our Group containing, among other things, the estate duty, taxation and certain property claims indemnities referred to in "Other Information – Deed of Indemnity" in the Prospectus;

(y) a sale and purchase agreement dated 14 June 2008 between Chengdu Chongde Investment Ltd (成都崇德投資有限公司) ("Chengdu Chongde") and Chengdu Renmin Shangchang (Group) Nanchong Chuanbei Limited Company (成都人民商場(集團)南充川北有限公司) for the acquisition of the entire issued share capital of Chengdu Chongde and shareholders' loans at a consideration of RMB42,552,700;

(z) a sale and purchase agreement dated 24 June 2008 between Taiyuan Maoye Department Store Company Limited (太原茂業百貨有限公司) and Shanxi Province Sanjin Construction and Development Limited Company (山西省三晉建設開發有限責任公司) for the acquisition of a six storey department store building at Taiyuan Municipal at a consideration of RMB480,000,000;

(aa) a sale and purchase agreement dated 8 August 2008 between Zhongzhao Investment Management and Qin Huang Dao City Jinhe Property Development Company Limited (秦皇島市金和房地產開發有限公司) for the acquisition of a seven storey department store building at Qin Huang Dao City at a consideration of RMB290,000,000;

(bb) a sale and purchase dated 19 September 2008 between Chengdu Remin Department Store (Group) Mianyang Company Limited (成都人民商場(集團)綿陽有限公司), Sichuan Xinglida Group Enterprise Company Limited (四川興力達集團實業有限公司) and Sichuan Xinglida Department Store Company Limited (四川興力達百貨有限公司) for the acquisition of 1/F to 5/F of the Xinglida Square at Mianyang City, Sichaun Province at a consideration of RMB262,358,412.5;

(cc) a settlement agreement between, among others, Zhongfa and Chengshang dated 30 October 2008; and

(dd) the Confirmation Agreement.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the place of business of the Company in Hong Kong at Room 1801, 18/F, Hutchison House, 10 Harcourt House, Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including 11 December 2008:

(a) the Memorandum and Articles of Association of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the interim report of the Group for the six months ended 30 June 2008 and the Prospectus which continued the audited accounts of the Group for the year ended 2006 and 2007;

(d) the valuation report from DTZ Debenham Tie Leung Limited on the Land, the text of which is set out in Appendix II to this Circular;

(e) the written consents referred to in paragraph headed "Experts and Consents" of this Appendix; and

(f) the legal opinion in relation to the title of the Land provided by King & Wood PRC lawyers.