IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Maoye International Holdings Limited

茂業國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	863,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	86,300,000 Shares (subject to adjustment)
Number of International Offer Shares	:	776,700,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$3.80 per Offer Share (payable in full on application, plus brokerage of 1.0%, HKSFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value	:	HK$0.10 per Share
Stock code	:	848

Joint Global Coordinators and Joint Sponsors
(in alphabetical order)

Goldman Sachs HSBC UBS Investment Bank

Joint Bookrunners and Joint Lead Managers

Goldman Sachs HSBC UBS Investment Bank JPMorgan

The Hong Kong Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified in the section headed "Documents to be Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance. The HKSFC and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around April 24, 2008 and, in any event, not later than May 2, 2008. The Offer Price will not be more than HK$3.80 and is currently expected to be not less than HK$2.90, unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$3.80 for each Offer Share together with a brokerage fee of 1%, HKSFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$3.80 (the maximum Offer Price).

The Joint Bookrunners, on behalf of the Underwriters, may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the indicative Offer Price range will be published in the South China Morning Post (in English), and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for the Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set forth in the sections headed "Structure of the Global Offering", "Conditions of the Hong Kong Public Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Joint Bookrunners (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

Prospective investors of the Offer Shares should note that the Joint Bookrunners, in their sole and absolute discretion may, on behalf of the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement by notice to our Company given by the Joint Bookrunners (on behalf of the Underwriters), upon occurrence of any of the events set forth in the section headed "Underwriting – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day that trading in the Offer Shares commences on the Hong Kong Stock Exchange. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

April 21, 2008

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering.

	2008[1]
Application lists open[2]	11:45 a.m. on Thursday, April 24
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC[3]	12:00 noon on Thursday, April 24
Application lists close[2]	12:00 noon on Thursday, April 24
Expected Price Determination Date	Thursday, April 24
Announcement of: • the Offer Price; • an indication of the level of interest in the International Offering; • the level of applications of the Hong Kong Public Offering; and • the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on	Friday, May 2
Results of allocation will be available through a variety of channels; including the websites of the Exchange and the Company and as described in the section headed "How to Apply for the Hong Kong Offer Shares — Publication of Results" in this prospectus from	Friday, May 2
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[4]	Friday, May 2
Despatch of refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[5]	Friday, May 2
Dealings in Shares on the Hong Kong Stock Exchange to commence on	Monday, May 5

Notes :

1. All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, April 24, 2008 the application lists will not open and close on that day. Further information is set out in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" under the section headed "How to apply for Hong Kong Offer Shares" in this prospectus. If the application lists do not open and close on Thursday, April 24, 2008 the dates mentioned in this section headed "Expected Timetable" may be affected. A press announcement will be made by us in such event.
3. Applicants who apply by giving electronic application instructions to the HKSCC should refer to the paragraph headed "Applying by giving electronic application instructions to HKSCC" under the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.
4. Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, May 2, 2008 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the sub-paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus has not been exercised and has lapsed.
5. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

You should read carefully the sections headed "Underwriting", "How to Apply for Hong Kong Offer Shares", and "Structure of the Global Offering" in this prospectus, for details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the despatch of refund cheques and share certificates.

Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person from our Company's Hong Kong branch share registrar may collect refund cheques and (where applicable) share certificates in person from our Company's Hong Kong branch share registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Friday, May 2, 2008. Identification and (where applicable) authorization documents acceptable to Tricor Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed "Applying by giving electronic application instructions to HKSCC" under the section headed "How to apply for Hong Kong Offer Shares" in this prospectus for details.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. No person may use this prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or any exemption therefrom.

You should rely only on the information contained in this prospectus and the application forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Bookrunners, any of the Underwriters, any of their respective directors, agents, employees or advisors, or any other person or party involved in the Global Offering.

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading department store chain in the affluent regions of southern and southwestern China, operating 15 stores (including eight Maoye-branded stores and seven Chengshang-branded stores) across eight cities and targeting the medium to high-end segment of the retail market. We opened our first store in Shenzhen in 1997. The eight Maoye-branded stores that we operate include one managed Maoye-branded store in Chongqing and one managed Maoye-branded store in Wuxi that was opened in October 2007 as the first Maoye-branded store in eastern China. All of our stores are situated in prime shopping locations in their respective cities, primarily in two of China's special economic zones, Shenzhen and Zhuhai, and two of China's new economic reform zones, Chongqing and Chengdu.

Our leadership position in southern and southwestern China is built from our established department store chains which, based on the knowledge of our Directors with reference to the published figures of our competitors, are one of the largest in those regions in terms of floor area, revenue and profit, with five stores in southern China and nine stores in southwestern China. The stores we operate have an aggregate gross floor area of over 481,461 sq.m., with six of our stores each having a gross floor area of over 40,000 sq.m. Our total revenue was RMB918.1 million, RMB1,352.6 million and RMB1,567.3 million in 2005, 2006 and 2007, respectively, and our profit attributable to equity holders was RMB136.8 million, RMB217.1 million and RMB417.0 million in 2005, 2006 and 2007, respectively.

Our department stores target China's relatively well-off urban residents predominantly in China's special economic zones and new economic reform zones due to the high level and rapid growth of disposable income per capita in these cities. We have positioned ourselves at the medium to high-end segment of the retail market in China and offer a stylish and diversified merchandise mix suitable for a wide range of customers to cater to their preferences. As of December 31, 2007, our department stores carried over 2,800 brands and offered an extensive range of merchandise that can be broadly categorized into jewelry, watches and cosmetics; shoes and leather goods; women's apparel; men's apparel; casual wear; sporting goods; children's goods; home appliances; home furnishings and household goods; and supermarkets. Most of our stores also have complementary retail and service outlets, such as restaurants, pharmacies, coffee shops, and hair and beauty salons, to enhance customer flow to our stores and provide customers with a "one-stop" shopping experience.

Our Maoye-branded and Chengshang-branded department store operations generate revenue predominantly from commissions on concessionaire sales, merchandise direct sales and rental income from store tenants. Concessionaire sales refer to arrangements under which we allow suppliers of branded goods (called concessionaires) to occupy designated areas of our stores and sell their merchandise. In return, we receive a commission generally calculated as a percentage of the total sales proceeds of the concessionaires. For merchandise direct sales, we source and sell merchandise that we purchase directly. Currently, most of the merchandise in our supermarket and home appliance sections as well as the cosmetics products with high brand recognition are covered by direct sale arrangements. We also lease designated areas of our stores to operators of other businesses, such as jewelry counters, restaurants, pharmacies, and beauty and hair salons.

We are the first foreign-invested enterprise that successfully acquired a controlling interest in a listed department store in China. In June 2005, we acquired a majority stake in Chengshang Group Co., Ltd. ("Chengshang"), a listed company on the Shanghai Stock Exchange (Stock code: 600828) and an operator of a chain of department stores in Sichuan Province. Our expansion plans seek to strengthen our leadership position in the current areas in which we operate, and we will consider expanding into new areas which comprise affluent cities with high and growing consumption power and where we believe we are well-positioned to establish market leadership through the establishment of at least two to three stores in each city in which we operate. We plan to open 12 new stores within three to five years, including six new stores under the Maoye brand, with two stores in Shenzhen, one store in each of Wuxi and Changzhou (in Jiangsu Province in eastern China) and two stores in Shenyang (in Liaoning Province in northeastern China), and six new stores under the Chengshang brand in Chongqing or in Sichuan Province.

Through our acquisition of Chengshang, we have also acquired businesses that are not engaged in the operation of department stores that were owned by Chengshang before our acquisition, including automobile sales, hotel operations and advertising. The automobile sales businesses include both new car sales as well as automobile parts supply and automobile maintenance, and is conducted by two car dealerships in Chengdu, Sichuan Province. In 2007, Chengshang's automobile sales business sold a total of 2,164 vehicles and generated RMB311.5 million in revenue.

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths:

- leading market position in China's wealthy special economic zones and new economic reform zones in southern and southwestern China
- a successful consolidator in the department store industry in China
- effective business model for rapid department store expansion integrating the complementary commercial property business of the Controlling Shareholder Group
- innovative and effective marketing and promotion
- experienced and dedicated management team
- advanced information technology system

OUR STRATEGIES

We plan to become the leading nationwide department store chain in China and continue to enhance our profitability through the following strategies:

- continuing to enhance revenue growth and profitability of our existing stores
- increasing the pace of opening new stores and expanding to other economically developed cities
- selectively acquiring attractive department stores and/or premises at prime locations
- exploring innovative or complementary business models
- further improving our information technology systems
- further strengthening access to high-end merchandise by acting as a distributor or sales agent for leading international luxury brands

SUMMARY FINANCIAL INFORMATION

Our financial information included in this prospectus has been prepared in accordance with International Financial Reporting Standards, or IFRSs. The following tables set forth our selected combined financial information, which should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus. The selected income statement information for the years ended December 31, 2005, 2006 and 2007, and the selected balance sheet information as of December 31, 2005, 2006 and 2007 set forth below are derived from the Accountants' Report set out in Appendix I to this prospectus.

	Year ended December 31,		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Selected Combined Income Statement Data:			
REVENUE	918,140	1,352,600	1,567,301
Other income	186,867	299,102	355,638
Purchases of and changes in inventories	(457,078)	(669,911)	(728,055)
Employee expenses	(110,000)	(196,750)	(93,395)
Depreciation and amortization	(91,721)	(133,397)	(128,898)
Operating lease rental expenses	(94,383)	(135,558)	(128,513)
Other operating expenses	(200,706)	(264,507)	(284,802)
Other gains/(losses), net	4,122	(18,482)	83,946
Operating profit	155,241	233,097	643,222
Finance costs	(31,937)	(53,005)	(99,140)
Share of profits and losses of associates	3,274	3,804	3,573
PROFIT BEFORE INCOME TAX	126,578	183,896	547,655
Income tax	(9,476)	(5,964)	(103,567)
PROFIT FOR THE YEAR	117,102	177,932	444,088
Attributable to:			
Equity holders of the Company	136,759	217,059	416,999
Minority interests	(19,657)	(39,127)	27,089
	117,102	177,932	444,088
DIVIDENDS	—	—	1,063,950

The following table sets out the breakdown of our revenue for the three years ended December 31, 2005, 2006 and 2007.

	Year ended December 31,		
	2005	2006	2007
	RMB (millions)	RMB (millions)	RMB (millions)
Commissions from concessionaire sales	373.5	557.9	680.5
Direct sales	317.2	436.1	479.5
Rental income from the leasing of shop premises	56.2	77.5	86.1
Management fee income from the operation of department stores	—	—	1.0
Sale of automobiles	166.9	280.5	311.5
Others	4.3	0.6	8.7
Total	918.1	1,352.6	1,567.3

The following table sets forth the breakdown of our other income for the three years ended December 31, 2005, 2006 and 2007.

	Year ended December 31,		
	2005	2006	2007
	RMB (millions)	RMB (millions)	RMB (millions)
Income from suppliers and concessionaires			
- Administration and management fee income	101.0	156.9	180.1
- Promotion income	49.2	67.8	84.1
- Credit card handling fees	14.3	22.8	41.1
Rental income from investment properties	13.7	34.2	32.2
Interest income	4.2	8.0	9.9
Others	4.5	9.4	8.2
	186.9	299.1	355.6

	As of December 31,		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Selected Combined Balance Sheet Data:			
NON-CURRENT ASSETS			
Property, plant and equipment	875,200	833,782	825,382
Investment properties	352,309	334,778	318,332
Land lease prepayments	362,147	347,000	369,935
Goodwill	38,134	45,114	45,286
Investments in associates	39,124	78,412	30,509
Available-for-sale equity investments	27,818	26,606	106,195
Properties under development	—	145,983	—
Prepayments	3,629	3,956	4,543
Deferred tax assets	79,849	119,406	51,591
Total non-current assets	1,778,210	1,935,037	1,751,773
CURRENT ASSETS			
Inventories	87,614	98,654	113,131
Equity investments at fair value through profit or loss	—	4,895	11,573
Trade receivables	3,794	2,929	3,938
Prepayments and other receivables	450,470	391,011	224,151
Due from related parties	698,574	1,399,120	1,101,015
Cash and cash equivalents	553,537	372,665	391,577
Total current assets	1,793,989	2,269,274	1,845,385
CURRENT LIABILITIES			
Trade payables	726,452	747,188	840,254
Deposits received, accruals and other payables	677,070	501,462	483,929
Interest-bearing bank loans	667,000	773,800	610,381
Due to related parties	384,405	416,305	58,636
Income tax payable	25,929	54,828	36,171
Dividends payable	—	—	209,547
Total current liabilities	2,480,856	2,493,583	2,238,918
NET CURRENT LIABILITIES	(686,867)	(224,309)	(393,533)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,091,343	1,710,728	1,358,240
NON-CURRENT LIABILITIES			
Deferred tax liability	125,796	117,919	110,042
Interest-bearing bank loans	21,968	456,726	786,712
Total non-current liabilities	147,764	574,645	896,754
Net assets	943,579	1,136,083	461,486
EQUITY			
Equity attributable to equity holders of the Company			
Paid-in capital/issued share capital	51,135	51,135	75
Reserves	632,685	849,171	200,683
	683,820	900,306	200,758
Minority interests	259,759	235,777	260,728
Total equity	943,579	1,136,083	461,486

The following table sets out the gross profit percentages on merchandise direct sales (excluding automobile sales) for the years ended December 31, 2005, 2006 and 2007:

	Year ended December 31,		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Merchandise Direct sales	317,230	436,083	479,482
Less: Cost of merchandise direct sales	(297,707)	(406,752)	(435,040)
Margin	19,523	29,331	44,442
Gross profit percentage	6.2%	6.7%	9.3%

We had net current liabilities, or negative working capital, of RMB686.9 million, RMB224.3 million and RMB393.5 million as of December 31, 2005, 2006 and 2007, respectively. Our net current liabilities were RMB301.4 million as of February 29, 2008. Our working capital deficit arose in the past because of our significant capital expenditures in expanding our store network and our acquisition of Chengshang in 2005. See "Financial Information — Liquidity and capital resources — Working capital" for further discussion of our working capital status and our plan to increase our working capital.

PROFIT FORECAST

We forecast that, on the bases and assumptions set out in "Appendix III — Profit Forecast" to this prospectus, the combined profit attributable to equity holders of our Company (prepared in accordance with IFRSs) for the six months ending June 30, 2008 is unlikely to be less than RMB290.4 million (approximately HK$322.6 million).

On a fully diluted basis and on the assumption that we have been listed since January 1, 2008 and that a total of 5,113,000,000 shares were issued on January 1, 2008, our forecasted earnings per share for the six months ending June 30, 2008 is approximately RMB0.057 (or HK$0.063).

We have undertaken to the Hong Kong Stock Exchange that our interim results for the six months ending June 30, 2008 will be audited pursuant to Rule 11.18 of the Hong Kong Listing Rules.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$2.90	Based on an Offer Price of HK$3.80
Market capitalization of the Shares(1)	HK$14,827,700,000	HK$19,429,400,000
Unaudited pro forma net tangible assets value per Share(2)	HK$ 0.49	HK$ 0.64

(1) The calculation of market capitalization is based on 5,113,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalization Issue assuming that the Over-allotment Option is not exercised.

(2) The unaudited pro forma net tangible assets value per Share has been arrived at after adjustments referred to under "Financial Information — Unaudited pro forma adjusted net tangible assets" in this prospectus and on the basis of 5,113,000,000 Shares expected to be in issue immediately following completion of the Global Offering and the Capitalization Issue assuming that the Over-allotment Option is not exercised.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$3.35 per Share, being the mid-point of the indicative range of the Offer Price of HK$2.90 to HK$3.80 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK$2,717.4 million. The Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately 35% to 40% (approximately HK$951.1 million to HK$1,087.0 million) for potential acquisitions of department stores and/or premises at prime locations for existing and new department stores

- approximately 30% to 35% (approximately HK$815.2 million to HK$951.1 million) for expansion of our retail network, including setting up of new stores in existing and new cities of operations
- approximately 15% (approximately HK$407.6 million) for renovation and upgrading of our existing department stores
- approximately 5% (approximately HK$135.9 million) for upgrading of our current information technology system
- the balance in an amount of not more than 10% of the aggregate net proceeds (not more than HK$271.7 million) will be used for working capital and general corporate purposes

As at the Latest Practicable Date, we have not identified any specific business, company or land to be acquired. In selecting suitable target for acquisition, we will take into account our development strategies, GDP and per capita disposable income of the region and volume of the retail market, competition, geographical location, brand of the stores that we may acquire and the viability of establishing three to five stores in the target region.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, we will receive additional net proceeds of approximately HK$372.8 million which will be allocated for potential acquisitions of department stores and/or premises at prime locations for existing and new department stores.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Global Offering will decrease by approximately HK$372.8 million. Under such circumstances, the amount of proceeds for each use set out above will be reduced on a pro-rata basis.

In the event that the Over-allotment Option is fully exercised (assuming an Offer Price of HK$3.35 per Share), we will receive additional net proceeds of approximately HK$416.3 million, which will be allocated for potential acquisitions of department stores and/or premises at prime locations for existing and new department stores.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may place part or all of the proceeds in short-term interest-bearing deposits with authorised financial institutions and/or licensed banks in Hong Kong and/or China.

We will issue an announcement in Hong Kong if there is any material change in the use of proceeds.

DIVIDEND AND DIVIDEND POLICY

In connection with the Reorganization, as described in "History and Structure – The Reorganization", Zhongzhao Investment Management, Maoye China, Maoye Shennan, Maoye Huaqiangbei, Maoye Oriental Times and Zhuhai Maoye declared dividends to their then equity holders in the total amount of RMB1,064.0 million. Such dividends were approved by the equity holders of Zhongzhao Investment Management, Maoye China, Maoye Shennan, Maoye Huaqiangbei, Maoye Oriental Times and Zhuhai Maoye during 2007. RMB854.4 million of such declared dividends was paid in 2007, and the remaining declared dividends of RMB209.6 million were paid after December 31, 2007. On March 22, 2008, the Company declared a dividend of HK$80.0 million (equivalent to approximately RMB72.6 million assuming an exchange rate of HK$1.00 to RMB0.9076) to our then equity holder, which was fully settled on April 7, 2008. The sources of funding for payment of these dividends are our operating cash flow and repayment by the Controlling Shareholder Group of amounts due to our Group. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

After completion of the Global Offering, our shareholders will be entitled to receive dividends we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including (where required) the approval of shareholders. In addition, our Controlling Shareholder will be able to influence the approval by our shareholders in a general meeting for any payment of dividends.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

Subject to the factors above, we currently plan to declare a dividend of not less than 30% of our net profits attributable to equity holders for the year ending December 31, 2008. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our shareholders by any means which our Directors deem legal, fair and practicable.

RISK FACTORS

Our operations and industry and the Global Offering involve certain risks, a summary of which is set forth in the section headed “Risk Factors” in this prospectus. These risks can be classified as follows:

Risks relating to our business

- We currently conduct substantially all of our operations in, and derive substantially all of our revenue from, the Guangdong and Sichuan Provinces and Chongqing Municipality
- We may encounter difficulties in exploring new markets and implementing our expansion plan
- We rely on our concessionaires for a substantial portion of our revenue
- We rely on major brand suppliers, concessionaires and store tenants to maintain our market image
- We may fail to foresee or adjust to changing consumer tastes and demands
- We may not be able to improve the operating and financial performance of Chengshang
- If Chengshang is unable to achieve the target profit levels or meet the other conditions we set in connection with Chengshang’s share reform, we will be obliged to transfer some of our shares in Chengshang to public shareholders of Chengshang
- We depend on our key management and other personnel in the conduct of our business
- Our expansion plan requires substantial capital expenditures, for which we may not have adequate financial resources
- We had a net working capital deficit in recent periods, including as at December 31, 2007 and February 29, 2008, and if we are unable to meet our liabilities as they become due, we will be in default of our liabilities and our financial condition and results of operations will be materially and adversely affected

- Our Controlling Shareholder has significant influence over our management and affairs and could exercise this influence against your best interests
- We rely on proper performance of our information technology system
- If any leases for our existing department stores are not renewed upon their expiration or are terminated due to defects in our landlords' titles or otherwise and we cannot find suitable premises to relocate our stores, our operating results may be adversely affected
- We may be required to relocate our stores due to defects or encumbrances in our landlords' building ownership rights to our leased properties
- Chengshang is publicly traded, and the trading conditions of Chengshang's shares may affect the trading price of our Shares
- We may fail to renew regulatory licenses and approvals to operate existing operations or obtain similar regulatory licenses and approvals to open new stores
- We rely on the "Maoye" (茂業), "Maoye Department Store"(茂業百貨) and "Chengshang" (成商) trade names and trademarks
- Our insurance coverage may not be sufficient to cover all losses
- Our sales may decline if we fail to effectively market and promote our stores
- We are involved in legal disputes and may suffer losses or liabilities as a result
- We have had instances of non-compliance in relation to our properties

Risks relating to our industry

- We are dependent on consumer demands in the PRC
- We operate in a competitive industry
- Our sales are affected by seasonality
- We may inadvertently infringe third-party intellectual property rights
- We may be subject to product liability claims for merchandise sold in our stores

Risks relating to our operations in the PRC

- Changes in PRC political, economic and social conditions, laws, regulations and policies may have an adverse effect on our business
- Fluctuations in the exchange rate of Renminbi may materially and adversely affect our operations and financial results
- The PRC legal system embodies uncertainties that could adversely affect our business and operating results
- It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them judgments obtained from non-PRC courts
- Our expansion plan may be affected by recent PRC regulations relating to acquisitions of domestic companies by foreign entities
- Our business and results of operations may be adversely affected by changes in PRC government policies towards foreign investment in China
- We may be affected by power shortages in the PRC
- A newly enacted PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate

- Expiration of, or changes to, certain preferential treatments applicable to our Group under PRC tax laws may have a material adverse effect on our operating results
- Payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under PRC law
- We may be affected by infectious disease outbreaks and other epidemics
- We may be adversely affected by acts of God, acts of war and other disasters

Risks relating to the Global Offering

- There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile
- Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future
- Future sales by our Company's current shareholder of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of our Shares
- Prior dividend distributions are not an indication of our future dividend policy
- Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the retail industry in this prospectus are derived from various official government information and may not be reliable
- You may face difficulties in protecting your interests due to less protection to minority shareholders under Cayman Islands law
- Investors should read the entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and/or the Global Offering.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles"	the articles of association of our Company, conditionally adopted on April 17, 2008, to become effective upon the Listing, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"Board"	the board of Directors of our Company
"BVI"	the British Virgin Islands
"Capitalization Issue"	the issue of 4,249,999,999 new Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section entitled "Appendix VI — Statutory and General Information — Further information about our Company"
"Cayman Islands Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengshang"	Chengshang Group Co., Ltd. (成商集團股份有限公司), previously known as Chengdu People's Department Store (Group) Co., Ltd. (成都人民商場(集團)股份有限公司), a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange, under stock code 600828. At the Latest Practicable Date, Chengshang was owned as to 69.23% by our Group
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
"Company" or "our Company"	Maoye International Holdings Limited (茂業國際控股有限公司), a limited liability company incorporated in the Cayman Islands on

	August 8, 2007 and, except where the context otherwise requires, all of its subsidiaries, or where the context so requires, in respect of the period before Maoye International Holdings Limited became the holding company of its present subsidiaries, its present subsidiaries and the businesses carried on by its subsidiaries or (as the case may be) its predecessors
"Controlling Shareholder"	MOY International and/or, except where the context otherwise requires, Mr. Huang
"Controlling Shareholder Group"	Mr. Huang, any of his associates and companies majority-owned or controlled by Mr. Huang and his associates, including MOY International, Maoye Holdings Limited and Richon, but other than our Group
"Director(s)"	director(s) of our Company
"Excluded Stores"	the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goldman Sachs"	Goldman Sachs (Asia) L.L.C.
"Greater China"	China, Hong Kong, the Macau Special Administrative Region of China and Taiwan
"Group", "we" or "us"	one or more of our Company and our subsidiaries as the context may require, and "our" shall be construed accordingly
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSFC"	the Securities and Futures Commission of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of China
"Hong Kong Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended and supplemented from time to time
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Hong Kong Offer Shares"	the 86,300,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offering"	the issue and offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong for cash at the Offer Price subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms, as further described in the paragraph headed "The Hong Kong Public Offering" under the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters listed in the paragraph headed "Hong Kong Underwriters" under the section headed "Underwriting" in this prospectus, being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering and entered into by, among others, the Joint Bookrunners, the Hong Kong Underwriters and our Company, as further described in the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" in this prospectus
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"Independent Third Party"	an individual or a company who or which is not connected with (within the meaning of the Hong Kong Listing Rules) any Directors, general manager, deputy general manager or substantial shareholders of our Company, our subsidiaries or any of our respective associates
"International Offer Shares"	the 776,700,000 new Shares initially being offered by our Company for subscription under the International Offering together, where relevant, with any Shares that may be issued by our Company pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters with professional, institutional and/or other investors at the Offer Price, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	several underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering expected to be entered into by, among others, the Joint Bookrunners, the International Underwriters and our Company, as further described in the paragraph headed "International Offering" under the section headed "Underwriting" in this prospectus
"Joint Bookrunners" and "Joint Lead Managers"	Goldman Sachs, HSBC, UBS, and JPMorgan

"Joint Global Coordinators" and "Joint Sponsors"	Goldman Sachs, HSBC and UBS
"JPMorgan"	J.P. Morgan Securities Ltd.
"Latest Practicable Date"	April 11, 2008, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the Shares on the Main Board
"Listing Date"	the date, expected to be on or about May 5, 2008, on which the Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Maoye Group"	Mao Ye Group Limited (茂業集團有限公司), a limited liability company incorporated in Hong Kong on March 30, 1993, which is a member of the Controlling Shareholder Group
"Maoye Holdings Limited"	Maoye Holdings Limited, an investment holding company incorporated in the BVI with limited liability on June 25, 2007, which is wholly-owned by Mr. Huang. Maoye Holdings Limited is a member of the Controlling Shareholder Group
"MOY International"	MOY International Holdings Limited, an investment holding company incorporated in the BVI with limited liability on December 12, 2000, which is wholly-owned by Mr. Huang. MOY International is a member of the Controlling Shareholder Group
"Maoye Investment"	Maoye Department Store Investment Limited, an investment holding company incorporated in the BVI with limited liability on July 25, 2007, which is wholly-owned by MOY International. Maoye Investment is the holder of approximately 83.1% of our issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised)
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Hong Kong Stock Exchange
"Memorandum"	the memorandum of association of our Company, conditionally adopted on April 17, 2008 to became effective upon the Listing and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"Mr. Huang"	Mr. Huang Mao Ru, an executive Director and our controlling shareholder, and the husband of Mrs. Huang
"Mrs. Huang"	Mrs. Huang Jingzhang, a non-executive Director, and the wife of Mr. Huang
"Offer Price"	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the HKSFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK\$3.80 and expected to be not less than HK\$2.90, such price to be agreed upon by our Company and the Joint

	Bookrunners (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters under the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 129,450,000 Shares (representing 15% in aggregate of the Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering, the details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PRC Companies law"	the Companies Law of China as enacted by the Standing Committee of the 8th National People's Congress on December 29, 1993, which became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC government"	the central government of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Price Determination Agreement"	the agreement to be entered into among our Company and the Joint Bookrunners (on behalf of the Underwriters) at the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	on or before April 24, 2008 or such later date as may be agreed by our Company and the Joint Bookrunners (on behalf of the Underwriters) at which time the Offer Price is determined
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of our Group in anticipation of the Listing, the details of which are set out in the section headed "History and Structure – The Reorganization" in this prospectus
"Richon"	Richon Holdings Limited, a company incorporated in the BVI and wholly-owned by Mr. Huang. Richon is a member of the Controlling Shareholder Group
"RMB" or "Renminbi"	the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	The State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended and supplemented from time to time
"Shares"	ordinary shares in our Company with a nominal value of HK$0.10 each

"SZ Maoye Group"	Shenzhen Maoye (Group) Company Limited (深圳茂業（集團）股份有限公司), a limited liability company incorporated in the PRC on May 5, 1995, which is a member of the Controlling Shareholder Group
"Total Department Store Revenue"	the sum of commission from concessionaire sales, revenue from direct sales, and rental income from store leases at our department stores
"Total Sales Proceeds"	the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores
"Track Record Period"	2005, 2006 and 2007
"UBS"	UBS AG acting through its business group, UBS Investment Bank
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act" or "Securities Act"	the United States Securities Act of 1933, as amended from time to time
"US$" or "US dollars"	United States dollars, the lawful currency of the United States

In this prospectus, we refer to our self-run or managed department stores by the store's brand name (i.e., Maoye or Chengshang) and city; where we have multiple stores in a city, we also include the location within the city in our reference to the store. For example, the Chengshang Chengdu Yanshikou Store refers to the Chengshang-branded department store located at Yanshikou in Chengdu, Sichuan Province, and the Maoye Zhuhai Store refers to the only Maoye-branded department store in Zhuhai, Guangdong Province.

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "independent third party", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars or US dollars and vice versa at an exchange rate of RMB0.90 = HK$1.00 or RMB7.01 = US$1.00, respectively, and certain amounts denominated in US dollars have been translated into HK dollars and vice versa at an exchange rate of US$1.00 = HK$7.78, in each case, for illustration purposes only. Such conversions shall not be construed as representations that amounts in Renminbi or US dollars were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translations of company names in Chinese or another language which are marked with "" and Chinese translations of company names in English which are marked with "*" are for identification purposes only.*

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that most of the Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks.

RISKS RELATING TO OUR BUSINESS

We currently conduct substantially all of our operations in, and derive substantially all of our revenue from, the Guangdong and Sichuan Provinces and Chongqing Municipality

We conducted substantially all of our operations and derived substantially all of our revenue from the Guangdong and Sichuan Provinces and Chongqing Municipality in 2005, 2006 and 2007. Other than the newly opened Maoye Wuxi Store in Jiangsu Province in eastern China, which we manage under a management agreement, all our stores are located in the Guangdong and Sichuan Provinces and Chongqing Municipality. Therefore, our operations and business are vulnerable to, and will be adversely affected by, any unfavorable change in the economic environment or decline in retail demand in the Guangdong and Sichuan Provinces and Chongqing Municipality. In particular, our three flagship stores, namely the Maoye Shenzhen Huaqiangbei and Dongmen stores in Shenzhen and the Chengshang Chengdu Yanshikou store in Chengdu, collectively accounted for approximately 59.0%, 53.1% and 53.0% of our total revenue in 2005, 2006 and 2007, respectively. In light of the above, our business and financial performance would be adversely affected by any circumstances such as fire, water damage, legal restrictions or other causes that adversely affect the operations or business of our three flagship stores.

We may encounter difficulties in exploring new markets and implementing our expansion plan

As part of our future plans, we aim to expand our business through establishing new stores or acquiring existing stores in other major cities in the PRC. Our ability to expand depends on our ability to (i) identify suitable locations for our new stores and successfully negotiate leases or purchases for these stores on terms acceptable to us; (ii) identify suitable acquisition targets and reach agreement with potential sellers on commercially acceptable terms; and (iii) obtain sufficient financing for such expansion or acquisition. Due to the scarcity of suitable locations for department stores in the cities in which we wish to expand, we may not be able to identify suitable locations or acquire suitable stores on terms that are commercially acceptable to us. In addition, our expansion plan requires us to obtain all the necessary governmental and third-party consents, approval and permits, which we may not be able to do in a timely manner or at all.

Moreover, in expanding into new areas and opening new stores, we may not be able to accurately assess and adjust to the consumer tastes, preferences and demands in the relevant markets. We may also experience cost overruns, delays and other operating difficulties in opening new stores, and we may encounter unexpected liabilities and difficulties after acquiring existing stores. Furthermore, a department store typically takes a period of time, which may range from one to three years, before it becomes profitable. As a result, our new or acquired stores may fail or may not be able to operate as profitably as our existing stores.

The Controlling Shareholder Group opened a new Maoye-branded department store in October 2007 in Wuxi, Jiangsu Province, which we now manage under a management agreement. This is also the first Maoye-branded store outside of southern and southwestern China. We have reached an agreement to purchase the Maoye Wuxi store from the Controlling Shareholder Group, and have applied for approval from the relevant PRC government authorities, including the Ministry of Commerce. However, there is no assurance that we will be able to obtain the necessary approval in a timely manner or at all. On January 9, 2008, we opened the Chengshang Mianyang Store in Mianyang, Sichuan Province. We expect newly opened stores such as the Maoye Wuxi Store to be unprofitable for some time, which is common for newly opened department stores. Therefore, even if we are able to complete the purchase of the Maoye Wuxi Store, our financial results may be adversely affected.

Furthermore, the success of our expansion plan will also depend on our ability to implement our existing operational, financial and management procedures at the new or acquired stores, to integrate the new or acquired stores within our organization and information technology system, and to retain, hire and train suitable personnel to operate our new or acquired stores. In the event that we fail to explore new markets, expand our business, or effectively manage our expansion, our business, financial condition and results of operations may be adversely affected.

We rely on our concessionaires for a substantial portion of our revenue

Commissions from concessionaire sales accounted for approximately 40.7%, 41.2% and 43.4% of our revenue for 2005, 2006 and 2007, respectively. Our success depends on our ability to retain existing concessionaires and attract new ones, and our image depends on our ability to attract and retain brands and products that are perceived to be fashionable by customers. On the other hand, competition is intense among department stores and other retail outlets for popular and fashionable brands and products. Under our concessionaire agreements, concessionaires typically may withdraw from our stores even without our consent by forfeiting its deposit and paying our Group two months of commissions. If we are unable to maintain good relationships with our existing concessionaires and develop new relationships with attractive concessionaires and to negotiate concession rates favorable to us, our revenue will be adversely affected.

We rely on major brand suppliers, concessionaires and store tenants to maintain our market image

We enter into contracts with major brand suppliers, concessionaires and store tenants typically for a term of one year although the terms for leases with some types of store tenants, such as restaurants, pharmacies, beauty and hair salons, often range from three to five years. In addition, our concessionaries and store tenants send their own salespersons to staff the counters for their merchandise in our stores. If major brand suppliers, concessionaires and store tenants terminate their contracts with us and we fail to find other major brand suppliers, concessionaires and store tenants as replacements to maintain our supply of trendy and fashionable merchandise, if salespersons employed by our concessionaries or store tenants fail to comply with our relevant guidelines, or if the merchandise they sell in our stores is not accepted by or not popular among our customers, or is defective, our market image and business will be adversely affected.

We may fail to foresee or adjust to changing consumer tastes and demands

Our ability to accurately foresee changing consumer tastes and demands is important to the success of our business. However, as fashion trends and consumer demands in the PRC are constantly changing, and affected by global fashion and lifestyle trends, disposable income, consumer confidence in the economy, choices of international and domestic media personalities, and other factors beyond our control, we may not be able to accurately foresee and adjust quickly to trends in consumer tastes and demands. Any failure on our part to anticipate, identify and respond effectively and in a timely manner to changing consumer demands and fashion trends may adversely affect our business, financial condition and results of operations.

We may not be able to improve the operating and financial performance of Chengshang

We acquired controlling interest in Chengshang, which is listed on the Shanghai Stock Exchange, in June 2005, and have since taken a number of steps to overhaul its management, reduce its excessive workforce and upgrade its merchandise mix. However, our Chengshang stores still lag behind our Maoye stores in many aspects, such as the Total Sales Proceeds per square meter of operating area and operating margin. Although we are taking measures to further improve Chengshang's operating and financial performance, we may not be able to succeed, in which event our business, financial condition and results of operations may be adversely affected.

If Chengshang is unable to achieve the target profit levels or meet the other conditions we set in connection with Chengshang's share reform, we will be obliged to transfer some of our shares in Chengshang to public shareholders of Chengshang

Chengshang is listed on the Shanghai Stock Exchange. We acquired a 74.25% interest in Chengshang after a series of transactions between June 2005 and March 2006. In April 2006, Chengshang carried out share reform in accordance with the policies of the PRC government for the purpose of converting Chengshang's non-tradable shares into shares freely tradable on the Shanghai Stock Exchange. As part of the share reform program, we, as Chengshang's majority shareholder, and certain other shareholders holding legal person non-freely tradable shares transferred 10,216,805 Chengshang shares to Chengshang's public shareholders (based on a formula of transferring two Chengshang shares to Chengshang's public shareholders for every ten Chengshang shares they then owned); we recognized a loss on capital restructuring in the amount of RMB22.3 million as a result of such share transfer. In addition, we agreed that (a) if Chengshang (i) does not achieve a net profit of RMB60 million for 2007 under PRC GAAP, (ii) receives a qualified opinion from its auditors in its 2007 annual report, or (iii) is not able to publish its 2007 annual report according to the statutory time line, which is within four months from the end of each accounting year pursuant to the Administration of Information Disclosure by Listed Companies Procedures promulgated by the CSRC in January 2007, we would transfer additional 2,554,201 Chengshang shares to Chengshang's public shareholders (based on a formula of transferring 0.5 Chengshang share to Chengshang's public shareholders for every 10 Chengshang shares they then own), and (b) if Chengshang (i) does not achieve a net profit of RMB80 million for 2008 under PRC GAAP, (ii) receives a qualified opinion from its auditors in its 2008 annual report, or (iii) is not able to publish its 2008 annual report in accordance with the statutory time line as mentioned above, we would transfer additional 2,554,201 Chengshang shares to Chengshang's public shareholders (based on a formula of transferring 0.5 Chengshang share to Chengshang's public shareholders for every ten Chengshang shares they then own). Therefore, if Chengshang does not reach the specified profit target or the other conditions of clause (a) or (b) above are otherwise met, we will be obliged to transfer a substantial number of Chengshang Shares to Chengshang's public shareholders at no further consideration. In particular if the conditions in either clause (a) or (b) above are met, assuming that our equity interest in Chengshang remains unchanged until such time, our equity interest in Chengshang will be reduced to 67.97%. Under such circumstances, in the opinion of the Directors, the estimated losses we would incur would be RMB5.8 million, which is calculated based on the net asset value per share of Chengshang under IFRSs as at December 31, 2007 if Maoye Shangsha is obliged to transfer 2,554,201 shares to Chengshang's public shareholders. If the conditions in both clauses (a) and (b) are met, our equity interest in Chengshang will be further reduced to 66.71%. Under such circumstances, in the opinion of the Directors, the estimated losses we would incur would be RMB11.8 million, which is calculated based on Chengshang's net asset value per share under IFRSs as at December 31, 2007 if Maoye Shangsha is obliged to transfer 5,108,402 shares to Chengshang's public shareholders. The actual amount of losses for any share transfer to Chengshang's public shareholders will be calculated based on Chengshang's net asset value per share as at the date of such transfer, and cannot be reliably determined at this stage. As at the Latest Practicable Date, Chengshang has not yet published its audited financial results under PRC GAAP for the year ended December 31, 2007, and is expected to publish such results on or around April 30, 2008.

We depend on our key management and other personnel in the conduct of our business

The success of our business depends significantly upon the expertise and experience of our executive Directors and other key management personnel. In particular, our chairman, Mr. Huang, who founded our Group over ten years ago, has been instrumental in leading our Group through a period of rapid growth. The loss of the services of any of our key management personnel may adversely affect our strategic direction, operations, profitability and financial results.

In addition, our continued success will depend on our ability to attract and retain qualified merchandizing, customer services, supervisory and management personnel to manage our existing operations and future growth. Qualified and talented individuals are scarce and in high demand in the PRC retail industry, and competition for these individuals in China is intense. We may not be able to successfully attract, assimilate or retain the personnel that we need. In addition, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. Our failure to attract and retain qualified personnel may have a negative impact on our business, financial condition and results of operations.

Our expansion plan requires substantial capital expenditures, for which we may not have adequate financial resources

Our expansion plan will require us to make substantial capital expenditures in opening new department stores and acquiring existing stores. In addition, we may need to continue to contribute additional capital to a new or acquired store after its opening or acquisition if the store is not profitable. We may need to raise additional funds through bank borrowing or the issuance of debt or equity securities to finance these capital expenditures. However, our ability to obtain additional financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising activities by retail and similar companies; and
- economic, political and other conditions in China and elsewhere.

We may be unable to obtain additional financing in a timely manner or on acceptable terms or at all. Furthermore, the terms and amount of any additional capital raised through issuance of equity securities may result in significant shareholder dilution. Further financing activities or the remittance of the proceeds into the PRC may also require PRC regulatory approvals, which may not be granted in a timely manner or at all. If adequate funding is not available, our ability to develop and expand our business may be adversely affected.

We had a net working capital deficit in recent periods, including as at December 31, 2007 and February 29, 2008, and if we are unable to meet our liabilities as they become due, we will be in default of our liabilities and our financial condition and results of operations will be materially and adversely affected.

We had a negative working capital (defined as current assets minus current liabilities) of RMB686.9 million, RMB224.3 million, RMB393.5 million and RMB301.4 million as of December 31, 2005, 2006 and 2007 and February 29, 2008, respectively. We estimate that we still had a net current liabilities position as of March 31, 2008. Moreover, we had no unused credit facilities as of December 31, 2007. Under the concessionaire sales arrangement that applies to most of the merchandise sold at our stores, we collect sales proceeds on behalf of our concessionaires and settle accounts with our concessionaires after a credit period ranging from 10 to 45 days, which allows us to consistently maintain sizable balances of trade payables with respect to our concessionaires. We have in the past used some of these available funds for capital expenditures, which gave rise to working capital deficit. In particular, we made significant capital expenditures in expanding our store network during the Track Record Period, and in acquiring a controlling interest in Chengshang in 2005. Our negative working capital position as of February 29, 2008 was also partially attributable to dividend payment of RMB1,064.0 million declared in 2007 in connection with our Reorganization in anticipation of the Global Offering. A negative working capital requires us to generate sufficient cash flow from operations to meet our current liabilities, and/or to roll over, extend or refinance our current liabilities at or prior to their due dates. If we are unable to do so, we will be in default of our liabilities and as a result our financial condition and results of operations will be materially and adversely affected.

Our Controlling Shareholder has significant influence over our management and affairs and could exercise this influence against your best interests

Following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Mr. Huang, our ultimate controlling shareholder, will control approximately 83.1% of our outstanding Shares. As a result, pursuant to our Articles and applicable laws and regulations, our Controlling Shareholder will be able to exercise significant influence over our Company, including, but not limited to, any shareholder approvals for the election of our Directors and, indirectly, the selection of our senior management, the amount of dividend payments, our annual budget, increases or decreases in our share capital, new securities issuance, mergers and acquisitions and any amendments to our Articles. Furthermore, this concentration of ownership may delay or prevent a change of control or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could decrease the market price of our Shares.

The interests of our Controlling Shareholder may not always coincide with our or your best interests, and our Controlling Shareholder will have the ability to exert significant influence over our actions and effect corporate transactions irrespective of the desires of the other shareholders or Directors.

We rely on proper performance of our information technology system

We rely on our information technology system for the exchange of business information between our department stores, local management centers in cities where we have stores, and our headquarters in Shenzhen, Guangdong. The system is critical for our business operations and management, including managing the business activities of our stores on a day-to-day basis, supporting sales and promotional activities, maintaining our customer loyalty program, and operating our supplier management system. There is no assurance that this system will always function properly. Any breakdown, damage or other failure of our information technology system may adversely affect our ability to operate and manage our business effectively. Moreover, as we expand our business and add new or acquired stores to our network, our information technology system may not be able to meet the growing needs of our business or effectively support new or acquired stores, some of which may be located in areas in which we currently do not have any operations. Any of the foregoing may adversely impact our business operations thus negatively affect our results of operations.

If any leases for our existing department stores are not renewed upon their expiration or are terminated due to defects in our landlords' titles or otherwise and we cannot find suitable premises to relocate our stores, our operating results may be adversely affected

We lease the premises on which nine of our 13 self-run department stores are located. All of these existing leases have terms until at least 2013. We will need to negotiate the terms and conditions on which these leases may be renewed. We may be unable to renew our leases on terms and conditions, in particular the rent, which are favorable or otherwise acceptable to us, or at all. As a result, we may have to pay increased rent or relocate to alternative premises, which will result in additional costs and/or disruption to our business. For more information on the payment terms of our leases, see "Appendix IV – Property Valuation."

Moreover, if our existing leases are terminated for any reason prior to their expiration, including, among other things, because our landlords lack valid and enforceable building ownership rights, land use rights or the relevant rights or authority to lease these premises to us, or their creditors foreclose on the properties we use, we may also need to relocate to alternative premises. We cannot assure you that in such a case, we would be able to find suitable premises on commercially reasonable terms, if at all. Moreover, relocation of any of our stores may result in the loss of customers who have established shopping habits, and we may need to incur additional costs, including advertising costs, to attract customers to our relocated stores.

Furthermore, we rely on the Controlling Shareholder Group to provide us with the premises on which five of our department stores are located under long-term leases. We have also purchased the premises for one store from the Controlling Shareholder Group, and may again in the future purchase appropriate premises to operate our department stores from the Controlling Shareholder Group. If our leases with the Controlling Shareholder Group expire or terminate, or if the Controlling Shareholder Group becomes unable or unwilling to perform its obligations under these leases, we may not be able to locate suitable replacement premises at comparable terms, if at all, or we may incur greater expenses under replacement leases. Moreover, if we are unable to secure desirable premises from the Controlling Shareholder Group and/or other property owners at commercially acceptable terms or at all, or if the construction or renovation of such premises cannot be completed in a timely manner, our business expansion plans may not be carried out as planned. As a result, our financial condition and results of operations may be materially and adversely affected.

We may be required to relocate our stores due to defects or encumbrances in our landlords' building ownership rights to our leased properties

As of the Latest Practicable Date, one of our leased properties has not been properly registered with the relevant government authorities. Moreover, the building ownership rights certificates for five of our leased properties, including the premises for the entire second phase of the Maoye Shenzhen Huaqiangbei Store, the premises for the basement of the Maoye Shenzhen Heping Store, the premises for the entire Maoye Zhuhai Store, the premises for the entire Chengshang Luzhou Store and the premises for a warehouse in Chengdu, have not been obtained by the respective landlords. The gross floor area of the above five leased properties are 33,672 sq.m., 2,000 sq.m., 25,293 sq.m., 12,000 sq.m. and 4,947 sq.m., respectively, and accounts for not more than 10%, 1%, 8%, 4% and 2% of the total gross floor area of all our self-run stores, respectively. See "Business—Properties for Self-Run Maoye Stores—Others" for more information. We cannot assure you that no third party will seek to assert their ownership rights against these landlords or challenge the leases in the future. Should disputes arise due to title defects or encumbrances to such properties or failure to register the relevant leases with the government authorities, we may encounter difficulties in our continued leasing of such properties. In this event, we will be required to relocate our stores, and we may incur additional costs of business interruption and relocation. Furthermore, we may not be able to find suitable alternative premises, and our revenues may be adversely affected if we relocate to less desirable locations.

Chengshang is publicly traded, and the trading conditions of Chengshang's shares may affect the trading price of our Shares

Chengshang is publicly traded on the Shanghai Stock Exchange. Trading prices of its shares have fluctuated significantly in the past. Generally, the market value of Chengshang varies with its financial condition and results of operations, the market values of companies engaging in similar businesses, as well as investor sentiment in China and capital markets in general. Moreover, Chengshang has been designated by the Shanghai Stock Exchange as a "*ST" company subject to trading restrictions as a result of losses for two consecutive years in 2005 and 2006. If Chengshang remains a "*ST" company, or if trading in Chengshang shares is suspended, including due to continued losses in 2007 pursuant to the rules of the Shanghai Stock Exchange, or if the market price and trading volume of Chengshang's shares fluctuate significantly, the trading price of our Shares may be affected.

We may fail to renew regulatory licenses and approvals to operate existing operations or obtain similar regulatory licenses and approvals to open new stores

Some of the licenses, approvals and permits necessary for the operation of our department stores require renewal. See "Industry Overview—Regulations". There is no assurance that we will be able to renew the relevant licenses, approvals or permits upon their expiration or meet the relevant requirements if new regulations are enacted by the PRC authorities. Moreover, we cannot assure you that we can obtain all licenses, approvals or permits in a timely manner or at all when we seek to open new stores. To the extent that any of the foregoing occurs, our business and operations may be adversely affected.

We rely on the "Maoye" (茂業), "Maoye Department Store"(茂業百貨) and "Chengshang" (成商) trade names and trademarks

Our "Maoye" (茂業), "Maoye Department Store"(茂業百貨) and "Chengshang" (成商) trade names and trademarks are important to our success and competitive advantage. Consistent with industry practice, we have obtained trade name and trademark registration for "Maoye" (茂業) and "Maoye Department Store"(茂業百貨) for relevant services for which registration is available in the PRC, Hong Kong, Singapore and Taiwan, and Chengshang has also obtained trade name and trademark registration for "Chengshang" in the PRC. During the Track Record Period, we brought legal proceedings against a PRC company in Leiyang, Hunan Province which used "金珠茂業百貨" as part of its trade name. The PRC court ruled that such company shall stop infringing upon our trademark rights including the issuance of any advertisement that may make the public associate such company with us, although such company may continue the use of "金珠茂業百貨" as part of its trade name. Except for the above proceedings, we are not aware of any material violation, infringement or unauthorized use of our trade names and trademarks. Also, we are not aware of any infringement of any third parties' intellectual property rights through our use of the trade names and trademarks. However, the steps we have taken may not be sufficient to protect our trade names or trademarks, and our trade names or trademarks may be subject to infringement in the future. In addition, some members of the Controlling Shareholder Group still keep "Maoye" (茂業) in their trade names or entities' names, which may potentially cause unintended association by the general public of any negative media coverage of such companies with us. Such unintended association and any unauthorized use of our trade names or trademarks may damage our market image as well as reputation and thus adversely affect our financial condition and operating results. If we initiate infringement claims, additional costs will be incurred, which may have further adverse effect on our operating results.

Our insurance coverage may not be sufficient to cover all losses

Although we have obtained insurance coverage for the operation of our business that is customary in the PRC retail industry, covering risks such as loss, theft or damage of property, and personal injury, we do not carry insurance in respect of certain risks that are typically not insured under normal industry practice in the PRC, such as product liabilities for merchandise sold in our stores. Therefore, there may be circumstances in which we will not be covered or compensated for specific losses, damages and liabilities, which may adversely affect our financial condition and results of operations.

Our sales may decline if we fail to effectively market and promote our stores

We believe that we are the market leader in designing and organizing promotional events in Shenzhen, and we frequently organize promotional and marketing events not only to increase revenue but also to promote and enhance the brand name and market image of our stores. We may not be able to continue to design, develop and organize promotional events that are popular among and appealing to our customers. Additionally, our competitors may rival us by organizing such similar events or developing more attractive activities. Consequently, our efforts in marketing and promotional events may not be effective in the future. In particular, major marketing campaigns that do not produce a favorable outcome and incur material costs may negatively impact upon our revenues and results of operations. As a result of any of the foregoing, we may suffer increased expenses and/or a decreased profit margin, which would materially adversely affect our results of operations.

We are involved in legal disputes and may suffer losses or liabilities as a result

As at the Latest Practicable Date, we are involved in legal disputes with Chengdu Zhongfa Huanghe Industrial Company Limited ("Zhongfa") and Chengdu Municipal Commerce Bureau (成都市商務局). We, through Chengshang, sued Zhongfa for its obligation under a counter-guarantee in favor of Chengshang in a number of cases between December 2004 and January 2007 claiming a total of RMB116.0 million. In May 2007, Chengdu Municipal Commerce Bureau filed a lawsuit against Chengshang as guarantor and Chengdu People's Department Store Huanghe Commercial City Limited ("Chengshang Huanghe"), in which Chengshang owns a 30% equity interest, as borrower of a loan of

RMB20 million. See “Business — Legal, Compliance and Litigation” for details of the above litigations. We have not made any provision for the amount we claim against Zhongfa or the amount claimed by Chengdu Municipal Commerce Bureau. However, if the collateral provided by Zhongfa is or becomes less than the amount that we claim against it, we may not be able to recover the full amount from Zhongfa. Also, if we are unable to enforce the collateral and dispose of it at or above the sum claimed in a timely manner, our financial performance may be adversely affected. Moreover, if the PRC court rules against Chengshang in the lawsuit by Chengdu Municipal Commerce Bureau, we may have liability as guarantor for the RMB20 million loan and the RMB5 million accrued interest for such loan. Each of Mr. Huang, MOY International and Maoye Investment has jointly and severally undertaken to indemnify our Group against any loss arising from any of the above pending litigations. Nevertheless, our business and financial performance may still be adversely affected as a result of the legal proceedings described above.

We have had instances of non-compliance in relation to our properties

During the Track Record Period, we have been found not to be in compliance with certain regulations in certain instances relating to our properties. In particular, we used the basement areas of our Maoye Shenzhen Dongmen Store and Maoye Shenzhen Heping Store, designed for use as carparks only, for retail use. The local government in Shenzhen issued formal notices for rectification concerning these areas. We were also found to be in breach of certain fire prevention regulations in relation to our Maoye Shenzhen Huaqiangbei Store. See “Business — Properties — Non-compliance of regulations” for details of such non-compliance. We have rectified the use of the above basement areas before the Global Offering and re-complied with the fire prevention regulations, and the local government in Shenzhen has also confirmed our rectification of the use of the above basement areas. If we fail to comply with relevant PRC laws and regulations in the future, we may face administrative or other penalties, and our business and financial operations may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

We are dependent on consumer demands in the PRC

Our business success depends on consumer demands, which are determined by their disposable income, their confidence in the economy and many other factors beyond our control. Accordingly, there is no assurance that consumers will continue to shop at our department stores. In the event of a change in consumer demands or habits, our operations and financial results may be adversely affected. Furthermore, the PRC economy has maintained rapid growth in recent years, and the increases in gross domestic products and per capita disposable income have strengthened residents’ purchasing power. However, such growth may not continue in the future. In addition, a slowdown or downturn in the economies of the United States, the countries comprising the European Union and certain Asian nations, with which China has important trade relationships, may adversely affect the economic growth of China. Any economic downturn in the PRC in general or in Guangdong and Sichuan Provinces and Chongqing Municipality in particular may adversely affect our business and financial condition, as well as our future prospects.

We operate in a competitive industry

The retail industry in the PRC is highly competitive. We face competition from national and international operators of department stores, wholesale markets, hypermarkets, convenience stores, specialty retailers, discount stores, small retail shops, and other retail sites and forms of retail business in the areas in which we currently operate and markets into which we may enter.

As a result of China’s accession to the World Trade Organization in 2001 and the subsequent removal of restrictions by the PRC government in December 2004 to allow foreign companies engaged in the retail business in the PRC to operate nationwide without any territory limitation, foreign investment in the retail industry has increased. These foreign companies include operators of department stores, hypermarkets and specialty stores, many of which have more capital resources and more experience in operating retail businesses than our Group. In addition, the introduction of specialty stores that sell internationally-renowned brands has also increased competition as consumers are given more choices of goods and our concessionaires, direct sales suppliers and store tenants are given another channel through which to sell their goods. Any increase in competition may lead to decrease in prices of our goods and/or our concession rates, and adversely affect our profitability.

Moreover, we face potential competition from other PRC-based operators of department stores. Some of these stores are more established, and have broader national coverage, a better brand name and/or more financial resources than our Group. In addition, when we carry out our expansion plan and enter into new regions, we may encounter competition from existing department stores that have better name recognition and better understanding of the consumer preferences in such regions, have an established customer base or established relationships with merchandise suppliers in such regions, are better located, and/or are better able to effectively navigate the local legal and regulatory landscape. If we are unable to compete effectively against these other domestic operators of department stores, our business, financial condition and results of operations may be adversely affected.

Furthermore, our business strategy depends on our ability to secure premises at prime locations in our target cities. However, such premises are very limited, and we face intense competition for such premises from other department stores, retailers and business establishments. We may not be able to obtain attractive premises for opening new stores or retain continued occupation of our existing stores, or we may have to pay increased rent for the premises of our existing stores.

Our sales are affected by seasonality

Our sales are affected by seasonal shopping patterns. A substantial portion of our sales has been recorded during major holidays and festivals such as the spring holidays during the Chinese New Year, the Labor Day holiday in early May, the National Day holiday in early October, and the Christmas and New Year's Day holiday in December and January. Sales from October to March is usually higher than sales from April to September. In addition, merchandise, especially apparel, is generally seasonal in nature, and merchandise for autumn and winter typically carries higher selling prices than spring and summer merchandise. As a result, any adverse trends in sales during high-sale periods or other unpredictable events such as infectious disease outbreaks or an unusual change in weather patterns in the PRC may affect our business and operations as well as our profitability.

We may inadvertently infringe third-party intellectual property rights

Although we have adopted measures to reduce the risk of infringing the intellectual property rights of third parties, our measures may not be adequate or sufficient to prevent infringement. In the event that we sell merchandise that infringes on third party intellectual property rights, we may be found liable for intellectual property infringement and be compelled to discontinue the sale of the merchandise and/or pay damages. If our concessionaries and store tenants sell merchandise that infringes on third party intellectual property rights at our department stores, we may also be considered jointly liable under PRC law. In either situation, our reputation may suffer as a result. Although our concessionaires and other merchandise vendors are generally responsible for indemnifying us for such infringement, we may not be able to fully recover all losses caused by such concessionaires and other merchandise vendors.

We may be subject to product liability claims for merchandise sold in our stores

Existing PRC law provides that manufacturers and sellers who produce or sell defective goods in the PRC shall be liable for property damage or personal injury caused by such products, and if the responsibility rests with the manufacturers and the compensation is paid by the sellers, the sellers have the right to recover their losses from the manufacturers. Pursuant to our agreements with our concessionaires and other merchandise vendors, all concessionaires and other merchandise vendors are obligated to indemnify us against any claims concerning merchandise sold or supplied by them. However, there is no assurance that our concessionaires and other merchandise vendors will have adequate financial resources or insurance coverage to perform such indemnification. As we do not maintain insurance for product liability claims, our financial position will be adversely affected if we fail to discharge such claim and are made to pay for damages arising from the sale of defective goods. Our reputation may also suffer as a result of product liability claims.

RISKS RELATING TO OUR OPERATIONS IN THE PRC

Our retail operations are all located in the PRC. Accordingly, our operating results and financial condition are subject to a significant degree to economic, political and legal developments in the PRC, including the following risks:

Changes in PRC political, economic and social conditions, laws, regulations and policies may have an adverse effect on our business

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For the past two decades, the PRC government has implemented economic reform measures emphasizing the use of market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries by imposing reform policies. Although our Directors believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether the PRC government will continue with this economic reform. Any change in the PRC government policy or the PRC political, economic and social conditions, laws, regulations and policies may have an adverse effect on our business, results of operations or financial condition.

Fluctuations in the exchange rate of Renminbi may materially and adversely affect our operations and financial results

The value of the Renminbi against other foreign currencies is subject to changes in the PRC government's policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the People's Bank of China, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of Renminbi to Hong Kong and US dollars have generally been stable. However, with effect from July 21, 2005, the PRC government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the Renminbi appreciated against the Hong Kong and US dollars by approximately 2% on the same date. On September 23, 2006, the PRC government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. It is uncertain if the exchange rates of Hong Kong and US dollars against Renminbi will further fluctuate. In the event of significant change in the exchange rates of Hong Kong and

US dollars against Renminbi, our ability to make dividend payment in foreign currencies may be adversely affected and the costs of our purchase from overseas suppliers may also increase. Accordingly, our financial and operating results could also be adversely affected.

The PRC legal system embodies uncertainties that could adversely affect our business and operating results

Almost all of our assets are located in the PRC and almost all of our employees are PRC citizens. Our operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite developments to the legal system, the PRC system of laws is not yet complete. Even where adequate law exists in the PRC, the enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of the PRC judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them judgments obtained from non-PRC courts

We are incorporated in the Cayman Islands. Three of our nine Directors are residents of the PRC. Almost all of our assets and the assets of those Directors are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC.

China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most jurisdictions. On July 14, 2006, Hong Kong and mainland China entered into the Arrangement on Reciprocal Recognition and Enforcement of judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service or process against our assets or Directors in China in order to seek recognition and enforcement for foreign judgments in China.

Our expansion plan may be affected by recent PRC regulations relating to acquisitions of domestic companies by foreign entities

With effect from September 8, 2006, foreign investors must comply with *The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision)* (關於外國投資者併購境內企業的規定) (the "M&A" Provisions") should they seek to purchase the equity of a domestic non-foreign-invested company and thus change the company into a foreign-invested enterprise. According to the M&A Provisions, which provide the procedures for the approval of foreign investment projects in the PRC, the business scope of such foreign-invested enterprise must conform to the *Foreign Investment Industrial Guidance Catalogue* (外商投資產業指導目錄), or Foreign Investment Catalogue.

As the M&A Provisions have only come into effect on September 8, 2006, our PRC legal advisor has advised us that there are uncertainties as to how they will be interpreted or implemented. We or the owners of any domestic company we may seek to purchase in the future may not be able to successfully obtain all necessary approvals and complete all the relevant procedures under the M&A Provisions. In the event that the acquisition of domestic companies cannot be completed as part of our expansion plan, our business and future plan may be adversely affected.

Our business and results of operations may be adversely affected by changes in PRC government policies towards foreign investment in China

Most of our PRC subsidiaries with "Maoye" brand are foreign-invested enterprises and thus are subject to the PRC government's foreign investment policies and laws. For example, according to the *Foreign Investment Catalogue*, industries are categorized as encouraged, permitted, restricted or prohibited for the purpose of approving and monitoring inbound foreign investments. Under the *Foreign Investment Catalogue* previously in effect from January 1, 2005 to November 30, 2007, and the newly promulgated *Foreign Investment Catalogue*, which became effective on December 1, 2007, our business does not fall within the prohibited or restricted category. As the *Foreign Investment Catalogue* is updated every few years to reflect the changing policies on foreign investment in China, all or part of our business may fall into the restricted or even prohibited category when the government further amends the *Foreign Investment Catalogue* and if so, we will be subject to stringent restrictions on the operation, development and administration of our business. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

We may be affected by power shortages in the PRC

The operation of our department stores requires a substantial amount of electricity for lighting, air-conditioning and display. However, the cities in which we operate have periodically imposed limitations, on a city-wide basis, on the usage of electricity. These limitations did not have a material adverse effect on our operations or operating results in the past as we maintain backup generators in all of our stores, but there is no assurance that the limitations on the usage of electricity will not become more prevalent or restrictive and thereby have a material adverse effect on our operations or operating results in the future. Even though we have not experienced any significant power brownout or blackout during the Track Record Period, our business operations will be adversely affected in the event of any power brownout or blackout for a significant period of time in the future.

A newly enacted PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC subsidiaries through a Hong Kong company. As foreign legal persons, dividends derived from our business operations in the PRC are currently not subject to income tax under PRC law. However, we cannot assure you that such dividends will continue to be exempt from PRC income tax. A new law, the PRC Enterprise Income Tax Law and its implementation rules were enacted respectively on March 16, 2007 and December 6, 2007, both of which have become effective as of January 1, 2008. Under the new laws, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us, unless we are entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties between PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the Hong Kong company directly holds a 25% or more interest in the PRC enterprise.

In addition, the new laws provides that, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Substantially all members of our management are located in the PRC. If substantially all members of our management continue to be located in the PRC after the effective date of the PRC Enterprise Income Tax Law and its implementation rules, we may be deemed a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries), which excludes the dividends received directly from another PRC tax resident. As a result of these changes described above, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares will be adversely affected.

Expiration of, or changes to, certain preferential treatments applicable to our Group under PRC tax laws may have a material adverse effect on our operating results

Before the new PRC Enterprise Income Tax Law took effect, the income of our subsidiary, Chengshang, and its subsidiaries was subject to enterprise income tax at a statutory rate of 33%, which comprises a 30% national income tax and a 3% local income tax. Our subsidiaries in Shenzhen and Zhuhai were subject to enterprise income tax at a rate of 15% in accordance with the preferential tax treatment for enterprises located in special economic zones, and our subsidiary in Chongqing was subject to enterprise income tax at a rate of 16.5% (including national and local taxes) in 2007 as a result of the PRC government's preferential tax treatment for foreign-owned enterprises in western China.

The new Enterprise Income Tax Law imposes a single uniform income tax rate of 25% for most domestic enterprises and foreign-invested enterprises. It also contemplates various transition periods and measures for existing preferential tax policies, including a transition period for as long as five years for those enterprises that are currently entitled to a lower income tax rate. A new Notice promulgated by the PRC State Council on December 29, 2007 provides that the preferential income tax treatment enjoyed by enterprises in Shenzhen and Zhuhai shall be gradually transitioned to the uniform income tax rate of 25% over five years from January 1, 2008. In particular, enterprises that are taxed at a rate of 15% at present will be subject to a rate of 18% in 2008, a rate of 20% in 2009, a rate of 22% in 2010, a rate of 24% in 2011 and a rate of 25% in 2012. On the other hand, preferential tax treatment for foreign-owned enterprises in western China will continue, and as a result our subsidiary in Chongqing will be subject to a tax rate of 15%. As preferential tax treatments enjoyed by our subsidiaries in Shenzhen and Zhuhai will terminate at the end of the transition periods, which periods may be eliminated or significantly shortened by the PRC government, our financial condition and results of operations will be adversely affected as a result.

Payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under PRC law

Under PRC law, dividends may be paid only out of distributable after-tax profits, less any recovery of accumulated losses and allocations to statutory funds as required. Any distributable profits that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profits under PRC GAAP is different from the calculation under IFRSs in certain aspects. As a result, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for the year as determined under IFRSs. Since we derive all of our funds and profits from our operating subsidiaries in the PRC, we may not have sufficient funds to pay dividends to our shareholders.

Furthermore, the PRC government imposes restrictions over converting RMB into foreign currencies, which will limit our transactions involving foreign currencies and adversely affect the ability of our Company to transfer funds to and receive dividends from our PRC subsidiaries. Because we generate all of our revenues in RMB, our PRC subsidiaries need to convert a portion of their revenues into foreign currencies to pay for imported merchandise and equipment and pay dividends to our Company. Under the existing foreign exchange regime in China, conversion of RMB into foreign currencies for payment of dividends is subject to SAFE procedural requirements. Any foreign exchange transactions for capital expenditures on equipment or merchandise require prior approvals from SAFE.

If we are unable to obtain such approvals, our capital expenditure plans and, consequently, our ability to grow our business, could be affected. Moreover, changes in the PRC's foreign exchange regulations may adversely affect our ability to transfer funds to and receive dividends from our PRC subsidiaries.

We may be affected by infectious disease outbreaks and other epidemics

The outbreak of the severe acute respiratory syndrome in the PRC during 2003 had an adverse effect on both consumer sentiment and the PRC economy. In addition, there have been reported cases of H5N1 avian flu in Asia, including China, in recent years. Our department stores are all located in heavily populated areas of major cities and therefore are highly vulnerable to outbreaks of serious infectious diseases. In the event that there is an outbreak of infectious disease in the areas in which our department stores are located or if any of our staff become infected with such infectious disease, our department stores may have to undergo sterilization procedures or be quarantined or shut down, and our operations and business will be adversely affected.

We may be adversely affected by acts of God, acts of war and other disasters

Our business will be affected by the general economic and social conditions in the PRC. Natural disasters, fires, floods, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Acts of war and terrorist attacks will also cause damage and disruption to our business. Should any of these unpredictable events take place nationwide, in regions where our department stores are located, or cause direct damage to any of our stores, our business, financial condition and results of operations will be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile

Prior to the listing of our Shares on the Stock Exchange, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between us and the Joint Bookrunners (on behalf of the Underwriters), and may differ from the market prices for our Shares after listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the listing of our Shares on the Stock Exchange will result in the development of an active and liquid public trading market for our Shares.

The market price, liquidity and trading volume of our Shares may be volatile. There can be no assurance as to the ability of the holders to sell their Shares or the price at which those Shares can be sold. As a result, shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our turnover, earnings, cash flows and costs, announcements of new investments, litigation involving our Company or any of our subsidiaries or stores or any member of the Controlling Shareholder Group, concerns regarding the quality and/or safety of the merchandise sold in our stores, and changes in laws and regulations in China. Furthermore, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past due to reasons not relating to themselves, and our Shares may also be subject to changes in price not directly related to our performance.

Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution by a pro forma combined net tangible assets value of HK$3.16 per Share, based on the maximum offer price of HK$3.80.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible assets value per Share.

Future sales by our Company's current shareholder of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of our Shares

Future sales of a substantial number of the Shares by our current shareholder, or the possibility of such sales, could negatively impact the market price of the Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholder are subject to certain lock-up undertakings for periods ending six to twelve months after the date on which trading in the Shares commences on the Stock Exchange, details of which are set out in the section headed "Underwriting". While we are not aware of any intention of our Controlling Shareholder to dispose of significant amounts of Shares after the completion of the lock-up periods, there is no assurance that it will not dispose of any Shares it now owns or may own in the future.

Prior dividend distributions are not an indication of our future dividend policy

During 2007, RMB1,064.0 million dividends were declared by the equity holders of Zhongzhao Investment Management, Maoye China, Maoye Shennan, Maoye Huaqiangbei, Maoye Oriental Times and Zhuhai Maoye. On March 22, 2008, the Company further declared a dividend of HK$80.0 million (equivalent to approximately RMB72.6 million, assuming an exchange rate of HK$1.00 = RMB0.9076) to our equity holder. All declared dividends have been fully settled. The sources of funding for payment of such dividends are our operating cash flow and repayment by the Controlling Shareholder Group of amounts due to our Group.

You should note that the foregoing dividend distributions are to our equity holders prior to the Global Offering only, and that historical dividend distributions are not indicative of our future distribution policy. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Cayman Islands Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in China, which are subject to restrictions described in "– Payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under PRC law."

Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the retail industry in this prospectus are derived from various official government information and may not be reliable

Certain facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy or the PRC retail industry have been derived from official government information generally believed to be reliable. We have taken reasonable care in reproducing these facts and statistics in this prospectus from their respective official government information. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of its or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. You should not put undue weight or importance on such facts, forecasts or statistics.

You may face difficulties in protecting your interests due to less protection to minority shareholders under Cayman Islands law

We are incorporated under Cayman Islands law and our corporate affairs are governed by our Memorandum and Articles and by the Cayman Islands Companies Law and common law of the Cayman Islands. The Cayman Islands Companies Law and related laws provide less protection to minority shareholders' interests compared with statutes and judicial precedents in existence in Hong Kong or some other jurisdictions. For instance, the Cayman Islands does not have a statutory equivalent of section 168A of the Hong Kong Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. More details are set forth in "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix V to this prospectus.

Investors should read the entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and/or the Global Offering.

There has been press coverage regarding us and the Global Offering in certain news publications in Hong Kong on, amongst other dates, January 11, 2008 which included certain financial information, profit forecasts and other information about us (the "Information"). We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of the Information and that the Information was not sourced from or authorized by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Information and the underlying assumptions. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in the retail market in the PRC and elsewhere;
- our strategy, business plans, objectives and goals;
- our capital expenditure plans;
- our dividend distribution plans;
- the prospective financial information regarding our business;
- our future financial condition and results of operations;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the PRC, the United States, Europe, Asia and elsewhere; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as “believe”, “seek”, “intend”, “anticipate”, “estimate”, “project”, “forecast”, “plan”, “potential”, “will”, “may”, “should”, “going forward”, “expect” and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this prospectus, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward-looking statements merely reflect our current view with respect to future events as of the date of this prospectus and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

We caution you not to place undue reliance on these forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

I. CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Hong Kong Listing Rules after the Listing. Our Company has received from the Hong Kong Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirement set out in Chapter 14A of the Hong Kong Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set out in the section headed "Relationship with the Controlling Shareholder and Connected Transactions" in this prospectus.

II. MANAGEMENT PRESENCE

Rule 8.12 of the Hong Kong Listing Rules requires that a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in China, our senior management members are and will therefore continue to be based in China. At present, Mr. Lu Fa Chee, our executive Director and company secretary, is ordinarily resident in Hong Kong, but none of the other executive Directors are Hong Kong residents or based in Hong Kong. We have applied to the Hong Kong Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12.

We have received from the Hong Kong Stock Exchange a waiver from compliance with Rule 8.12 of the Hong Kong Listing Rules subject to the following conditions:

(a) We will appoint two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules who will act as our principal communication channel with the Hong Kong Stock Exchange. The two authorized representatives to be appointed are Mr. Lu Fa Chee, our executive Director and company secretary, who is ordinarily resident in Hong Kong, and Mr. Wang Guisheng, our executive Director and chief financial officer and qualified accountant. Each of the authorized representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or e-mail. Each of the two authorized representatives has been duly authorized to communicate on our behalf with the Hong Kong Stock Exchange;

(b) We have appointed a compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules who will also act as our communication channel with the Hong Kong Stock Exchange;

(c) Both authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby (a) each Director will provide his or her mobile phone number, residential phone number, fax number and e-mail address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is traveling; and (c) each Director will provide his or her mobile phone number, residential phone number, office phone number, fax number and e-mail address to the Hong Kong Stock Exchange; and

(d) We have provided the Hong Kong Stock Exchange with the contact details of all our Directors to facilitate the communication with the Stock Exchange. All executive Directors and independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that either they possess or will apply for valid travel documents to visit

Hong Kong and will be able to meet with the relevant members of the Hong Kong Stock Exchange within a reasonable period of time, when required.

III. PUBLIC FLOAT

According to Rule 8.08 of the Hong Kong Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the "minimum prescribed percentage" of 25% of our issued share capital in the hands of the public. We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion, and the Hong Kong Stock Exchange has agreed to exercise its discretion, pursuant to Rule 8.08(1)(d) of the Hong Kong Listing Rules, to permit a lower public float percentage of our Company subject to the conditions that our Company shall have a minimum public float percentage of not less than the higher of (i) 15% of our issued share capital and (ii) the percentage of our Shares held by the public immediately after the exercise, if any, of the Over-allotment Option, and the market value of the Shares in public hands at time of the Listing will be not less than HK$2.5 billion. In addition, we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus and confirm sufficiency of our public float in our successive annual reports after the Listing in full compliance with Rule 8.08(1)(d) of the Hong Kong Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date. If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners, on behalf of the Underwriters, the Global Offering will not proceed. The Global Offering is managed by the Joint Bookrunners.

For further information about the Underwriters and the underwriting arrangements, see "Underwriting".

SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the US.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" and on the relevant Applications Forms.

The content of our websites do not form part of this Prospectus. No reliance shall be made on the content of our websites.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares and any Shares which may be sold pursuant to the exercise of the Over-allotment Option. Dealings in our Shares on the Hong Kong Stock Exchange are expected to commence on or about May 5, 2008. None of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares. None of us, the Joint Bookrunners, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, Shares.

OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs, as stabilizing manager (the "Stabilizing Manager"), or any person acting for it, on behalf of the underwriters, may over allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the underwriters are required to purchase in the Global Offering. "Covered" short sales are short sales made in an amount not greater than the Over-allotment Option and "covered" short position is any short position, including any such position created as a result of any covered short sales or other sales, in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by exercising the Over-allotment Option to purchase additional Shares in consultation with the Joint Bookrunners, purchasing Shares in the open market or through stock borrowing arrangements or a combination of these means.

In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be sold under the Over-allotment Option, namely 129,450,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager which may also take place during the stabilization period, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on May 23, 2008, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

For the purpose of covering any covered short position, including any covered short position created by over-allocations, the Stabilizing Manager or its affiliates may borrow from Maoye Investment up to 129,450,000 Shares, equivalent to the maximum number of Shares to be sold on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager and Maoye Investment on or about April 24, 2008. The loan of Shares by Maoye Investment pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.7(1)(a) of the Hong Kong Listing Rules which restricts the disposal of Shares by the Controlling Shareholder subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Hong Kong Listing Rules:

(i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;

(ii) the maximum number of Shares which may be borrowed from Maoye Investment must not exceed the maximum number of Shares which may be sold upon the full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Maoye Investment or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;

(iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(v) no payments will be made to Maoye Investment by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by its principal registrar, Offshore Incorporations (Cayman) Limited, in the Cayman Islands and our Company's branch register of members will be maintained by its branch registrar in Hong Kong, Tricor Investor Services Limited.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROCEDURE FOR APPLYING FOR THE HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering".

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Name	Residential Address	Nationality
DIRECTORS		
Executive Directors		
Mr. Huang Mao Ru	Block 2-12A Du Shi Garden, Fu Tian District, Shenzhen, Guangdong Province, PRC	Belize
Mr. Zou Minggui	Block 13, Bi Hai Yun Tian, Qiao Cheng East Road, Shenzhen, Guangdong Province, PRC	Chinese
Mr. Wang Guisheng	Room 515, Block 1, C District, Yi Feng Garden, Cai Tian North Road, Fu Tian District, Shenzhen, Guangdong Province, PRC	Chinese
Mr. Lu Fa Chee	Flat G, 7/F, Block 1, Bamboo Mansions, Whampoa Garden, Hung Hom, Kowloon	Chinese
Non-executive Directors		
Mr. Zhong Pengyi	Room 10B, Block 2, Phase 1, Huang Pu Ya Yuan, Fu Zhong Road, Fu Tian District, Shenzhen, Guangdong Province, PRC	Chinese
Mrs. Huang Jingzhang	Block 2-12A Du Shi Garden, Fu Tian District, Shenzhen, Guangdong Province, PRC	Belize
Independent Non-executive Directors		
Mr. Chow Chan Lum	4C1 Wisdom Court, 5 Hatton Road, Mid-Level, Hong Kong	Australian
Mr. Pao Ping Wing	15F3, King Wing Bldg., Whampoa Estate, Hunghom, Kowloon, Hong Kong	Chinese
Mr. Leung Hon Chuen	11-B, Monticello, 48 Kennedy Road, Mid Levels, Hong Kong	Canadian

PARTIES INVOLVED

Joint Global Coordinators and Joint Sponsors	Goldman Sachs (Asia) L.L.C. 68th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 15, HSBC Main Building 1 Queen's Road Central Hong Kong
	UBS AG 52/F, Two International Finance Centre 8 Finance Street, Central Hong Kong

Joint Bookrunners and Joint Lead Managers	Goldman Sachs (Asia) L.L.C. 68th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 15, HSBC Main Building 1 Queen's Road Central Hong Kong
	UBS AG 52/F, Two International Finance Centre 8 Finance Street, Central Hong Kong
	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom
Reporting Accountants	Ernst & Young 18/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Legal advisors to our Company	*as to Hong Kong law and United States law* Morrison & Foerster 41/F, Edinburgh Tower The Landmark 15 Queen's Road Central Central Hong Kong
	as to PRC law King & Wood PRC Lawyers 28th Floor, LANDMARK, 4028 Jintian Rd., Futian District, Shenzhen 518026 PRC
	as to Cayman Islands law Conyers Dill & Pearman Cricket Square, Hutchins Drive Grand Cayman KY1-1111 Cayman Islands

Legal advisors to the Joint Sponsors and the Underwriters	*as to Hong Kong law and United States law* Herbert Smith 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong
	as to PRC law Commerce & Finance Law Offices 6F, NCI Tower A12 Jianguomenwai Avenue Beijing 100022 PRC
Property valuer	CB Richard Ellis 34/F Central Plaza 18 Harbour Road Wanchai, Hong Kong
Receiving bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong
	Industrial and Commercial Bank of China (Asia) Limited 34/F, ICBC Tower 3 Garden Road Central Hong Kong

Registered office	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112 Cayman Islands
Principal place of business and head office in the PRC	39/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, PRC
Place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance	Room 1810, 18/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong
Company Websites	www.maoye.cn www.cpds.cn (The contents of these websites do not form part of this prospectus)
Company secretary	Lu Fa Chee, Solicitor (HK, England & Wales)
Qualified accountant	Wang Guisheng *(ACCA, CICPA)*
Authorized representatives	Lu Fa Chee, Solicitor (HK, England & Wales) Wang Guisheng *(ACCA, CICPA)*
Compliance advisor	First Shanghai Capital Limited
Audit committee	Mr. Chow Chan Lum (chairman) Mr. Leung Hon Chuen Mr. Pao Ping Wing
Remuneration committee	Mr. Pao Ping Wing (chairman) Mr. Chow Chan Lum Mrs. Huang Jingzhang
Principal share registrar and transfer office	Offshore Incorporations (Cayman) Limited
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Industrial and Commercial Bank of China The Bank of East Asia (China) Limited Agricultural Bank of China

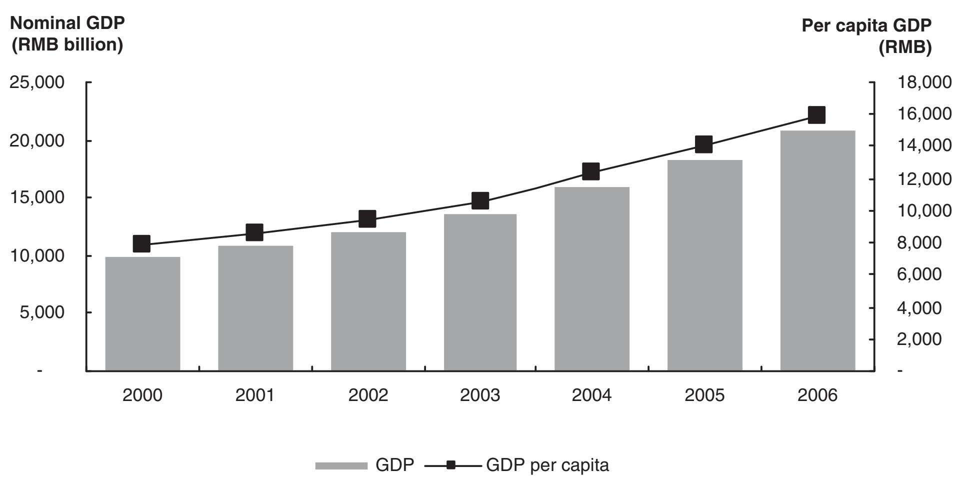
This and other sections of this prospectus contain information relating to China, the PRC economy and the PRC and the industries markets in which we operate which has been derived from various publicly available government publications. We have taken such care we consider reasonable in the extraction, compilation and reproduction of the information presented in this section. None of us, the Joint Bookrunners, the Underwriters or any of their respective affiliates or advisors has independently verified the information directly or indirectly derived from official government sources, and such information may not be consistent with other information compiled within or outside China. We make no representation as to the correctness or accuracy of such government official information, and, accordingly, such government official information should not be unduly relied on.

OVERVIEW OF THE PRC ECONOMY

PRC Economic Growth and Urbanization

Since the introduction of economic reforms by the PRC government in the late 1970, the PRC economy has grown significantly. According to the National Bureau of Statistics of China, from 2000 to 2006, the PRC's nominal GDP grew from RMB9,921 billion to RMB20,941 billion, representing a compound annual growth rate, or CAGR, of 13.3%. During the same period, the PRC's per capita GDP also increased from RMB7,858 to RMB15,931, representing a CAGR of 12.5%. In 2006, the PRC's nominal GDP reached RMB20,941 billion, an increase of RMB2,633 billion, or 14.4%, from that in 2005. According to National Bureau of Statistics of China, the PRC's real GDP, or inflation adjusted GDP, grew by 10.7% from 2005 to 2006. The following chart sets forth the PRC's nominal GDP and per capita GDP in each of the years from 2000 to 2006.

Annual Nominal GDP and GDP per capita



Source: National Bureau of Statistics of China

The International Monetary Fund estimated in its World Economic Outlook Database, April 2007 edition that real GDP in the PRC will grow at an annual growth rate of 10% and 9.5% in 2007 and 2008, respectively, which would outpace most of the economies in the world. The table below illustrates the forecasted growth rate of real GDP in major economies in the world for the years 2007 and 2008, extracted from the World Economic Outlook Database, April 2007 edition, published by the International Monetary Fund:

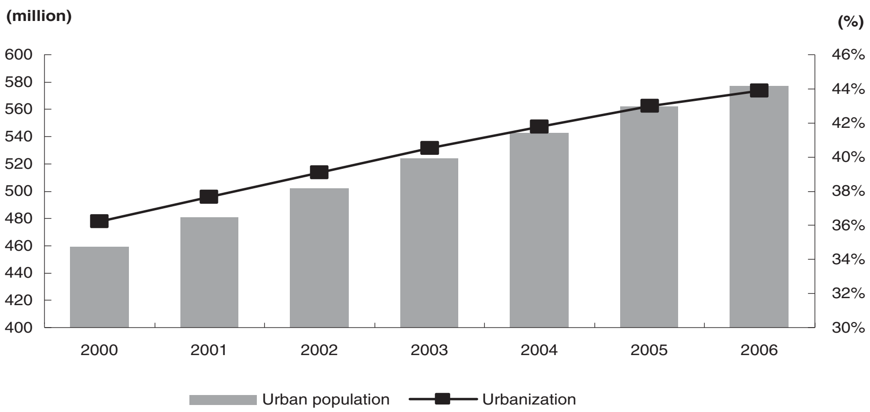
Real GDP Growth Rate (Forecasted)

	Year 2007	Year 2008
China	10.0	9.5
Emerging Asia	8.8	8.4
Singapore	5.5	5.7
Hong Kong	5.5	5.0
Euro area	2.3	2.3
Japan	2.3	1.9
USA	2.2	2.8

Source: International Monetary Fund, World Economic Outlook Database, April 2007 edition

The PRC's economic growth has been accompanied by rapid urbanization. According to the National Bureau of Statistics of China, the total urban population in the PRC increased from 459 million as of December 31, 2000 to 577 million as of December 31, 2006, representing an increase of 25.7%, while the rural population in the PRC decreased by 8.8% during the same period. Urban population as a percentage of total population increased from 36.2% in 2000 to 43.9% in 2006. The chart below sets forth the total urban population and urban population as a percentage of total population in China as of the end of the period indicated.

Total Urban Population and Urbanization



Source: National Bureau of Statistics of China

Growth in Personal Wealth and Consumption

The average per capita disposable income of Chinese urban households for all economic classes has increased in recent years. The following table sets out the average per capita disposable income of the different economic classes and the respective compound annual growth rates for the periods indicated.

Growth in Household Disposable Income

	Lowest	Low	Lower Middle	Middle	Upper Middle	High	Highest
			(in RMB, other than %)				
Percentage of PRC population	10%	10%	20%	20%	20%	10%	10%
2000	2,653	3,634	4,624	5,898	7,487	9,434	13,311
2001	2,803	3,856	4,947	6,366	8,164	10,375	15,115
2002	2,409	3,649	4,932	6,657	8,870	11,773	18,996
2003	2,590	3,970	5,377	7,279	9,763	13,123	21,837
2004	2,862	4,429	6,024	8,167	11,051	14,971	25,377
2005	3,135	4,885	6,711	9,190	12,603	17,203	28,773
2006	3,569	5,540	7,554	10,270	14,049	19,069	31,967
Compound annual growth rate (2000 to 2006)	5.07%	7.28%	8.52%	9.68%	11.06%	12.44%	15.72%

Source: National Bureau of Statistics of China

The above data demonstrate that the higher the economic class of the household is, the faster the compound annual growth in the average per capita disposable income of urban households. As a result, the average per capita disposable income for the middle to upper class, which has been expanding rapidly in China over the recent years, has been increasing faster than other classes for 2000 to 2005.

THE RETAIL INDUSTRY IN THE PRC

Overview

The significant size of the population and rapid GDP growth and urbanization of the PRC provide distributors of consumer goods in China with tremendous opportunities. Since the 1990s, the PRC government has instituted reforms in the retail industry to promote domestic consumption, including gradually opening up the domestic retail industry to foreign investors. The reforms have changed the retail industrial landscape in the PRC, where consumers today are offered a broad range of goods, both locally manufactured and imported from abroad, in various retailing formats comprising of department stores, supermarkets, hypermarkets, convenience stores, specialty stores, shopping mall, and retail outlets. Consumers are increasingly aware of the services and merchandise available to them at the various retail outlets.

As a result of this awareness, compounded with the increased disposable income of consumers and China's strong economic growth in the last decade, the retail industry has also been experiencing significant growth. According to the National Bureau of Statistics of China, retail sales of consumer goods in China increased from approximately RMB 3,415 billion in 2000 to approximately RMB 7,641 billion in 2006, representing a compound annual growth rate of 14.4%. The following table sets out total retail sales of consumer goods in the PRC in nominal terms and as a percentage of nominal GDP for the periods indicated.

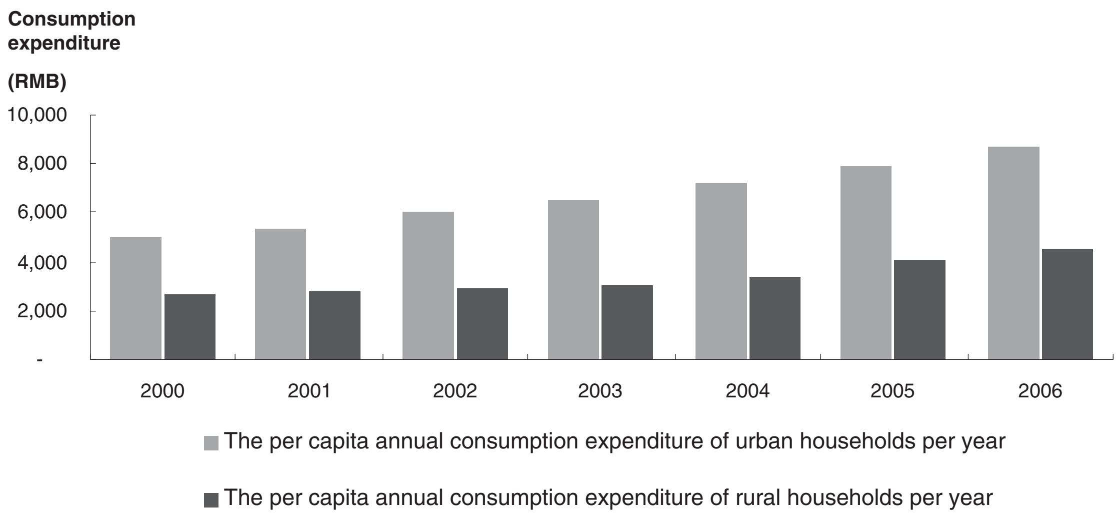
Retail Sales of Consumer Goods

	2000	2001	2002	2003	2004	2005	2006
Retail sales (RMB in billions)	3,415	3,760	4,203	4,584	5,395	6,718	7,641
Retail sales as % of GDP	34.4%	34.3%	34.9%	33.8%	33.7%	36.7%	36.5%

Source: National Bureau of Statistics of China

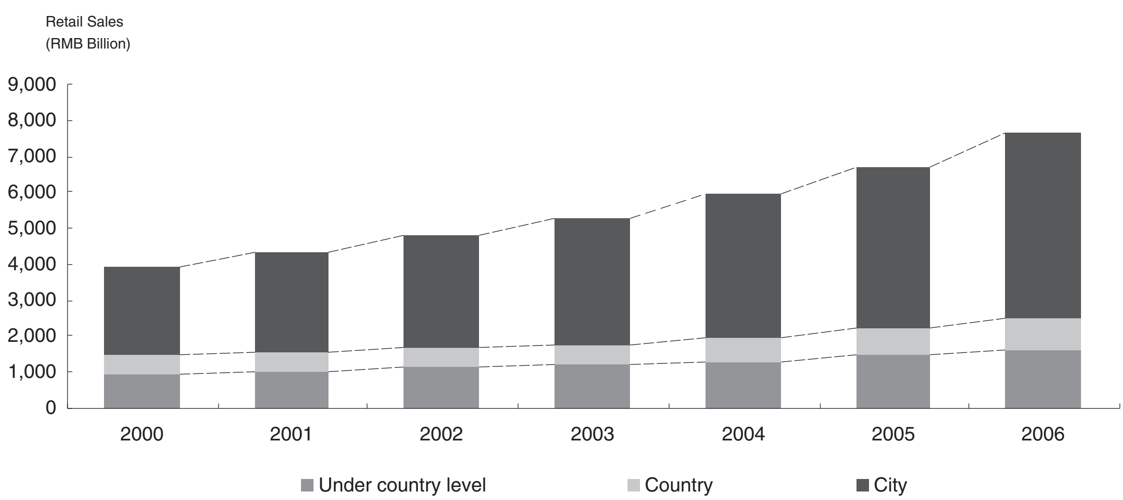
According to CEIC Data Company Ltd, or CEIC, retail sales in urban areas as a percentage of total retail sales has been increasing over the last ten years, due to the fact that urban households have significantly increased disposable income and hence more capability and willingness to spend in order to improve their living standards, as well as the fact that there are relatively more retail formats in urban areas. According to CEIC, from 2000 to 2006 the per capita consumption expenditures of urban households increased from approximately RMB4,998 to RMB8,697, representing a CAGR of 9.7%, and the per capita consumption expenditures of rural households per year increased from RMB2,652 to RMB4,485, representing a CAGR of 9.2%. The following charts show the relative retail sales of consumer goods in city areas as compared to county and other rural areas, as well as the per capita consumption expenditures of urban households and the per capita consumption expenditures of rural households.

Per Capita Consumption Expenditures of Urban and Rural Households



Source: CEIC

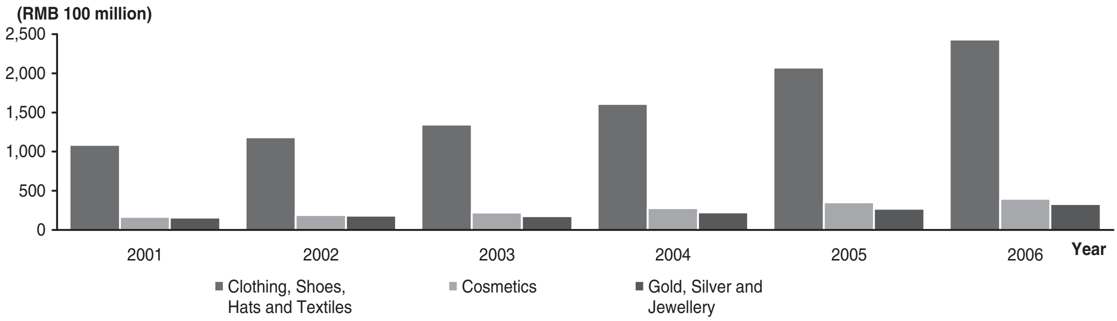
Retail Sales of Consumer Goods of City, Country and Under Country Level



Source: National Bureau of Statistics of China

As a result of the increase in disposable income and the growing demand of branded products and pursuit of modern lifestyles, sales of key non-grocery consumer products, such as cosmetics, clothing and jewelry, have increased. The chart below shows the total retail sales of key non-grocery consumer products in the PRC during the period from 2001 to 2006:

Retail Sales of Key Non-Grocery Products



Source: National Bureau of Statistics of China

Accession to the WTO and PRC's Eleventh Five-Year Plan

China became a member of the WTO in December 2001 and opened some of its previously protected domestic markets to foreign investments, including the retail industry. All foreign retailers, starting from December 11, 2004, have been able to establish wholly-owned business in the PRC, whereas prior to China's entry into the WTO, the retail industry in the PRC was heavily regulated, under which foreign investments in China's retail industry were prohibited.

The accession to the WTO also brought about a reduction in import tariffs, resulting in a wider variety of foreign goods at reduced retail prices available to PRC consumers. We believe the reduction in import tariffs benefits certain retail formats, such as department stores, shopping centers and supermarkets, which provide a wide and diversified product offering to consumers.

In addition, under the PRC's Eleventh Five-Year Plan published by the Xinhua News Agency in March 2007, one of the government's stated aims for the period from 2006 to 2010 is to bring more balance to the economy by reducing China's dependence on fixed asset investment and increasing the influence of personal consumption on economic growth. With this increased focus on personal consumption as a key component of GDP growth, we believe consumption, particularly of consumer goods, will continue to grow at a rapid pace in the coming years.

THE DEPARTMENT STORE INDUSTRY IN THE PRC

Overview

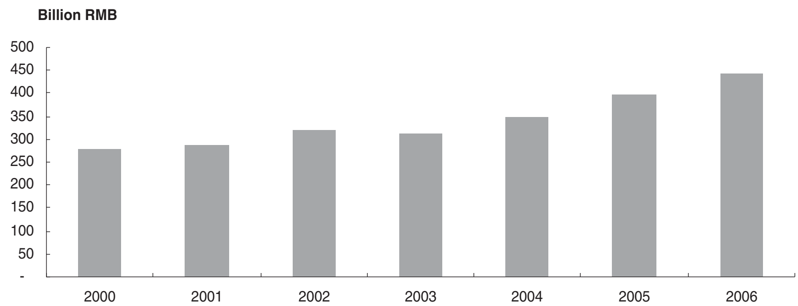
Euromonitor International defines a department store as a retail outlet that has a sales area of over 2,500 square meters, selling mainly non-grocery merchandise and at least five lines in different departments, usually arranged over several floors. Examples of department stores include Parkson, Golden Eagle, and Intime in China; Macy's, Bloomingdale's, Sears, JC Penney in the United States and Harrods in the United Kingdom. The department store market in the PRC is rather fragmented. According to Euromonitor International, the top ten department store groups in the Chinese market had a combined market share of 10.5% in 2006 in terms of retail revenue excluding sales tax.

As PRC consumers become more affluent, their shopping habits are changing as well. Previously, PRC consumers shopped to purchase necessities; nowadays consumers may shop to enjoy the experience and purchase merchandise besides necessities. Department stores generally offer more lifestyle shopping experience than other retail formats, such as supermarkets or hypermarkets, and can meet a consumer's desire for a better lifestyle. According to the Circular on Implementing National Standard Retail Trade Classification 2004 issued by the Ministry of Commerce of China in October 2004, the target customers of department stores are mainly modern customers with fashion and taste consciousness.

Department Store Industry Market Size

As demand increases, department stores in the PRC have been growing in their total market size. The following chart shows the historical market size of department stores in China for the period from 2000 to 2006.

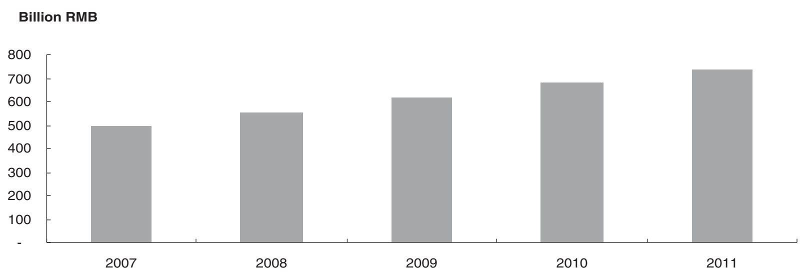
Market Size of Department Stores



Source: Euromonitor International

As a result of increasing disposable household income, PRC consumers are now more willing and better able to increase their consumption. According to a report issued by Euromonitor International in 2007, retail sales by department stores in the PRC is expected to continue to grow in the next few years. Euromonitor International estimates that retail revenue by department stores excluding sales tax in the PRC will reach approximately RMB785 billion by 2011.

Forecast of Market Sizes of China Department Stores



Source: Euromonitor International

Chain Department Stores

The chain retail format has been growing rapidly in China. According to the 2006 Statistical Yearbook of China Retail Corporations in Chain compiled by the National Bureau of Statistics of China, the Ministry of Commerce of China and the China General Chamber of Commerce Information Department, in 2005 there were a total of 3,438 department store outlets in the PRC, which are defined as retail outlets that sell mainly non-grocery merchandise representing an increase of approximately 12% over the previous year.

Chain department stores generally offer similar store settings, layout, variety of merchandise and services throughout their network of stores in an attempt to build brand loyalty. Therefore, we believe chain department stores with a regional or national network are more likely to capture customers both locally and regionally. Department stores with a regional presence generally have a significant market share in local areas. This creates a relatively high barrier to entry for department stores that only operate locally. Regionalization also occurs in the supply chain of retail formats. As it is common that different agents for a particular brand operate in different regions, department stores often develop strong supplier relationships on a regional basis. We believe that distributors and suppliers predominantly operate on a provincial basis as opposed to on a national level.

THE ECONOMY OF ASSOCIATED LOCAL AREAS

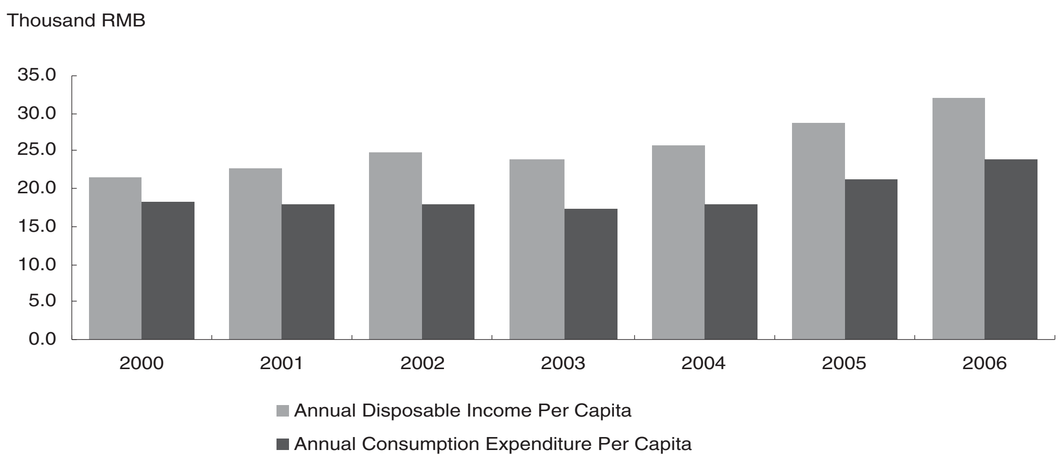
Our stores are mainly located in Shenzhen, Zhuhai, Chongqing, Chengdu and other cities in Sichuan Province, which are generally recognized as relatively affluent regions in the PRC.

Shenzhen

Shenzhen, a special economic zone bordering Hong Kong, is a sub-provincial city of Guangdong province in southern China. Since the late 1970s, it has been one of the fastest growing cities in the world. Shenzhen's economy has grown tremendously over the past years, with its nominal GDP surpassing US$60 billion and export value topping US$100 billion in 2006. Shenzhen's foreign trade and fiscal revenue has also grown substantially, and Shenzhen boasts the highest per capita GDP among all mainland Chinese cities.

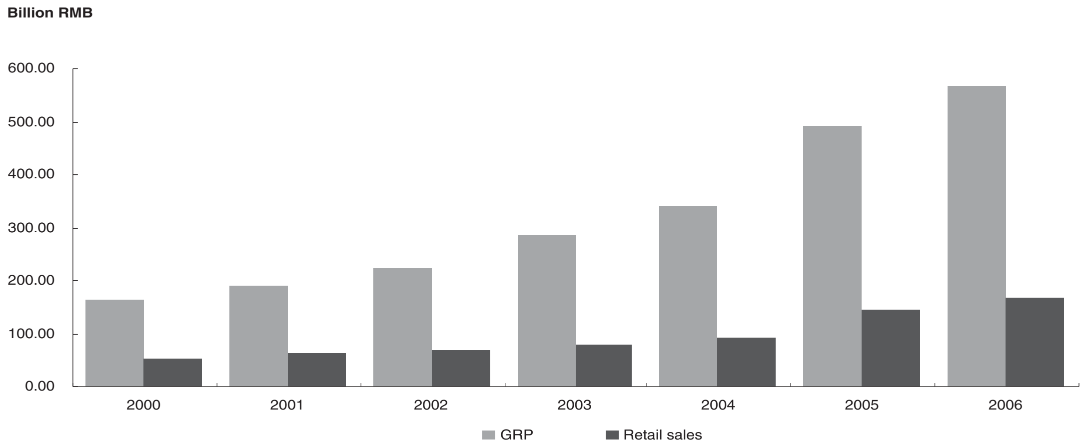
According to CEIC, coupled with the rapid increase in GRP in Shenzhen for the past seven years, annual disposable income per capita in Shenzhen increased from approximately RMB21,600 in 2000 to RMB32,000 in 2006, substantially enlarging consuming capacity of local residents. Retail sales also increased from approximately RMB54 billion in 2000 to RMB167 billion in 2006, representing a CAGR of 21%. According to CEIC, Shenzhen's annual consumption expenditure per capita increased from approximately RMB18,200 in 2000 to RMB 24,000 in 2006. The following charts set forth the growth in Shenzhen during the past seven years in terms of overall local economic indicators and per capita measurements.

Annual Per Capita Disposable Income and Consumption Expenditure in Shenzhen



Source: CEIC

Annual GRP and Retail Sales in Shenzhen

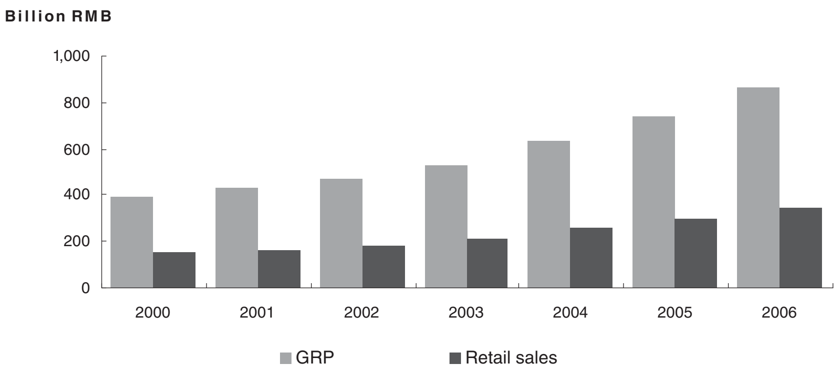


Source: CEIC

Sichuan Province

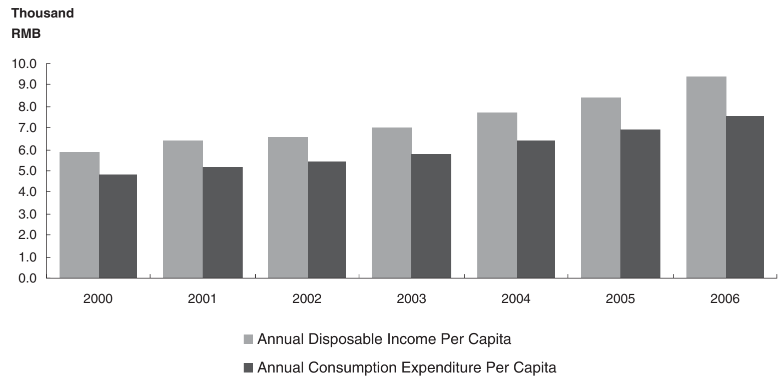
Sichuan Province is one of the major agricultural and industrial bases in China. As one of most populated provinces in China with a population of approximately 81.7 million people and supported by the Chinese government's national plan to develop the economy of southwestern China, Sichuan has experienced accelerated economic growth over the last several years. During the past seven years, both GRP and retail sales of Sichuan Province more than doubled. The annual disposable income and consumption expenditure per capita increased by approximately 50% as well. The following charts show nominal GRP, retail sales, and the annual disposable income per capita of Sichuan Province.

Annual GRP and Retail Sales in Sichuan Province



Source: CEIC

Annual Per Capita Disposable Income and Consumption Expenditure in Sichuan Province



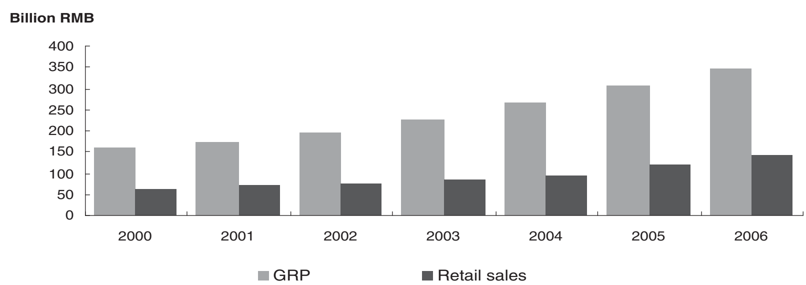
Source: CEIC

Chongqing

Chongqing is the only municipality in western China directly administrated by the central government. Located on the upper reaches of the Yangtze River, Chongqing is southwest China's biggest industrial and commercial center, communications hub, and inland port. Since the city became a municipality in 1997, according to CEIC, the size of Chongqing economy has grown on average by 10.2% annually. In 2006, the city's nominal GRP was RMB 349 billion, and GRP per capita was RMB 12,437 according to CEIC.

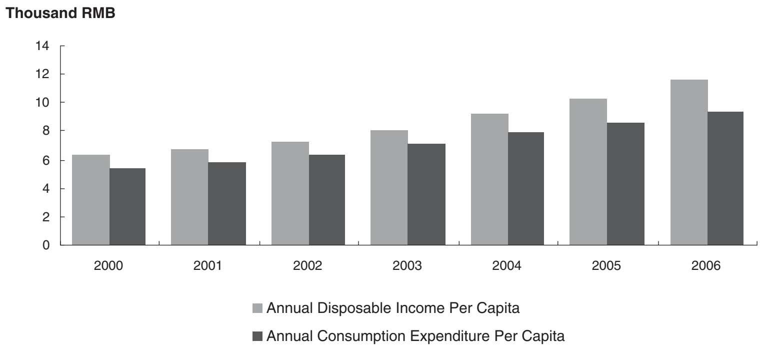
From 2000 to 2006, Chongqing's retail sales more than doubled, from RMB 64.36 billion to RMB 140.36 billion according to CEIC, driven by the increasing purchasing power of its residents. According to CEIC, annual disposable income per capita increased from RMB 6,276 to RMB 11,570 over the same period, constituting a rise of 84%, while annual consumption expenditure per capita increased from RMB 5,475 to RMB 9,399.

Annual GRP and Retail Sales in Chongqing



Source: CEIC

Annual Per Capita Disposable Income and Consumption Expenditure in Chongqing



Source: CEIC

Zhuhai

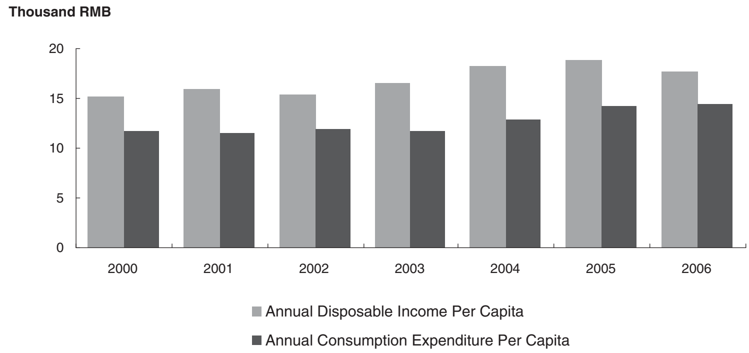
Zhuhai, a city established in 1979, is situated at the southern part of Guangdong Province. It is 140 km away from the city of Guangzhou and is on the coast of the South China Sea. For over 20 years, Zhuhai, as one of China's special economic zones, has made significant achievements in its economy.

In 2006, Zhuhai reached a GRP of RMB 75 billion, with per capita GRP of RMB 52,317, according to CEIC. This represents a 16.1% growth as compared to 2005. According to CEIC, from 2000 to 2006, Zhuhai's urban residents' annual disposable income per capita increased from RMB 15,114 to RMB 17,671, with annual consumer spending per capita rising from RMB 11,690 to RMB 14,426. Retail sales in the city for the same period also increased from RMB 11.5 billion to RMB 25.6 billion, according to CEIC.

Annual GRP and Retail Sales in Zhuhai

Source: CEIC

Annual Per Capita Disposable Income and Consumption Expenditure in Zhuhai



Source: CEIC

REGULATION

Overview

Since the 1990s, the PRC has been gradually relaxing its restrictions on foreign investment in the commercial retail and logistics sectors. However, prior to the PRC's entry into the WTO, foreign investors were still severely restricted from providing retail services in the PRC for both their own operations and for third parties. The following depict some of the key milestones of PRC's movement since the 1980s towards relaxing restrictions on foreign investments in the retail sector:

- In July 1992, trial operations of one to two Sino-foreign equity joint venture or Sino-foreign cooperative joint venture commercial retail enterprises were carried out in each of Beijing, Shanghai, Tianjin, Guangzhou, Dalian, Qingdao and five special economic zones. Under *Response to the Application of Foreign Capital on the Commercial Retail Industry* (the "Application of Foreign Capital Response") issued by the State Council, foreign invested commercial enterprises became subject to the review and approval of the State Council through the reports of local governments. The operating scope of foreign invested commercial enterprises included department store retail business and import and export business.

- In June 1999, the permitted geographic coverage of Sino-foreign equity and cooperative joint venture commercial retail enterprises was expanded by the *Measures for Commercial Enterprises with Foreign Investment* (the "Commercial Enterprises Measures") issued by the State Council, the State Economic and Trade Commission and Ministry of Foreign Trade & Economic Cooperation ("MOFTEC", later restructured into the Ministry of Commerce, "MOC") to capital cities of provinces and autonomous regions, municipalities directly under the central government, special economic zones and municipalities under independent development plans. Wholly foreign-invested enterprises were not allowed to be established in the industry at that time. Moreover, the establishment of Sino-foreign equity or co-operative joint ventures had to comply with commercial development planning rules in the relevant area. To gain access to the PRC market, non-PRC retailers had to apply for permission from the PRC government in accordance with the Commercial Enterprises Measures, which required high market entry thresholds. The Commercial Enterprises Measures were abolished when the *Measures of Administrations of Foreign Investment in Commercial Sector* (the "New Commercial Enterprises Measures") took effect from June 1, 2004.

- To fulfill the PRC's WTO commitment in respect of the opening up of its distribution services sector, the MOC issued the New Commercial Enterprises Measures on April 16, 2004, which was implemented on June 1, 2004. There are a number of major changes in the New Commercial Enterprises Measures, including permitting foreign investors to engage in the operation of distribution services on a wholly-owned basis from

December 11, 2004. The New Commercial Enterprises Measures is also expected to gradually enlarge the geographical coverage of foreign-invested commercial enterprises and lower the market entry threshold. After the implementation of the New Commercial Enterprises Measures, foreign investors and operators may engage in the retail business in the PRC on a wholly owned basis and expand into geographical areas which were not opened to foreign investors for retail operations.

Retail Industry Foreign Investment Laws and Regulations in the PRC

The New Commercial Enterprises Measures provides for a one-step procedure under which foreign investors can apply to establish both commercial enterprises and open retail stores at the same time in accordance with simplified procedures and clear guidelines.

According to the New Commercial Enterprises Measures, a foreign-invested commercial enterprise must nevertheless meet the following conditions:

- a minimum registered capital of RMB30,000 in compliance with the requirement of PRC Company Law;
- compliance with the standard total investment and registered capital requirements for foreign invested enterprises; and
- in general, having a term of operation not exceeding 30 years, or 40 years if in the western region of the PRC.

The procedures for establishing a foreign-invested commercial enterprise involve the submission of an application which shall include a project proposal, feasibility study and other relevant documents required to the relevant provincial commerce department for preliminary approval. Upon receiving preliminary approval, an application will then need to be submitted to the MOC for approval.

Moreover, the foreign-invested commercial enterprise must meet the following conditions when opening retail stores:

- if the application is made simultaneously with the application for establishment of the commercial enterprise, the proposed store must conform with the applicable urban development plan and the commercial development plan of the city in which it is located; and
- if the application is made subsequent to the establishment of the enterprise, then in addition to meeting the above requirement, the enterprise must also have (a) undergone and passed the relevant annual inspections on time, and (b) received all of its registered capital from its investors.

The application process for opening a retail store is the same as for the establishment of a commercial enterprise if the store is to be opened within the same provincial region where the commercial enterprise is established, and does not concern the sale by television, telephone, mail order, internet, or vending machine, and does not concern the sale of certain specific commodities, including books, newspapers, magazines, automobile, pharmaceutical products, pesticides, fertilizers, refined oil products, grains, vegetable oil, sugar and cotton (collectively as "Specific Commodities"). The provincial commerce department shall be the approval authority if:

- The business area within the provincial region of a single store does not exceed 3,000 square meters; the number of stores does not exceed three; and the total number of similar stores opened in the PRC by the foreign-invested commercial enterprises does not exceed 30; or
- The business area of a single store does not exceed 300 square meters; the number of stores within the provincial region does not exceed 30; and the total number of similar stores opened in the PRC by the foreign-invested commercial enterprises does not exceed 300.

Under the New Commercial Enterprises Measures, the percentage of foreign investment in retailers in the PRC with more than 30 stores that are engaged in the sale of Specific Commodities (as defined therein) and with such commodities being of different brands and obtained from different suppliers should not exceed 49%. This percentage was increased to 65% from December 1, 2006 for foreign investment by Hong Kong and Macau service providers pursuant to the Supplementary Provisions (II) on the New Commercial Enterprises Measures promulgated by the MOC on November 3, 2006.

Pricing Law

Pursuant to the Pricing Law of the PRC ("Pricing Law") issued by the government of the PRC on December 29, 1997, determination of prices must be in line with the law of value; prices of most commodities and services shall be determined by the market, and prices of a small number of commodities and services can be government-guided prices or government-set prices. Market-regulated prices mean those prices determined independently by the providers of commodities and services (the "Providers"), and formed through market competition. Government-guided prices mean those prices determined by the Providers in accordance with the baseline prices and their range of fluctuations are set by competent price administrative departments or other government departments concerned based on the provisions of the Price Law. Government-set prices mean those prices determined by the competent price administrative departments or other government departments concerned in accordance with the Price Law, such as medical products and tobacco.

The Pricing Law further provides that when necessary the government may enforce government-guided or government-set prices for the prices of the following commodities and services:

- the prices of a small number of commodities vital for the economic development and people's life;
- the prices of a small number of commodities the resources of which are rare;
- the prices of commodities under natural monopoly management;
- the prices of essential public utilities; and
- the prices of essential non-profit services.

Pursuant to the Anti-unfair Competition Law of the PRC issued by the government of the PRC in 1993, operators are not allowed to sell merchandise at a price lower than cost to edge out competitors. Below-cost pricing in the following situations, however, is not considered inappropriate competitive behavior:

- sales of live and fresh foodstuffs;
- handling merchandise that will soon be expired or other overstocked merchandise;
- seasonal price reduction; and
- sales of merchandise at a reduced price because of settlement of indebtedness, change of business or close of business.

Licenses

Apart from obtaining the necessary business licenses for operating department stores, operating a department retail business in PRC requires certain other licenses and permits, depending on the products sold and therefore not all of which may be applicable to us, such as:

- a "Cigarette Sales Permit" for sales of cigarettes;
- a "Publications Operating Permit" for sales of books and newspapers;
- a "Medical Device Operation Enterprise Permit" for sales of various types of medical apparatus;

- an "Audiovisual Products Operation Permit" for sales of audiovisual merchandise;
- a "Hygiene Permit" for food sales; and
- a "Motorway Transportation Operation Permit" for delivery of goods purchased by customers.

A foreign-owned commercial enterprise may not be able to obtain the Cigarette Sales Permit and Audiovisual Products Operation Permit due to industry restrictions. A department store also needs to apply for other business licenses upon the request of the government's public control departments. For example, fire safety inspection of the building where a department store is to be operated is required and approval from the relevant fire department has to be obtained before commencement of business.

A Hygiene Permit for food sales is valid for a term of four years, and any renewal should be submitted to the relevant authority within 60 days before expiry. The validity period of a Cigarette Sales Permit varies, with a maximum of five years, and should be renewed within 30 days before expiry. A Medical Device Operation Enterprise Permit is valid for a term of five years and should be renewed within six months before its expiry. A Motorway Transportation Operation Permit is usually valid for a term of four years and should be renewed within 10 days before its expiry.

PRC Company Law and certain other legal requirements applicable to Chengshang as an A-share listed company

Chengshang is currently listed on the Shanghai Stock Exchange in the PRC. As a controlling shareholder, our dealings with and relating to Chengshang, including the exercise of voting and other rights, shall be governed by, and in compliance with, the applicable PRC securities and other laws and the listing rules of the Shanghai Stock Exchange.

The PRC Company Law provides that the board of directors of a joint stock company with limited liability shall decide on the business plans and investment plans, and these business plans and investment plans shall be reviewed and approved by shareholders at shareholders' meetings. The board of directors of a joint stock company with limited liability shall formulate its annual budgets and final financial accounts and subject such budgets and accounts to approval by its shareholders at shareholders' meetings. In addition, for a listed company, a resolution of the shareholders' meeting shall be required for the purchase or sale of major assets or the provision of guarantees that in the aggregate exceed 30% of the company's total assets within a year, and such resolution shall require the approval of two-thirds or more of the votes of the shareholders attending the shareholders' meeting.

Under the Share Listing Rules of the Shanghai Stock Exchange, a controlling shareholder is a related party of the listed company. Any transaction between the listed company and a related party with a value exceeding RMB3 million or 0.5% of the net asset value of the listed company based on its latest audited consolidated balance sheet, other than the guarantees provided by the listed company, shall be disclosed in a timely manner. Any guarantee provided by the listed company for a related party shall be approved by the board of directors of the listed company and disclosed in a timely manner; such guarantee shall also be submitted to the shareholders' meeting of the listed company for its shareholders' approval.

The Rules for Initial Public Offering and Listing of the Shares promulgated by the CSRC, which came into effect on May 18, 2006, further provide that the senior management personnel of any listed company, such as its general manager, deputy general manager, chief financial officer and the secretary of its board of directors, shall not serve in any position (other than as a director or supervisor) in, or receive any compensation from, the controlling shareholder, de facto controlling person or any entities controlled by them. The business of the listed company shall be independent from the controlling shareholder, de facto controlling person or any entities controlled by them, and there shall not be any competition or manifestly unfair related party transactions between the listed company and such controlling shareholder, de facto controlling person or any entities controlled by them.

In addition, under the Corporate Governance Guidelines for Listed Companies jointly issued by the CSRC and the former State Economic and Trade Commission (the responsibilities of which were taken over by National Development and Reform Commission in March 2003), which came into effect on January 7, 2002, a listed company shall implement effective measures to prevent its related parties from interfering with its operations or otherwise causing damages to its interests though engaging in such activities as monopolizing the supply or sales channels of the listed company. The personnel election or appointment resolutions duly adopted by the shareholders' meetings or the board of directors shall not be subject to approval by the controlling shareholder. All the major decisions relating to the listed company shall be made by its shareholders' meeting or board of directors in accordance with applicable laws, and the controlling shareholder may not directly or indirectly interfere with the decision-making of or the operational or production activities duly conducted by the listed company or otherwise act to the detriment of the interests of the listed company or other shareholders.

As a result, when managing our interests in Chengshang, we must comply with applicable laws, regulations and listing rules as well as the corporate governance rules of Chengshang. Our dealings with Chengshang, such as fund transfers and other transactions between Chengshang and other members of our Group, may be subject to, and shall be conducted in compliance with, various regulatory and listing requirements, such as public disclosure, public announcement and the approval of unrelated shareholders.

CORPORATE STRUCTURE AND HISTORY

GENERAL

Our Company was incorporated under the laws of the Cayman Islands on August 8, 2007 in anticipation of the listing of Shares on the Stock Exchange, and is the holding company of our Group. See "– The Reorganization" below for more information relating to our corporate structure and reorganization.

OUR HISTORY

We initially commenced our business in January 1996 when Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司) ("Maoye Shangsha") was established to operate our first department store, the Maoye Shenzhen Dongmen Store.

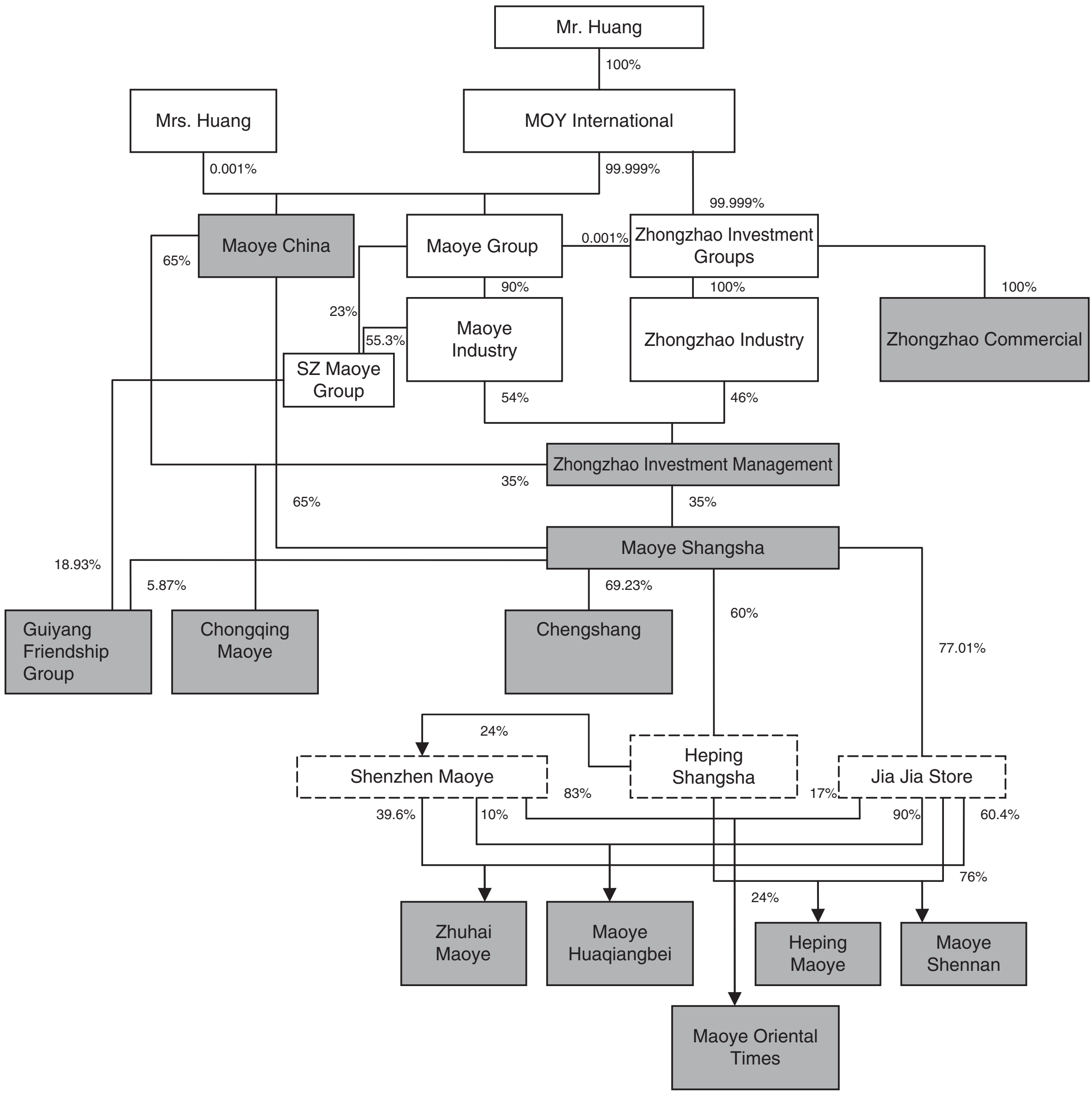
Since our inception in 1996, we have grown to become a leading department store chain in southern and southwestern China. The following are important milestones in our business history to date:

Year	Event
1996	Maoye Shangsha was established in January 1996.
1997	Maoye Shenzhen Dongmen Store commenced operation.
1999	Maoye Shenzhen Heping Store commenced operation.
2001	Maoye Zhuhai Store, our first department store outside Shenzhen, commenced operation.
2003	The first phase of Maoye Shenzhen Huaqiangbei Store commenced operation.
2004	Maoye Chongqing Jiangbei Store, our first department store in southwestern China, and Maoye Shenzhen Shennan Store commenced operation.
2005	We acquired a 65.75% equity interest in Chengshang, and held 74.25% equity interest after further acquisitions up to March 2006 in Chengshang.
	The second phase of the Maoye Shenzhen Huaqiangbei Store commenced operation.
2006	Chengshang completed its share reform, as a result of which our shareholding in Chengshang was reduced to 69.23%. Chengshang also made a lump-sum payment in compensation for its pre-existing employee benefit obligations.
2007	Maoye Wuxi Store, a managed store and the first Maoye-branded store in eastern China, commenced operation

We currently operate 13 self-run stores with four stores in Shenzhen and one in Zhuhai in Guangdong Province, one in Chongqing Municipality, and seven in Sichuan Province, including four in Chengdu, the capital city of Sichuan Province. Furthermore, we manage two Maoye-branded stores owned by the Controlling Shareholder Group under management agreements, with one such store in Chongqing and the other in Wuxi, Jiangsu Province, which is the first Maoye-branded store in eastern China.

OUR CORPORATE STRUCTURE

The following chart sets out our corporate and shareholding structure as of May 30, 2007, before our corporate reorganization described in "– The Reorganization".

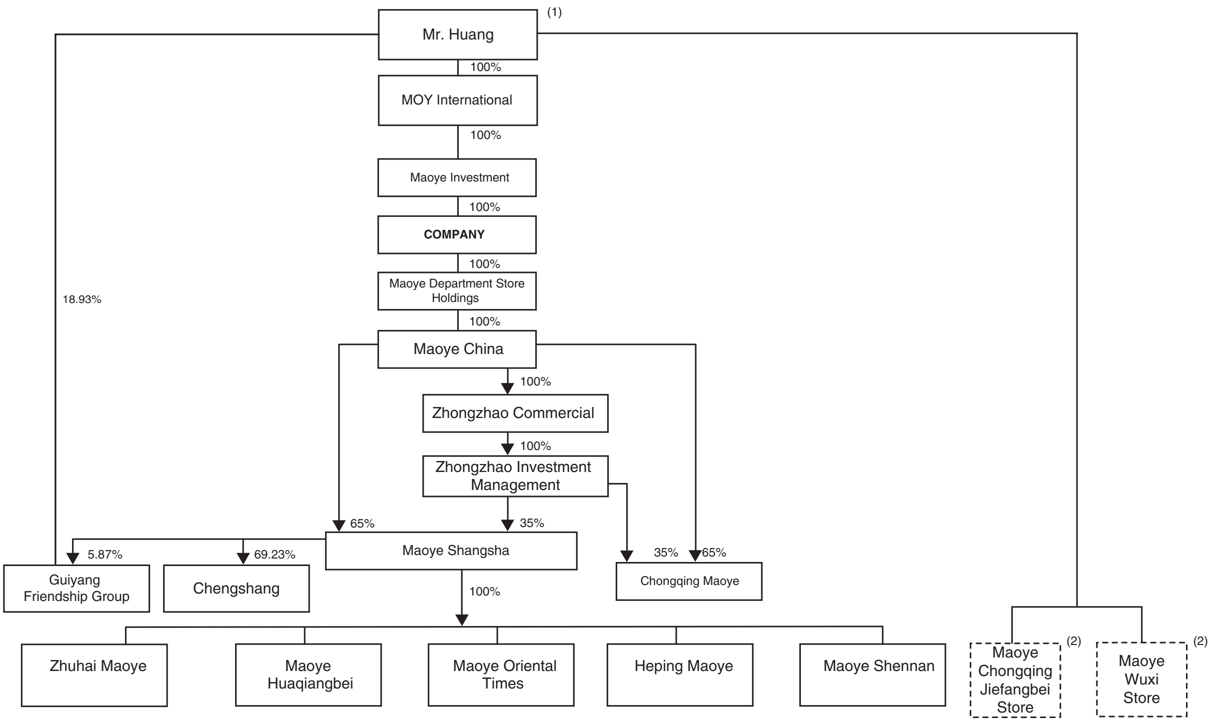


Members of our Group after the Reorganization (except for Guiyang Friendship Group)

Transferred out of our Group as part of the Reorganization and will become new member of the Controlling Shareholder Group

Controlling Shareholder Group

Our corporate and shareholding structure after the Reorganization as described in "– The Reorganization" below and immediately before the Global Offering is set out below.



(1) Mr. Huang owns the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store through Maoye Holdings Limited, a company incorporated in BVI and a member of the Controlling Shareholder Group. Mr. Huang, Maoye Holdings Limited and Richon Holdings Limited have granted us an option to purchase these two stores and the interest in Guiyang Friendship Group. See "Relationship with the Controlling Shareholder and Connected Transactions".

(2) Managed stores owned by the Controlling Shareholder Group.

HISTORY OF OUR CORPORATE STRUCTURE

Overview

Our Company operates primarily through its wholly-owned subsidiary in Hong Kong, Maoye Department Stores (China) Limited (茂業百貨(中國)有限公司) ("Maoye China"), which in turn owns, directly or indirectly through Zhongzhao Investment Management Company Limited (中兆投資管理有限公司) ("Zhongzhao Investment Management") and Zhongzhao Commercial Market Development (Shenzhen) Company Limited (中兆商業市場開發(深圳)有限公司) ("Zhongzhao Commercial"), seven PRC companies, namely Maoye Shangsha, Shenzhen Heping Maoye Department Store Company Limited (深圳市和平茂業百貨有限公司) ("Heping Maoye"), Shenzhen Maoye Department Store Shennan Company Limited (深圳市茂業百貨深南有限公司) ("Maoye Shennan"), Zhuhai Maoye Department Store Company Limited (珠海市茂業百貨有限公司) ("Zhuhai Maoye"), Shenzhen Maoye Huaqiangbei Department Store Company Limited (深圳市茂業百貨華強北有限公司) ("Maoye Huaqiangbei"), Chongqing Maoye Department Store Co. Limited (重慶茂業百貨有限公司) ("Chongqing Maoye") and 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"). Each of the seven PRC companies mentioned above operates a department store, except that Maoye Huaqiangbei and Maoye Oriental Times operate the first and second phases of the Maoye Shenzhen Huaqiangbei Store, respectively. The first and second phases of the Maoye Shenzhen Huaqiangbei Store are structurally conjoined and form one store. Maoye Shangsha also owns a 69.23% interest in Chengshang, which operates seven Chengshang stores in Sichuan Province.

Our Company

Our Company was incorporated as a limited liability company under the laws of the Cayman Islands on August 8, 2007 by Maoye Investment.

Maoye China and Zhongzhao Investment Management

Maoye China (formerly known as Tai Wo Holdings Investment Limited (太和集團投資有限公司) ("Tai Wo Investment")) was incorporated in Hong Kong in December 1993, with Mr. Huang and Mrs. Huang each holding 50% of its then issued share capital (one issued share each). On December 10, 1993, Mr. Huang was allotted 99,998 shares of Maoye China, as a result of which Mr. Huang held 99.99% of Maoye China immediately before the Reorganization.

Zhongzhao Investment Management was established in October 1997 as a limited liability company under the laws of the PRC with a registered capital of RMB10.0 million. Zhongzhao Investment Management was formerly known as Shenzhen Ge Neng Investments Company Limited (深圳市格能投資有限公司), which was owned as to 90% by Maoye Shangsha and 10% by Chongde Software Development (Shenzhen) Company Limited (崇德軟件開發(深圳)有限公司), formerly known as Chongde Property Consultant (Shenzhen) Company Limited (崇德置業顧問(深圳)有限公司) ("Chongde Software"). Immediately before the Reorganization, Zhongzhao Investment Management was owned as to 54% by Shenzhen Maoye Industry Development Co., Ltd. (深圳茂業實業發展有限公司) ("Maoye Industry") and 46% by Zhongzhao Industry (Shenzhen) Co., Ltd. (中兆實業(深圳)有限公司) ("Zhongzhao Industry"), as a result of the following changes in its shareholder structure:

- In February 2004, Maoye Shangsha and Chongde Software transferred their respective equity interests in Zhongzhao Investment Management to Maoye Industry and Zhongzhao Industry, as a result of which Zhongzhao Investment Management was owned as to 90% by Maoye Industry and 10% by Zhongzhao Industry.
- In February 2004, Zhongzhao Investment Management issued new equity interest to Zhongzhao Industry for additional capital, as a result of which Zhongzhao Investment Management was owned as to 69.23% by Maoye Industry and 30.77% by Zhongzhao Industry.
- In June 2004, Zhongzhao Investment Management issued new equity interest to Zhongzhao Industry for additional capital, as a result of which Zhongzhao Investment Management was owned as to 54% by Maoye Industry and 46% by Zhongzhao Industry.

Chongde Software, Zhongzhao Industry and Maoye Industry are members of the Controlling Shareholder Group.

Upon completion of the Reorganization, both Maoye China and Zhongzhao Investment Management became our indirect wholly-owned subsidiaries.

Maoye Shangsha

Maoye Shangsha was established in January 1996 under the laws of the PRC as a sino-foreign cooperative joint venture with an initial registered capital of US$12,000,000 and total investment of US$20,000,000, and 100% of the registered capital of Maoye Shangsha was contributed by Maoye China.

Immediately before the Reorganization, Maoye Shangsha was owned as to 65% by Maoye China and 35% by Zhongzhao Investment Management, as a result of the following changes in its shareholder structure:

- In February 1999, an agreement was entered into between Maoye China and Shenzhen Maoye (Group) Company Limited (深圳茂業(集團)股份有限公司) ("SZ Maoye Group"), a member of the Controlling Shareholder Group, to transfer Maoye China's 20% injected capital in Maoye Shangsha to SZ Maoye Group, as a result of which Maoye Shangsha was owned as to 80% by Maoye China and 20% by SZ Maoye Group. In April 1999, Maoye Shangsha was changed into a sino-foreign equity joint venture with the same initial registered capital.

- In August 2003, Maoye China transferred its 15% equity interest in Maoye Shangsha to SZ Maoye Group, as a result of which Maoye Shangsha was owned 65% by Maoye China and 35% by SZ Maoye Group.
- In January 2004, SZ Maoye Group transferred its 35% equity interest in Maoye Shangsha to Zhongzhao Investment Management.

Maoye Shangsha is indirectly owned 100% by our Company after the Reorganization, and owns and operates the Maoye Shenzhen Dongmen Store in Shenzhen, Guangdong Province.

Heping Maoye

Heping Maoye was established in April 2000 as a limited liability company under the laws of the PRC with an initial registered capital of RMB1,000,000 and was then owned as to 76% by Shenzhen Jia Jia Chinese Products Company Limited (深圳市家家國貨有限公司) ("Jia Jia Store") and as to 24% by Shenzhen Maoye Heping Shangsha Company Limited (深圳市茂業和平商廈有限公司) ("Heping Shangsha").

Jia Jia Store and Heping Shangsha were both transferred out of our Group as part of the Reorganization, and are now members of the Controlling Shareholder Group. Heping Maoye is indirectly owned 100% by our Company after the Reorganization, and owns and operates the Maoye Shenzhen Heping Store in Shenzhen, Guangdong.

Maoye Shennan

Maoye Shennan was established in April 2000 as a limited liability company under the laws of the PRC with an initial registered capital of RMB1,000,000 and was then owned as to 76% by Jia Jia Store and as to 24% by Heping Shangsha.

Maoye Shennan is indirectly owned 100% by our Company after the Reorganization, and owns and operates the Maoye Shenzhen Shennan Store in Shenzhen, Guangdong.

Zhuhai Maoye

Zhuhai Maoye was established in August 2001 under the laws of the PRC with an initial registered capital of RMB4,800,000 and was then owned as to 60% by Jia Jia Store and as to 40% by Shenzhen Maoye Department Store Company Limited (深圳市茂業百貨有限公司) ("Shenzhen Maoye").

Shenzhen Maoye, as well as Jia Jia Store, was transferred out of our Group as part of the Reorganization, and is now a member of the Controlling Shareholder Group. Zhuhai Maoye is indirectly owned 100% by our Company after the Reorganization, and owns and operates the Maoye Zhuhai Store in Zhuhai, Guangdong.

Maoye Huaqiangbei

Maoye Huaqiangbei was established in March 2003 under the laws of the PRC with an initial registered capital of RMB1,000,000 and was then owned as to 90% by Jia Jia Store and as to 10% by Shenzhen Maoye.

Maoye Huaqiangbei is indirectly owned 100% by our Company after the Reorganization, and owns and operates the first phase of the Maoye Shenzhen Huaqiangbei Store in Shenzhen, Guangdong.

Maoye Oriental Times

Maoye Oriental Times was established in August 2005 as a limited liability company under the laws of the PRC with an initial registered capital of RMB1,200,000 and was then owned as to 17% by Jia Jia Store and as to 83% by Shenzhen Maoye.

Maoye Oriental Times is indirectly owned 100% by our Company after the Reorganization, and owns and operates the second phase of the Maoye Shenzhen Huaqiangbei Store in Shenzhen, Guangdong. The first and second phases of the Maoye Shenzhen Huaqiangbei Store are structurally conjoined and form one store.

Chongqing Maoye

Chongqing Maoye was established in August 2004 as a sino-foreign joint venture under the laws of the PRC with an initial registered capital of RMB30,000,000 and is owned as to 65% by Maoye China and as to 35% by Zhongzhao Investment Management.

Chongqing Maoye owns and operates the Maoye Chongqing Jiangbei Store in Chongqing.

Managed Store – Maoye Chongqing Jiefangbei Store

Chongqing Jiefangbei Maoye Department Store Company Limited (重慶解放碑茂業百貨有限公司) ("Chongqing Jiefangbei Maoye") was established in July 2004 as a limited liability company under the laws of the PRC with an initial registered capital of RMB30,000,000. Chongqing Jiefangbei Maoye owns and operates the Maoye Chongqing Jiefangbei Store in Chongqing.

Chongqing Jiefangbei Maoye was previously owned by Chengshang, and became part of our Group in June 2005 upon our acquisition of a majority interest in Chengshang. Chengshang transferred its entire equity interest in Chongqing Jiefangbei Maoye to Maoye Shangsha pursuant to an agreement dated March 31, 2007 in light of certain pending litigation involving Chongqing Jiefangbei Maoye. For further description of the litigation involving the Maoye Chongqing Jiefangbei Store, see "Relationship with the Controlling Shareholder and Connected Transactions – Arrangements on stores and competing business retained by the Controlling Shareholder Group – Maoye Chongqing Jiefangbei Store." Maoye Shangsha further transferred its entire equity interest in Chongqing Jiefangbei Maoye to Maoye Industry on July 11, 2007 in light of pending litigation and as part of the Reorganization in anticipation of the Global Offering. See "—The Reorganization."

Managed Store – Maoye Wuxi Store

Wuxi Maoye Department Store Company Limited (無錫茂業百貨有限公司) ("Wuxi Maoye") and Wuxi Maoye Baifu Supermarket Company Limited (無錫茂業百福超級市場有限公司) ("Wuxi Baifu") were established on June 6, 2007 and July 17, 2007, respectively, as limited liability companies under the laws of the PRC each with an initial registered capital of RMB5,000,000, and are both members of the Controlling Shareholder Group. Wuxi Maoye and Wuxi Baifu opened a Maoye-branded department store in Wuxi, Jiangsu Province in October 2007, with Wuxi Baifu owning the supermarket section of the store and Wuxi Maoye owning the other sections of the store. The Maoye Wuxi Store is the first Maoye-branded store in eastern China.

We have entered into agreements with the Controlling Shareholder Group with respect to the management of the Excluded Stores for annual management fees. In addition, we entered into an agreement with the Controlling Shareholder Group regarding the transfer of the Excluded Stores to us upon obtaining necessary regulatory approvals and satisfaction of certain other conditions. See "Relationship with the Controlling Shareholder and Connected Transactions – Arrangements on Stores and Competing Business Retained by the Controlling Shareholder Group."

Other transfers of subsidiaries during the Track Record Period

In January 2004, Maoye Shangsha disposed of a 77.97% equity interest in Shenzhen Chongde Investment Co., Ltd. (深圳市崇德投資有限公司), a company which is principally engaged in investment, to Maoye Industry.

In January 2004, Maoye Shangsha and Jia Jia Store disposed of their respective 78.57% and 21.43% equity interests in Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司), a company which is principally engaged in property management, to Shenzhen Oriental Time Square Industrial Co., Ltd. (深圳市東方時代廣場實業有限公司) and Chongde Software.

Maoye Industry, Shenzhen Oriental Time Square Industrial Co., Ltd. and Chongde Software are members of the Controlling Shareholder Group.

SUBSTANTIAL ACQUISITION AND INVESTMENT

Chengshang

Chengshang's predecessor was a state-owned enterprise, Chengdu People's Department Store, established in 1953 to operate a department store at Yanshikou, a traditional central commercial district in Chengdu. Chengshang has since grown to operate seven stores in Sichuan Province, including four stores in Chengdu. Chengshang was converted into a joint stock limited company in December 1993, and conducted an initial public offering and listed its shares on the Shanghai Stock Exchange on February 24, 1994.

On June 10, 2005, Maoye Shangsha and Sichuan Di Kang Property Holdings Group Company Limited (四川迪康產業控股集團有限公司) ("Di Kang"), an Independent Third Party, entered into a share transfer agreement in respect of the acquisition of Di Kang's 65.75% equity interest in Chengshang. On the same date, Maoye Shangsha undertook to the China Securities Regulatory Commission in a non-competition undertaking letter that it and its connected persons would not open additional department stores in Sichuan Province and Chongqing Municipality after Maoye Shangsha became Chengshang's controlling shareholder. Through a series of transactions from September 2005 to March 2006, including a general tender offer for all Chengshang shares in compliance with PRC securities regulations, Maoye Shangsha eventually acquired a total of 74.25% equity interest in Chengshang for a total consideration of RMB 429 million and became the majority shareholder of Chengshang. All of the 74.25% equity interest represented legal person shares not freely tradable on the Shanghai Stock Exchange. The acquisition was the first acquisition by a foreign-invested entity of a listed department store in China.

In April 2006, Chengshang underwent a share reform in accordance with the policies of the PRC government for the purpose of converting Chengshang's non-tradable shares into shares freely tradable on the Shanghai Stock Exchange. As part of the share reform program, Maoye Shangsha, as Chengshang's majority shareholder, together with certain other shareholders holding legal-person non-freely tradable shares, transferred 10,216,805 Chengshang shares to Chengshang's public shareholders (based on a formula of transferring two Chengshang shares to Chengshang's public shareholders for every 10 Chengshang shares they then owned), which reduced Maoye's shareholding in Chengshang from 74.25% to 69.23%. We recognized a loss on capital restructuring in the amount of RMB22.3 million as a result of such share transfer. All the other shareholders of Chengshang are Independent Third Parties.

In addition, Maoye Shangsha agreed, as part of the share reform plan, that (a) if Chengshang (i) does not achieve a net profit of RMB60 million for 2007 under PRC GAAP, (ii) has qualified opinion from its auditors in its 2007 annual report, or (iii) is not able to publish its 2007 annual report according to the statutory time line which is within four months from the end of each accounting year pursuant to the Administration of Information Disclosure by Listed Companies Procedures promulgated by the CSRC in January 2007, Maoye Shangsha would transfer another 2,554,201 Chengshang shares to

Chengshang's public shareholders (based on a formula of transferring 0.5 Chengshang share to Chengshang's public shareholders for every 10 Chengshang shares they then own), and (b) if Chengshang (i) does not achieve a net profit of RMB80 million for 2008 under PRC GAAP, (ii) has qualified opinion from its auditors in its 2008 annual report, or (iii) is not able to publish its 2008 annual report according to the statutory time line as mentioned above, Maoye Shangsha would transfer another 2,554,201 Chengshang shares to Chengshang's public shareholders (based on a formula of transferring 0.5 Chengshang share to Chengshang's public shareholders for every 10 Chengshang shares they then own). After the completion of such share reform, Maoye Shangsha owns a 69.23% interest in Chengshang, which interest is transferable on the Shanghai Stock Exchange subject to a lock-up period of up to three years starting from June 8, 2006. If the conditions in either clause (a) or (b) are met, assuming our shareholding in Chengshang remains unchanged until such time, our equity interest in Chengshang will be reduced from 69.23% to 67.97%. Under such circumstances, in the opinion of the Directors, the estimated losses we would incur would be RMB5.8 million, which is calculated based on the net asset value per share of Chengshang under IFRSs as at December 31 2007 if Maoye Shangsha is obliged to transfer 2,554,201 shares to Chengshang's public shareholders. If the conditions in both clauses (a) and (b) are met, our equity interest in Chengshang will be further reduced to 66.71%. Under such circumstances, in the opinion of the Directors, the estimated losses we would incur would be RMB11.8 million, which is calculated based on Chengshang's net asset value per share under IFRSs as at December 31, 2007 if Maoye Shangsha is obliged to transfer 5,108,402 shares to Chengshang's public shareholders. The actual amount of losses for any share transfer to Chengshang's public shareholders will be calculated based on Chengshang's net asset value per share as at the date of such transfer, and cannot be reliably determined at this stage. As at the Latest Practicable Date, Chengshang has not yet published its audited financial results under PRC GAAP for the year ended December 31, 2007, and is expected to publish such results on or around April 30, 2008. Based on Chengshang's latest financial results, we expect Chengshang to be able to achieve a net profit of not less than RMB60 million for 2007 under PRC GAAP.

After our acquisition of the majority interest in Chengshang, six persons nominated by our Group have been elected to Chengshang's nine-member board of directors, including four employees of our Group and two former employees of our Group who are now members of Chengshang's senior management. The remaining three members of Chengshang's board are independent directors. After our acquisition of Chengshang and the subsequent change to Chengshang's board and management team, Chengshang has refocused its businesses, conducted extensive renovation of its stores, upgraded its merchandise and brand mix, and adopted our management philosophy and methods. Chengshang has also built a sophisticated management information system, the same as the system at our Maoye stores. See "Business-Management Information System" for a further description of our and Chengshang's management information systems. In addition, Chengshang successfully negotiated lump-sum payments to its employees in 2006 totalling RMB177.9 million (including RMB57.6 million recognized by us as employee termination benefits and RMB120.3 million provided by the government) as one-time and in-lieu compensation for pre-existing employee benefit obligations such as guaranteed life-time employment, which has allowed Chengshang to reduce its workforce substantially and establish market-based employment relationships with its current employees. The payment was made in 2006. As a result of these efforts, Chengshang's financial and operating performance has improved significantly.

Chengshang made losses under PRC GAAP in 2005 and 2006, with the loss in 2006 caused to a large extent by the one-time compensation payment described above of RMB57.6 million to Chengshang's employees. Chengshang was designated by the Shanghai Stock Exchange as a "*ST" company subject to trading restrictions on April 24, 2007 as a result of the losses for these two consecutive years pursuant to rules of the Shanghai Stock Exchange, and its listing may be suspended if loss continues in 2007 under PRC GAAP. If Chengshang records net profits for 2007 under PRC GAAP, the "*ST" designation will be removed.

To provide information to the Hong Kong investors, we will release all published quarterly reports of Chengshang simultaneously in Hong Kong in accordance with the provisions of the Hong Kong Listing Rules.

Chengshang has a number of businesses other than its core department store business. In an effort to eliminate its non-core business, Chengshang disposed of its entire equity interests in 17 subsidiaries in 2007 that were engaged in the leasing of properties to Independent Third Parties. For details of such disposals, see Note 32(b) to "Appendix I — Accountants' Report". For details of other remaining non-core businesses of Chengshang, see "Business — Investment and other Businesses". Going forward, Chengshang intends to concentrate on its core business and to dispose of its other non-core businesses in the medium to long term as and when favorable opportunities or valuation arise.

Guiyang Friendship Group

Guiyang Friendship Group Holdings Company Limited (貴陽友誼(集團)股份有限公司) ("Guiyang Friendship Group") was established in November 1997. On May 29, 2007, a member of the Controlling Shareholder Group and Maoye Shangsha acquired 18.93% and 5.87% of the equity interests in Guiyang Friendship Group, respectively, at a consideration of RMB26.0 million and RMB6.9 million, respectively. The Controlling Shareholder Group and Maoye Shangsha purchased their respective equity interests in Guiyang Friendship Group from different sellers, who are Independent Third Parties, after arm's length negotiation. All the remaining current shareholders of Guiyang Friendship Group are Independent Third Parties.

Guiyang Friendship Group primarily operates two department stores in Guiyang, Guizhou Province. In addition, Guiyang Friendship Group owns two buildings that it leases out to third parties for the operation of a wholesale market and a home appliance store, respectively. Guiyang Friendship Group is not listed on any securities exchange.

We have entered into an agreement with the Controlling Shareholder Group regarding the potential transfer of its interest in Guiyang Friendship Group to us upon satisfaction of certain conditions. See "Relationship with the Controlling Shareholder and Connected Transactions – Arrangements on Stores and Competing Business Retained by the Controlling Shareholder Group."

Other Acquisitions and Disposals

During the Track Record Period, we also made certain acquisitions and disposals of interests in other companies that are not engaged in our principal business. For relevant details of such acquisitions and disposals, see Note 32 to "Appendix I — Accountants' Report".

THE REORGANIZATION

We have reorganized our corporate structure in preparation for our Global Offering. The discussion below describes how the shareholdings of our Company, Maoye Department Store Investment Limited ("Maoye Investment"), Maoye Department Store Holdings Limited ("Maoye Department Store Holdings"), Maoye China, Zhongzhao Commercial, Zhongzhao Investment Management, Maoye Shangsha, Heping Maoye, Maoye Shennan, Zhuhai Maoye, Maoye Huaqiangbei and Maoye Oriental Times have changed, as well as the disposition of our equity interests in Chongqing Jiefangbei Maoye during the course of our Reorganization.

Our Company

Our Company was incorporated as a limited liability company under the laws of the Cayman Islands on August 8, 2007.

Maoye Investment

Maoye Investment was incorporated under the laws of BVI on July 25, 2007 with an authorized capital of 50,000 shares with no par value. It is wholly-owned by MOY International and is the immediate holding company of our Company.

Maoye Department Store Holdings

Maoye Department Store Holdings was incorporated under the laws of BVI on September 11, 2007 with an authorized capital of 50,000 shares with no par value. Its entire issued share capital is held by our Company.

On September 19, 2007, Mrs. Huang transferred her 0.001% equity interest in Maoye China to MOY International as a result of which MOY International owned the entire equity interest of Maoye China.

Acquisition of Maoye China by Maoye Department Store Holdings

By an agreement dated January 10, 2008 between MOY International and Maoye Investment, MOY International transferred its 100% equity interest in Maoye China to Maoye Department Store Holdings at a consideration of HK$144,486,754.71 (representing the net asset value of Maoye China as at November 30, 2007), settled by Maoye Investment through issuing and allotting one share to MOY International.

Acquisition of Zhongzhao Commercial by Maoye China

On May 30, 2007, pursuant to the share transfer agreement between Maoye China and Zhong Zhao Investment (Groups) Limited (中兆投資(集團)有限公司) ("Zhongzhao Investment Groups"), Zhongzhao Investment Groups transferred the entire equity interest in Zhongzhao Commercial to Maoye China for RMB1 million. Upon completion of the acquisition, Zhongzhao Commercial became a direct wholly-owned subsidiary of Maoye China.

Acquisition of Zhongzhao Investment Management by Zhongzhao Commercial

On August 29, 2007, pursuant to the share transfer agreement between Maoye Industry and Zhongzhao Commercial, Maoye Industry transferred its 54% equity interest in Zhongzhao Investment Management to Zhongzhao Commercial for RMB27 million.

On August 29, 2007, pursuant to the share transfer agreement entered into between Zhongzhao Industry and Zhongzhao Commercial, Zhongzhao Industry transferred its 46% equity interest in Zhongzhao Investment Management to Zhongzhao Commercial for RMB23 million.

Upon completion of the acquisitions, Zhongzhao Investment Management became a direct wholly-owned subsidiary of Zhongzhao Commercial.

Changes in shareholdings in Heping Maoye, Maoye Shennan, Zhuhai Maoye, Maoye Huaqiangbei and Maoye Oriental Times

To simplify our shareholding structure and to enhance effective control over our operations in the PRC, we consolidated the equity interests of a number of our operating subsidiaries through a series of equity transfers.

On June 18, 2007, Maoye Shangsha and Zhongzhao Investment Management acquired 65% and 35% equity interests in Heping Maoye, Maoye Shennan, Zhuhai Maoye, Maoye Huaqiangbei and Maoye Oriental Times from Heping Shangsha, Jia Jia Store and Shenzhen Maoye, respectively. On August 1, 2007, Heping Maoye acquired all the retail related businesses and assets from Heping

Shangsha. By various agreements entered into between November 2007 and January 2008, Zhongzhao Investment Management transferred to Maoye Shangsha its 35% equity interests in each of Heping Maoye, Maoye Shennan, Zhuhai Maoye, Maoye Huaqiangbei and Maoye Oriental Times at a total consideration of RMB3,150,000 based on the registered capital of these companies. As a result, Maoye Shangsha has become the sole shareholder of Heping Maoye, Maoye Shennan, Zhuhai Maoye, Maoye Huaqiangbei and Maoye Oriental Times.

Disposition of certain intermediate holding companies

In May 2007, we disposed of a 70% equity interest in Chongqing Chongde Industrial Co., Ltd. (重慶崇德實業有限公司), a company which is engaged in real estate development, to the Controlling Shareholder Group.

In July 2007 and after transferring all their equity interests in Heping Maoye, Maoye Shennan, Zhuhai Maoye, Maoye Huaqiangbei and Maoye Oriental Times to Maoye Shangsha and Zhongzhao Investment Management, all the equity interests in Heping Shangsha, Jia Jia Store and Shenzhen Maoye, which are investment holding companies, were transferred out of our Group to the Controlling Shareholder Group to simplify our corporate structure.

Disposition of Chongqing Jiefangbei Maoye

Chongqing Jiefangbei Maoye, previously owned by Chengshang, was transferred to Maoye Shangsha pursuant to an agreement dated March 31, 2007 in light of pending litigation involving Chongqing Jiefangbei Maoye. Two public auctions were conducted in early 2007 for the sale of Chongqing Jiefangbei Maoye, which were unsuccessful. The transfer price of Chongqing Jiefangbei Maoye to Maoye Shangsha was set at the minimum auction price at the second failed public auction, after adjustment for change in the liabilities of Chongqing Jiefangbei Maoye. For further description of the litigation involving Chongqing Jiefangbei Maoye, see “Relationship with the Controlling Shareholder and Connected Transactions – Arrangements on stores and competing business retained by the Controlling Shareholder Group – Maoye Chongqing Jiefangbei Store.”

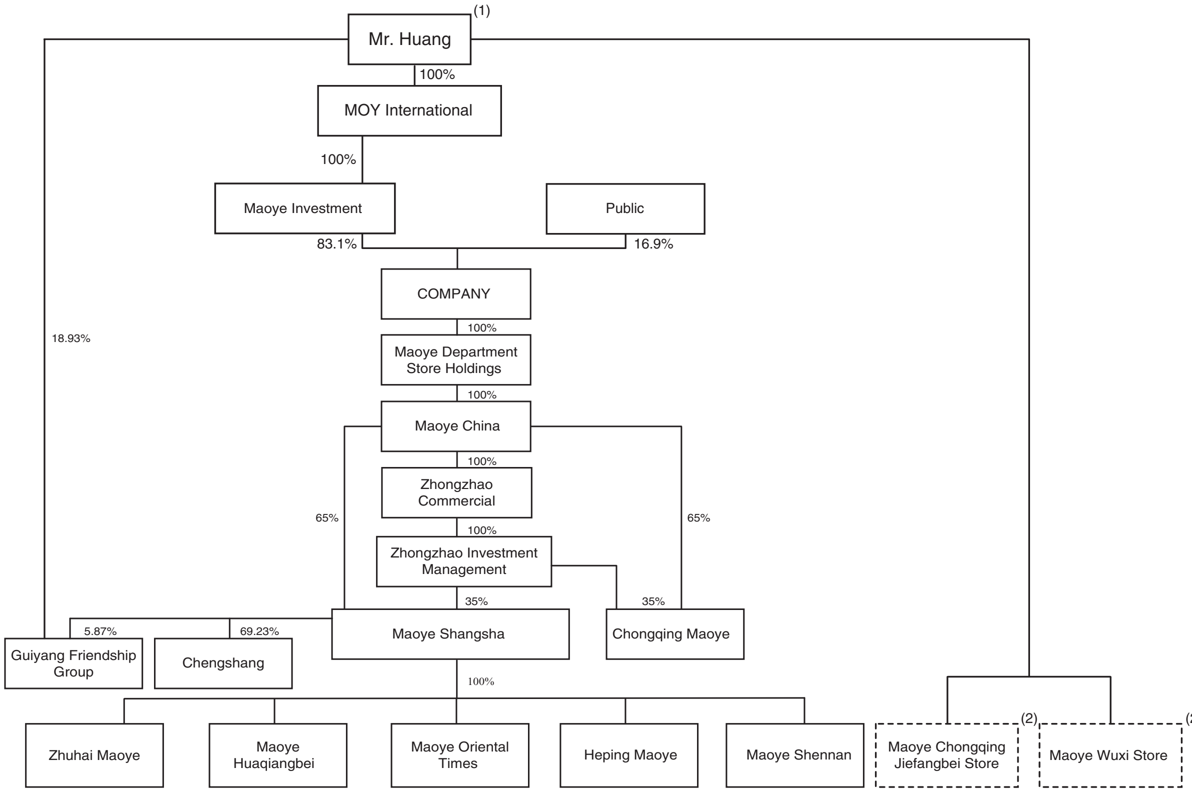
On July 11, 2007, Maoye Shangsha transferred its entire equity interest in Chongqing Jiefangbei Maoye together with its 75% equity interest in the Department Store Chain and certain receivables to Maoye Industry for a consideration of RMB54.1 million in early 2007. As a result, Chongqing Jiefangbei Maoye is no longer part of our Group. We continue to manage the Maoye Chongqing Jiefangbei Store under a management agreement according to which we charge management fees. We have entered into an agreement with the Controlling Shareholder Group regarding the potential transfer of Chongqing Jiefangbei Maoye to us upon the satisfaction of certain conditions. See “Relationship with the Controlling Shareholder and Connected Transactions – Arrangements on Stores and Competing Business Retained by the Controlling Shareholder Group.”

Settlement of amounts due to and from connected parties

We had amounts due from the Controlling Shareholder’s subsidiaries (other than the Group) of RMB979.8 million and amounts due to the Controlling Shareholder and its subsidiaries (other than the Group) of RMB56.7 million as of December 31, 2007. Also as of December 31, 2007, we had bank loans totaling RMB832.8 million guaranteed by the Controlling Shareholder Group, bank loans totaling RMB283.0 million secured by properties owned by the Controlling Shareholder Group and outstanding guarantees of RMB545.0 million in bank loans in favour of the Controlling Shareholder Group. All amounts due to and from the Controlling Shareholder and its subsidiaries (other than the Group) were settled. All security over properties owned by the Controlling Shareholder Group and guarantees provided by the Controlling Shareholder Group, in respect of bank loans of the Group, have been or will be fully released subsequent to December 31, 2007 but before or upon the Listing. All guarantees provided by the Group in respect of bank loans of the Controlling Shareholder Group will be released upon the Listing.

Our structure after the Global Offering

Our corporate and shareholding structure immediately after completion of the Global Offering and the Capitalization Issue is set out below without taking into account exercise of the Over-allotment Option.



(1) Mr. Huang owns the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store through Maoye Holdings Limited, a company incorporated in BVI and a member of the Controlling Shareholder Group. Mr. Huang, Maoye Holdings Limited and Richon Holdings Limited have granted us an option to purchase these two stores and the interest in Guiyang Friendship Group. See "Relationship with the Controlling Shareholder and Connected Transactions".
(2) Managed stores owned by the Controlling Shareholder Group.

We have been advised by our PRC legal advisors that, as Mr. Huang and Mrs. Huang have been citizens of Belize since 1992 and are not PRC nationals, and the listing of the Company is on an overseas stock exchange that involves three foreign invested enterprises in the PRC and their reinvestments in PRC enterprises, the M&A Provisions that came into force on September 8, 2006 do not apply to the Company's listing application. As advised by our PRC legal advisors, the Company's listing application does not require the permission, approval or consent of the CSRC and/or any other PRC government authorities. As advised by our PRC legal advisors, Mr. Huang and Mrs. Huang are foreign citizens, and there has not been any use of PRC domestic assets or rights to finance the establishment of or to control oversea special purpose vehicles for the purpose of the new listing. On that basis, our PRC legal advisors have advised us that, notwithstanding the possibility of Mr. Huang and Mrs. Huang being treated as domestic resident natural persons within the meaning of the Notice of SAFE on Issues relating to Foreign Exchange Control on Fund Raisings by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments promulgated on October 21, 2005 (the "SAFE Notice No. 75"), the SAFE Notice No. 75 does not apply to the holding of interests by Mr. Huang and Mrs. Huang in PRC domestic enterprises. Although non-PRC nationals were prohibited from investing in the PRC retail sector without approval by the PRC Ministry of Commerce ("MOFCOM"), we have been engaging in the department store and other commercial retail business since 1996 without MOFCOM's approval through Maoye Shangsha under a validly issued business licence that includes the carrying on of the department store business. In the opinion of our PRC legal advisors, there should be no material adverse effect on our business as a result of our operations prior to the obtaining of the approval from MOFCOM since our Group subsequently obtained MOFCOM's approval for the operation of the department store and other commercial retail business in 2003 and our Group has not been penalized by the relevant government authorities.

OVERVIEW

We are a leading department store chain in the affluent regions of southern and southwestern China, operating 15 stores (including eight Maoye-branded stores and seven Chengshang-branded stores) across eight cities and targeting the medium to high-end segment of the retail market. We opened our first store in Shenzhen in 1997. The eight Maoye-branded stores that we operate include one managed Maoye-branded store in Chongqing and one managed Maoye-branded store in Wuxi that was opened in October 2007 as the first Maoye-branded store in eastern China. All of our stores are situated in prime shopping locations in their respective cities, primarily in two of China's special economic zones, Shenzhen and Zhuhai, and two of China's new economic reform zones, Chongqing and Chengdu.

Our leadership position in southern and southwestern China is built from our established department store chains, which, based on the knowledge of our Directors with reference to the published figures of our competitors, are one of the largest in those regions in terms of floor area, revenue and profit, with five stores in southern China and nine stores in southwestern China. The stores we operate have an aggregate gross floor area of over 481,461 sq.m., with six of our stores each having a gross floor area of over 40,000 sq.m. Our total revenue was RMB918.1 million, RMB1,352.6 million and RMB1,567.3 million in 2005, 2006 and 2007, respectively, and our profit attributable to equity holders was RMB136.8 million, RMB217.1 million and RMB417.0 million in 2005, 2006 and 2007, respectively.

Our department stores target China's relatively well-off urban residents predominantly in China's special economic zones and new economic reform zones due to the high level and rapid growth of disposable income per capita in these cities. We have positioned ourselves at the medium to high-end segment of the retail market in China and offer a stylish and diversified merchandise mix suitable for a wide range of customers to cater to their preferences. As of December 31, 2007, our department stores carried over 2,800 brands and offered an extensive range of merchandise that can be broadly categorized into jewelry, watches and cosmetics; shoes and leather goods; women's apparel; men's apparel; casual wear; sporting goods; children's goods; home appliances; home furnishings and household goods; and supermarkets. Most of our stores also have complementary retail and service outlets, such as restaurants, pharmacies, coffee shops, and hair and beauty salons, to enhance customer flow to our stores and provide customers with a "one-stop" shopping experience.

Our Maoye-branded and Chengshang-branded department store operations generate revenue predominantly from commissions on concessionaire sales, merchandise direct sales and rental income from store tenants. Concessionaire sales refer to arrangements under which we allow suppliers of branded goods (called concessionaires) to occupy designated areas of our stores and sell their merchandise. In return, we receive a commission generally calculated as a percentage of the total sales proceeds of the concessionaires. For merchandise direct sales, we source and sell merchandise that we purchase directly. Currently, most of the merchandise in our supermarket and home appliance sections as well as the cosmetics products with high brand recognition are covered by direct sale arrangements. We also lease designated areas of our stores to operators of other businesses, such as jewelry counters, restaurants, pharmacies, and beauty and hair salons.

We are the first foreign-invested enterprise that successfully acquired a controlling interest in a listed department store in China. In June 2005, we acquired a majority stake in Chengshang, a listed company on the Shanghai Stock Exchange (stock code: 600828) and an operator of a chain of department stores in Sichuan Province. Other than the newly opened Maoye Wuxi Store in Jiangsu Province in eastern China, which we manage under a management agreement, all our stores are located in the Guangdong and Sichuan Provinces and Chongqing Municipality. Our expansion plans seek to strengthen our leadership position in the current areas in which we operate, and we will consider expanding into new areas which comprise affluent cities with high and growing consumption power and where we believe we are well-positioned to establish market leadership through the establishment of at least two to three stores in each city in which we operate. We plan to open 12 new stores within three to five years, including six new stores under the Maoye brand, with two stores in Shenzhen, one store in each of Wuxi and Changzhou (in Jiangsu Province in eastern China) and two stores in Shenyang (in Liaoning Province in northeastern China), and six new stores under the Chengshang brand in Chongqing or in Sichuan Province.

Through our acquisition of Chengshang, we have also acquired businesses that are not engaged in the operation of department stores that were owned by Chengshang before our acquisition, including automobile sales, hotel operations and advertising. The automobile sales business include both new car sales as well as automobile parts supply and automobile maintenance, and is conducted by two car dealerships in Chengdu, Sichuan Province. In 2007, Chengshang's automobile sales business sold a total of 2,164 vehicles and generated RMB311.5 million in revenue.

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths:

Leading market position in China's wealthy special economic zones and new economic reform zones in southern and southwestern China

We are a leading department store chain in the affluent regions of southern and southwestern China, operating five stores in southern China and nine stores in southwestern China and targeting the medium to high-end segment of the retail market. Our leadership position in the prosperous special economic zones in southern and southwestern China is built from our established department store chains which are one of the largest in those regions, based on the knowledge of our Directors with reference to the published figures of our competitors. We have primarily focused on the special economic zones or economic reform zones of Shenzhen, Zhuhai, Chengdu and Chongqing, as these areas are among the most affluent and economically vigorous cities and the most attractive regions for department stores in China, and benefit from favorable government policies or more flexible regulations. According to the National Bureau of Statistics of the PRC, each of these four special economic zones or economic reform zones reached GDP of over RMB70 billion with growth rate of over 11% per annum from 2004 to 2006, both among the highest in Chinese cities. Shenzhen, Zhuhai, Chongqing and Chengdu are also among the cities with the highest and fastest-growing consuming power with annual urban consumption expenditure per capita of RMB16,628, RMB14,426, RMB9,399 and RMB10,302, respectively, compared with the nation's average of RMB8,697 in 2006.

We have secured a leading position in the cities where we have business operations by establishing multiple large-sized department stores in each of these cities. Our Directors believe that the establishment of multiple sizable department stores in each city where we have operations helps us build our reputation as a market leader and attract customers. We have one of the largest numbers of department stores in China with gross floor area over 40,000 sq.m. We believe that our leading position in these four special economic zones or economic reform zones has provided us with a strong base to benefit from the continuing growth of the economy and urban consumption in China, to attract more customers and thereby further widen our leadership in market share, and has enabled us to attract popular concessionaires and other merchandise vendors and negotiate favorable terms with them. For example, for the year ended December 31, 2007, our average concession rate was 20.5%, one of the highest among listed Chinese department store chains.

A successful consolidator in the department store industry in China

We have expanded our retail network to 15 department stores by January 2008. Our acquisition of a majority interest in Chengshang in 2005, which involved a general offer for Chengshang's outstanding shares, was the first acquisition of controlling interests of a listed Chinese department store by a foreign-invested entity. The acquisition doubled our department store network and enabled us to secure market leadership in both southern and southwestern China.

We have also successfully turned Chengshang around from a net loss in the first half of 2005 to a net profit in the first half of 2007 after only two years of integration. In particular, we renovated the

Chengshang stores and negotiated lump-sum payments to Chengshang's employees in compensation for pre-existing employee benefit obligations, which allowed Chengshang to substantially reduce its workforce, establish market-based employment relationships with the remaining employees, and improve its operating efficiency going forward. In addition, applying the knowledge and skills acquired in operating the Maoye stores, we upgraded Chengshang's merchandise and brand mix, introduced more popular and stylish merchandise and brands to the Chengshang stores, and applied concessionaire arrangements to more of Chengshang's merchandise. Chengshang also successfully implemented a share reform scheme as a result of which our Chengshang shares will become freely tradable on the Shanghai Stock Exchange after the applicable lock-up period. Since our acquisition in 2005, the value of our equity ownership in Chengshang has increased from our purchase price of RMB429 million to RMB3.22 billion based on the closing market price on the Latest Practicable Date. The significant value accretion, and our ability to complete the acquisition from due diligence to negotiation quickly, clearly demonstrates our management's exceptional execution abilities, in particular, our chairman, Mr. Huang's, ability to identify and seize attractive opportunities, and our superior management and integration capabilities.

Effective business model for rapid department store expansion integrating the complementary commercial property business of the Controlling Shareholder Group

All of our stores are located at prime shopping locations in the main commercial areas of their respective cities, which not only help attract a high volume and wide range of customers to our stores, but also help reinforce our market position and brand recognition in the medium to high end segment. All of our stores are either owned by us, or are leased on a long-term basis with the remaining lease term predominantly ranging from 10 to 22 years. For example, we own the premises of both our Maoye Shenzhen Dongmen Store and our Chengshang Chengdu Yanshikou Store, allowing us to enjoy certainty of prime locations for these two flagship stores. Entering into long term leases for our stores has enabled us to capture growth opportunities in our areas of operations and expand quickly with limited cash outlay, while still allowing us to secure rights to quality properties for our stores.

Furthermore, we also work closely with the Controlling Shareholder Group, which is primarily engaged in commercial real estate development in China, in the early design and development of our new stores, including the development of the second phase of the Maoye Shenzhen Huaqiangbei Store and the Maoye Wuxi Store during the Track Record Period. As part of our cooperation, we and the Controlling Shareholder Group collectively evaluated and selected the sites, while the Controlling Shareholder Group developed the structures and fixtures according to our specification to tailor to our specific needs, such as the size, overall design and layout of the stores, to optimize customer flow in the stores. In the case of the Maoye Wuxi Store, it is situated in the center of a commercial complex developed by the Controlling Shareholder Group, which includes a five-star hotel, grade A office buildings, and complementary facilities such as restaurants. We believe that such comprehensive overall design will enhance customer flow to our stores. Furthermore, co-operation with the Controlling Shareholder Group has also shortened the development time needed for the Maoye Wuxi Store, which was completed from planning to opening within one year. See "Business—Expansion Strategy" for details of our historical cooperation with the Controlling Shareholder Group for our expansion.

Innovative and effective marketing and promotion

We regularly carry out innovative marketing and promotional activities to enhance our brand and reputation as a promoter of stylish lifestyle, provide an exciting and refreshing shopping experience, encourage frequent and repeated visits by our customers, and stimulate consumption. For example, to encourage customer spending, we started issuing cash coupons based on customers' spending since 1997, which was an innovative marketing technique in Shenzhen at that time. We also started an annual grand sales and promotion event called the "Gratitude Shopping Carnival" in 1997, which is held in early November every year at one of our flagship stores, the Shenzhen Maoye Dongmen Store. This event, during which the store is open for approximately 68 consecutive hours since 2004, has aroused significant local attention. We also organize events throughout the year according to seasonal consumer demands to promote particular categories of merchandise, such as "cosmetics festival," "accessory festival," "women's apparel festival" and "men's apparel festival," and organize events every week of the year to promote a particular brand. Our marketing and promotional events also include cash bonuses and lucky draws for awards such as cars and apartments. Our customer loyalty program had attracted over 790,000 active members as of December 31, 2007. We had also issued approximately 254,000 co-branded credit cards in conjunction with China Construction Bank as of December 31, 2007.

Experienced and dedicated management team

Most of the members of our senior management have been with our Group for at least eight years. Most of our senior management members have over ten years of experience in the department store sector in China, and have accumulated a deep understanding of Chinese consumer preferences, excellent merchandizing capabilities and strong relationships with concessionaires and other merchandise vendors, and are highly experienced in managing logistical and regulatory challenges. Our Directors believe that our experienced and dedicated management team has been instrumental to the growth of our business. Our rapid expansion over the past ten years to having a chain of 15 department stores and our success in acquiring and turning around Chengshang have also demonstrated the ability of our management to effectively executing our growth strategies.

Advanced information technology system

We have developed and implemented an integrated and flexible IT system that supports all the stores we operate, and addresses store operation and management, sales and promotion management, customer loyalty program, supplier management, financial management, and office administration. Our IT system gives our management real-time access to store-level financial and operating data, thereby facilitating management planning and control, enhances our operational efficiency by supporting store-level promotional activities, and gives us the flexibility to adjust to changing customer needs and to accommodate increased transaction volume during promotions and high seasons. We have a dedicated team of over 60 professionals developing, maintaining and operating our IT system.

OUR STRATEGIES

We plan to become the leading nationwide department store chain in China, and to continue to enhance our profitability through the following strategies:

Continuing to enhance revenue growth and profitability of our existing stores

We plan to further increase Total Sales Proceeds, revenue and profit per square meter at our existing stores through the following approaches:

- Further enhancing revenue growth and profit margin expansion at our Chengshang stores by continuing to integrate and apply our management expertise at the Maoye stores to the operations of Chengshang, including further upgrading Chengshang's merchandise and brand mix, and repositioning the Chengshang stores with a more trendy and upscale image;
- Increasing the relative proportion of high-end merchandise in our merchandise mix to enhance profitability and meet the changing consumer needs driven by improving standards of living in China;
- Implementing performance-based incentive schemes to encourage better performance of our concessionaires by providing financial reward to our concessionaires and their sales staff for meeting and exceeding sales targets. We believe such schemes will encourage our concessionaries to allocate more resources to our stores, such as increasing inventory and promotional support, and encourage more dedicated sales efforts from concessionaires' sales staff at our stores;

- Continuing to strengthen our flagship stores to further consolidate our market leadership, to develop selected existing stores such as the Maoye Chongqing Jiangbei store into flagship stores, and to open new flagship stores with gross floor area of over 40,000 s.q.m., and target to achieve over RMB 100 million annual net profits for each flagship store;
- Attracting more customers to join our customer loyalty program by seeking to issue co-branded cards with institutions that share a similar target customer base and market position with us and have strong market recognition. We also aim to encourage spending from our high-value customers such as through targeted promotion programs;
- Continuing to strengthen and promote our brands and reputation (including the Chengshang brand within Sichuan Province), intensify our marketing campaigns, and further enhance our capabilities in designing and organizing large-scale promotional campaigns throughout our stores as well as ordinary-course local promotional activities at individual stores; and
- Expanding floor areas for complementary products and services such as restaurants, entertainment, and audiovisual stores to further increase customer flow at our stores and lengthen duration of their stay to encourage more spending.

Increasing the pace of opening new stores and expanding to other economically developed cities

We plan to widen and further distinguish our leading position in existing areas of operations by adding eight new stores in Shenzhen, Chongqing and Sichuan Province within three to five years, so as to capitalize on our established brand recognition, store network, resources and management team and consolidate market share. We believe we can benefit from increased bargaining power with concessionaires and other merchandise vendors, and enhance our profitability with further increased market leadership.

Furthermore, we also plan to expand into new cities with high and growing consumption power and where we believe we are well-positioned to establish market leadership. We aim to eventually open at least two to three department stores in each new city that we expand into. When determining potential sites for expansion, we will take into account factors including local population, per capita disposable income, development plan of the city, availability of prime store location at attractive prices, and competition. In addition to the new Maoye-branded store in Wuxi, Jiangsu Province, we plan to expand into Changzhou, Jiangsu Province in eastern China and Shenyang, Liaoning Province in northeast China within three to five years.

We plan to focus on building and operating sizeable department stores with gross floor areas between 40,000 sq.m. and 80,000 sq.m. In particular, most of the new stores that we intend to open have gross floor areas between 40,000 and 80,000 sq.m. Our Directors consider that large-scale department stores help attract a wider range of merchandise and more customer flow, lengthen customer stay and ultimately increase their overall spending with us, and help enhance our profitability. It also helps enhance our corporate image and reputation as a market leader and helps us attract more customers.

Subject to compliance with relevant requirements under the Hong Kong Listing Rules (including connected transaction requirements), we plan to continue our cooperation with the Controlling Shareholder Group in developing new stores so as to facilitate the speedy opening of stores that are designed to tailor to our needs, particularly given our focus on large stores with gross floor area of more than 40,000 sq.m. Similar to the Maoye Wuxi Store, we intend to cooperate with the Controlling Shareholder Group and set up new stores in commercial complexes that include other developments such as office buildings and hotels that draw customer flow to our stores. Without imposing on us any obligation, we may also lease or purchase such properties from the Controlling Shareholder Group if our Directors consider advantageous to do so in view of prevailing circumstances.

Selectively acquiring attractive department stores and/or premises at prime locations

As part of our growth strategy, we plan to leverage our experience in the acquisition of Chengshang to further expand our retail network, which may include acquisitions of private and listed companies and/or properties, when attractive opportunities arise. Although we currently do not have any target store or business to be acquired, we will consider acquisitions of stores that have a leading market position and reputation or have prime locations in these cities, to establish and maintain our market leadership, to speed up our expansion and gain access to our target markets, which may be more cost effective than opening new stores. We will consider acquisitions of properties at prime locations in cities where we intend to establish and expand our department store operations if our financial condition permits and the price appears attractive.

Exploring innovative or complementary business models

To expand our retail network and leverage our management's experience in retail operations, we plan to open and operate department stores that have larger floor areas, more complementary facilities, more comprehensive merchandise offerings and more luxury products in newly developed commercial districts in selected cities, taking into consideration support from local governments' development plans, neighborhood environments and transportation accessibilities. We may also open and operate anchor department stores in shopping malls.

Further improving our information technology systems

We consider our IT systems a core competitive strength and plan to further enhance our operating efficiency by upgrading our IT systems, in particular our Point-of-Sale (POS), supplier management and financial management systems. We will also build a new data analysis system and a customer relationship management system, strengthen system maintenance, expand the bandwidth of our IT system, and enhance its safety and operational efficiency. Based on our current IT system, we further aim to design and develop a more advanced enterprise resource planning (ERP) system and to enhance information sharing among our employees and merchandise vendors to improve efficiency.

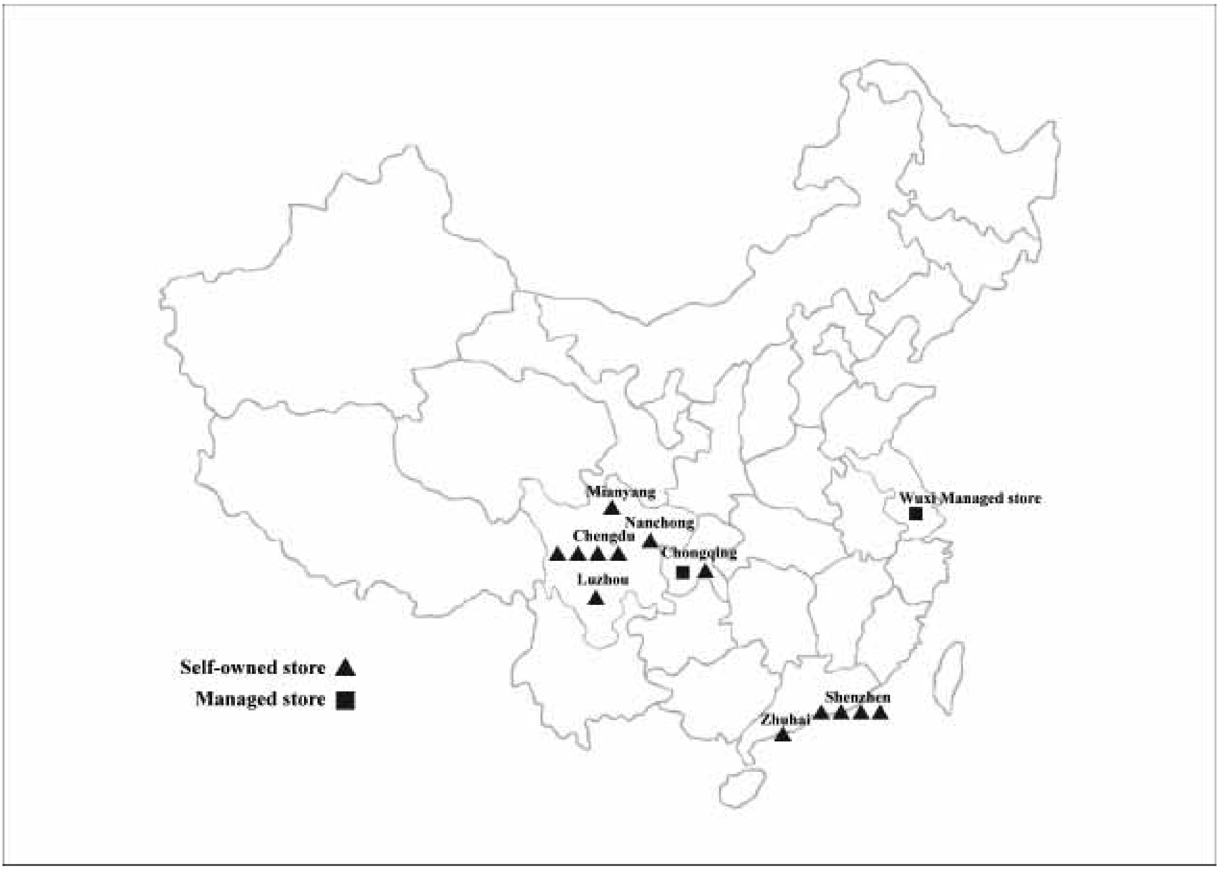
Further strengthening access to high-end merchandise by acting as a distributor or sales agent for leading international luxury brands

As the standards of living and the spending power of our target consumers continue to grow, access to high-end merchandise will become increasingly important to the success of a department store. We plan to further leverage our store network and retail experience to serve as a distributor or sales agent for leading international luxury brands. We believe that this approach will broaden our source of revenue and profit, strengthen our competitiveness, and further increase our attractiveness to high-end customers.

OUR DEPARTMENT STORE NETWORK

We currently operate a network of 15 department stores located in eight cities in China, including a store in Chongqing and a store in Wuxi, Jiangsu Province that we manage under management agreements. We believe that the location of a store is essential to its success, and each of these stores is located at a prime shopping location in a main commercial area of the city in which it operates.

The map below shows the regions covered by our department store network as of the Latest Practicable Date:



The following table sets out the geographical location, floor area, time of commencement of operations of our self-run and managed stores as well as whether the premises for such stores are self-owned or leased.

	Store	Time of Commencement	Gross floor area (sq.m.) as at February 29, 2008	Operating floor area (sq.m.) as at February 29, 2008	City	Nature of the Store Premises
	(a) Self-run stores					
1.	Maoye Shenzhen Dongmen Store (flagship store)	March 1997	47,436	35,936	Shenzhen, Guangdong	43,726 sq.m. self-owned and 3,710 sq.m. leased until 2018
2.	Maoye Shenzhen Heping Store*	October 1999	25,048	21,430	Shenzhen, Guangdong	Lease term until 2018
3.	Maoye Shenzhen Shennan Store*	June 2003	10,507	8,886	Shenzhen, Guangdong	Lease term until 2018
4.	Maoye Shenzhen Huaqiangbei Store (flagship store)[1]*	October 2003 and September 2005	63,388	49,935	Shenzhen, Guangdong	Lease term until 2018
5.	Maoye Zhuhai Store*	November 2001	25,293	23,912	Zhuhai, Guangdong	Lease term until 2018
6.	Maoye Chongqing Jiangbei Store*	October 2004	52,215	43,463	Chongqing	Lease term until 2018
7.	Chengshang Chengdu Yanshikou Store (flagship store)[2]	June 1953	53,873	41,400	Chengdu, Sichuan	Self-owned
8.	Chengshang Chengdu Beizhan Store[2]	May 1987	7,204	4,100	Chengdu, Sichuan	Self-owned
9.	Chengshang Chengdu Wuhou Store[2]	October 1996	16,000	12,500	Chengdu, Sichuan	Lease term until 2013
10.	Chengshang Nanchong Store[2]	November 2001	25,994	19,530	Nanchong, Sichuan	Self-owned
11.	Chengshang Luzhou Store[2]	September 2003	12,000	11,000	Luzhou, Sichuan	Lease term until 2013
12.	Chengshang Chengdu Wenjiang Store[2]	January 2005	8,422	6,500	Chengdu, Sichuan	Lease term until 2025
13.	Chengshang Mianyang Store[2]	January 2008	21,731	13,780[3]	Mianyang, Sichuan	Self-owned
	(b) Managed stores					
14.	Maoye Chongqing Jiefangbei Store	November 2004	42,000	12,600	Chongqing	Lease term until 2023[4]
15.	Maoye Wuxi Store	October 2007	70,350	52,000	Wuxi, Jiangsu	Lease term until 2018

1 The original Huaqiangbei store, opened in 2003, and the additional Oriental Times store, opened in 2005, are structurally conjoined and form one store, although they are separately owned by two members of our Group. The original Huaqiangbei store and the Oriental Times store are also referred to as the first and second phases of the Maoye Shenzhen Huaqiangbei Store, respectively.
2 Owned and operated by Chengshang, in which we hold a 69.23% equity interest.
3 As at the time of commencement.
4 Subject to a rental dispute.
* Stores covered under the Master Lease Agreement.

We manage the Maoye Chongqing Jiefangbei Store under a management agreement. We owned such store before we transferred it to Maoye Industry, a member of the Controlling Shareholder Group, in July 2007 in anticipation of the Global Offering and in light of pending litigation associated with the store. See “History and Structure – The Reorganization.” We also manage under a management agreement the Maoye Wuxi Store in Wuxi, Jiangsu Province, which opened in October 2007. We provide management services to these two stores and receive management fees (including license fees for the use of the “Maoye Department Store” name), and we have an option to acquire such stores. See “Relationship with the Controlling Shareholder and Connected Transactions – Connected Transactions – Master Management Agreement.”

The following table sets out certain operating data of our stores for the three years ended December 31, 2007 for the Maoye stores (including the Maoye Chongqing Jiefangbei Store) and Chengshang stores:

	Year ended December 31,		
	2005(2)	2006	2007
Percentage of Total Sales Proceeds attributable to total sales proceeds from concessionaire sales (%)	85.0%	86.2%	87.4%
Percentage of Total Sales Proceeds attributable to the three flagship stores (%)(1)	61.8%	60.9%	68.4%
Total Sales Proceeds plus rental income (RMB in millions)	2,169.4	3,247.4	3,883.7
— Maoye stores (RMB in millions)	1,858.5	2,404.0	2,929.9
— Chengshang stores (RMB in millions)	310.9	843.4	953.8
Total sales proceeds from concessionaire sales (RMB in millions)	1,796.0	2,733.9	3,318.1
— Maoye stores (RMB in millions)	1,615.6	2,122.0	2,642.5
— Chengshang stores (RMB in millions)	180.4	611.9	675.6
Commissions from concessionaire sales (RMB in millions)	373.5	557.9	680.5
— Maoye stores (RMB in millions)	331.6	450.8	556.3
— Chengshang stores (RMB in millions)	41.9	107.1	124.2
Average concession rate (%)	20.8%	20.4%	20.5%
— Maoye stores	20.5%	21.2%	21.1%
— Chengshang stores	23.2%	17.5%	18.4%
Revenue from merchandise direct sales (RMB in millions)	317.2	436.1	479.5
— Maoye stores (RMB in millions)	197.3	229.8	226.1
— Chengshang stores (RMB in millions)	119.9	206.3	253.4
Average gross margin on merchandise under direct sales arrangement (%)	6.2%	6.7%	9.3%

Year ended December 31, 2007 (excluding Maoye Chongqing Jiefangbei Store sq.m)	Combined	Maoye stores	Chengshang stores
Approximate total operating floor area(3)	278,592	183,562	95,030
Approximate Total Sales Proceeds plus rental income per sq.m. (RMB)(4)	13,941(6)	15,961(6)	10,038
Approximate daily Total Sales Proceeds plus rental income per sq.m.(RMB)(5)	38.2(6)	43.7(6)	27.5

Notes:

(1) Our three flagship stores are the Maoye Shenzhen Huaqiangbei Store, the Maoye Shenzhen Dongmen Store and the Chengshang Chengdu Yanshikou Store.

(2) Contributions from the Chengshang stores in 2005 only include the six-month period after we acquired Chengshang in June 2005.

(3) We calculate operating floor area by subtracting the floor area of facility storage space, restrooms, escalators, staircase, freight elevators, office space, in-store warehouse areas, and others from gross floor area. Operating floor area includes floor area used for concessionaire and direct sales counters, operating floor area leased or sub-leased by us and hallways.

(4) Calculated as Total Sales Proceeds plus rental income divided by total operating floor area at end of year.

(5) Calculated as Total Sales Proceeds plus rental income per sq.m. divided by 365.

(6) Total Sales Proceeds plus rental income included that of the Maoye Chongqing Jiefangbei Store amounting to RMB2.6 million for the first six months of 2007 before it was transferred to the Controlling Shareholder Group.

Expansion Strategy

To select cities for expansion, we focus on cities with strong economy and growth potential, relatively high levels of gross domestic products, total consumer retail spendings and per capita disposable income of urban residents, less intense competition, and where we have an opportunity to achieve market leadership. Within the selected cities, we seek to open stores at prime locations within traditional central commercial districts, or within newly developed commercial districts if factors such as local governments' development plans, neighborhood environment and transportation accessibility are favorable. In each of our target cities, we plan to eventually open at a minimum two to three department stores and establish a leadership position.

We plan to open 12 new stores within three to five years. We plan to open eight new stores in Shenzhen, Chongqing and Sichuan Province, with five stores in Sichuan Province through Chengshang, including a store that will be structurally conjoined with the current Chengshang Chengdu Yanshikou Store, two new stores in Shenzhen and one new store in Chongqing. In addition, we plan to expand our department store network into key cities in eastern and northeastern China, and add four stores, with one in each of Wuxi and Changzhou in Jiangsu Province and two in Shenyang in Liaoning Province. Most of these planned new stores will have total operating area in excess of 40,000 sq.m. We may also take advantage of Chengshang's reputation in Sichuan Province and set up smaller department stores, typically with areas between 20,000 and 30,000 sq.m., in smaller, yet relatively affluent, cities in Sichuan Province.

During the Track Record Period, in implementing our expansion strategy, we have provided funding to the Controlling Shareholder Group as part of the cooperation between our Group and the Controlling Shareholder Group, and we worked to a large extent with members of the Controlling Shareholder Group that are in the business of commercial real estate development. In particular, we and the Controlling Shareholder Group collectively selected new store sites, and the Controlling Shareholder Group purchased the land and constructed the structures and fixtures for our stores according to our specification, together with structures for complementary facilities such as hotels, office buildings, specialty stores and restaurants. Once the construction was completed, the premises were either sold to us or leased to us under long-term leases, upon which we would open and operate department stores. All our self-run Maoye stores have been developed in this way. We now lease the premises of five such stores from our connected persons, and own the premises of one such store, which was purchased from the Controlling Shareholder Group. By working with the Controlling Shareholder Group in the early development of the new stores, we were able to ensure that the construction, structure, designs and facilities of the relevant stores are carried out at our instructions and tailored to the specific needs of our department stores and the surroundings and competitive situation at each location. In some cases, the Controlling Shareholder Group also developed other commercial real estate such as office buildings and hotels that bring in customer flow for our department stores. In developing new stores in the future, we may purchase the relevant property and carry out the necessary construction by ourselves, or will consider working with the Controlling Shareholder Group. Future transactions with the Controlling Shareholder Group will need to comply with the Hong Kong Listing Rules.

OUR MERCHANDISE

We offer an extensive portfolio of merchandise with a diverse product, price and brand mix from a wide range of renowned and popular international and domestic brands in our department stores that aims to meet the needs of customers of different age, tastes and spending habits. Merchandise sold in our department stores include jewelry, watches and cosmetics; shoes and leather goods; women's apparel; men's apparel; casual wear; sporting goods; children's goods; home appliances; home furnishing and household goods. In addition, most of our department stores also have supermarkets as well as restaurants, coffee shops, pharmacies, hair and beauty salons to increase customer flow and supplement and enhance our customers' overall shopping experiences.

We believe that market positioning and image is key to the success of department stores. A critical component of market positioning and image involves the selection of brands and merchandise offered.

When selecting a brand and product, we take into account its market positioning and compatibility with our image, the financial strength of the merchandise vendor and the historical sales results of the products under the brand. We focus on medium to high-end and stylish products that not only are consistent with but also enhance our brand and image. We believe that one of our competitive advantages is our ability to refine our merchandise selection and store layout to better meet the varied needs and tastes of our customers and provide a more convenient shopping experience.

As of December 31, 2007, we offered merchandise of over 2,800 brands. The following table sets out some of the international and domestic brands available at some of our stores:

Jewelry, Watches and Cosmetics

GUERLAIN	SWAROVSKI	Christian Dior	Estee Lauder	L'Oréal
ARTINI	Longines	Chow Tai Fook	Chow Sang Sang	金至尊

Shoes and Leather Goods

Nine West	FED	Joy & Peace	STELLALUNA	BELLE
Le Saunda	Clarks	ecco	Samsonite	Dissona

Women's Apparel

ELAND	Esprit	CK Jeans	MAX STUDIO	Basic House
ELLASSAY	MORGAN	Wacoal	MNG	

Men's Apparel

Kaltendin	Versino	BONI	Ierario	Callisto
Youngor	Louislong	Jevoni	KLUNDEAR	LAOSIDUN

Casual Wear

CHEVIGNON	G2000	Bossini	Giordano	SCOFIELD
MetersBowne	Mark Fair whale	Texwood	Cabbeen	

Sporting Goods

Nike	Adidas	Kappa	LI-NING	Mizuno
Reebok	OSIM	Columbia	YONEX	Puma

Children's Goods

PacLantic	Good baby	LEGO	Annil	Les Enphants
Marco mari	Qq-duck	Nike Kids	Adidas Kids	

Home Appliances

Philips	Panasonic	Braun	Sharp	Sanyo
Samsung	Haier			

Home Furnishing and Household Goods

Mendale	fuanna	jalice	luolai	Sinomax
TAYOHYA	LOCK & LOCK	Ladyshouse	Ideemonto	Airland

Supermarket

Procter & Gamble	Lux	Coca-cola	Pepsi	Nestle
Gillette	Dove	康師傅	Johnson & Johnson	

The following table sets out a breakdown by merchandise category of our Total Sales Proceeds for the three years ended December 31, 2007:

Category	Year ended December 31, 2005	2006	2007
	(RMB in millions)	(RMB in millions)	(RMB in millions)
Jewelry, Watches and Cosmetics	234.0	452.6	541.6
Shoes and Leather Goods	266.4	472.9	520.0
Women's Apparel	569.6	715.3	1,074.8
Men's Apparel	187.2	329.6	367.9
Casual Wear	181.1	195.8	236.9
Sporting Goods	111.4	193.4	237.5
Children's Goods	60.6	154.2	120.4
Home Appliances	206.3	170.7	305.0
Home Furnishing and Household Goods	81.4	127.2	83.2
Supermarket	215.2	358.3	310.3
Total	**2,113.2**	**3,170.0**	**3,797.6**

We maintain finely classified categories of merchandise to more closely cater to the particular needs and preferences of our customers. For example, in addition to the traditional classification of men's, women's and children's apparel, we further classify women's apparel into sub-categories targeting different age groups, including teenagers, young ladies and ladies, with generally over 50 brands in each sub-category, thereby offering a much wider choice for our customers to more closely meet their specific styles and needs and make their shopping experience more convenient and enjoyable.

In general, our headquarters in Shenzhen sets guidelines with respect to brand selection and merchandise composition in our stores. We have local management offices in the cities where we have stores that are responsible for developing plans of merchandise mix and floor layout according to our guidelines, selecting concessionaires and other merchandise vendors, and supervising the implementation of such plans by the stores in their respective cities. We maintain a central information database of potential and existing merchandise vendors through which we make merchandizing decisions. Our merchandizing team constantly identifies and evaluates potential new merchandise vendors to broaden our merchandise mix, so that our customers can enjoy a fresh shopping experience at our stores. In determining our merchandise and brand mixes, we have sought to achieve an appropriate balance between gross margins and sales amounts of different merchandise items. We adjust our brand and merchandise mixes continuously according to changing market conditions, and conduct an overall review of our brand portfolio every year. We also tailor the types and mixes of merchandise in our department stores according to the consumer preferences and demands in different localities. As we can terminate our agreements with merchandise vendors with short notice, we enjoy the flexibility to continuously adjust our brand and merchandise mixes to cater to changing consumer preferences, market conditions as well as competitive situations, and also to introduce more high-end merchandise to seize opportunities from the continuing growth of the living standard and consumption level of our target consumers. It is our policy to remove from our offerings any merchandise the sales of which consistently underperform its peers to ensure that all our merchandise is well received by the market.

We emphasize building close cooperative relationships with our concessionaires and other merchandise vendors. In particular, as of December 31, 2007, our top 50 concessionaires by total sales proceeds and our top 20 direct sales suppliers by revenue had maintained business relationships with us for at least three years.

SALES AND SUPPLY ARRANGEMENTS – DEPARTMENT STORE OPERATIONS

Our department stores generate revenue from commission from concessionaire sales, merchandise direct sales and rental income from store tenants. The following table sets out the total revenue generated from our department store operations for the periods indicated. Total Department Store Revenue includes the revenue of the Maoye Chongqing Jiefangbei Store from the time of our acquisition of Chengshang in June 2005 until the store was transferred to the Controlling Shareholder Group in July 2007. On the other hand, Total Department Store Revenue does not include other income from department store operations, such as administration and management fee income and promotion income, and also does not include revenue from our other businesses, such as automobile sales, hotel operations and advertising.

	Year ended December 31,					
	2005		2006		2007	
	(RMB in millions)	% of total	(RMB in millions)	% of total	(RMB in millions)	% of total
Commissions from concessionaire sales	373.5	50.0	557.9	52.1	680.5	54.6
Revenue from direct sales	317.2	42.5	436.1	40.7	479.5	38.5
Rental income from store leases	56.2	7.5	77.5	7.2	86.1	6.9
Total Department Store Revenue	746.9	100.0%	1,071.5	100.0%	1,246.1	100.0%

After our transfer of the Maoye Chongqing Jiefangbei Store to the Controlling Shareholder Group and the opening of the Maoye Wuxi Store, we receive management fees for managing such stores until the stores are transferred to our Company as currently contemplated. The management fee for each such store is equal to the sum of (i) 1.8% of the Total Sales Proceeds of such store and (ii) 10% of the profit before tax of such store. See "Relationship with the Controlling Shareholder and Connected Transactions – Connected Transactions – Master Management Agreement."

Concessionaire Sales

General

Under concessionaire arrangements, we permit concessionaires to occupy designated areas of our stores, establish their sales counters with their own sales personnel and sell their branded merchandise. We charge the concessionaires a turnover commission, usually at a percentage of their total sales proceeds. In most cases, we set a minimum turnover target for the concessionaire, and require the payment of a minimum commission based on the minimum turnover target, regardless of whether such target is achieved. In most cases, we also charge concessionaires administration and management fees, which are generally related to concessionaires' total sales proceeds, and generally intended to compensate us for utility expenses, provision of facilities as well as administrative and support services. Our concessionaires include both brand owners and franchise or licensees. Most of our concessionaires sell women's apparel, children's goods, shoes and leather goods, men's apparel, or home furnishing and household goods. All of our concessionaires are Independent Third Parties.

The following table sets forth the total sales proceeds from concessionaire sales, commissions from concessionaire sales, and average concession rates of our stores for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
Total sales proceeds from concessionaire sales (RMB in millions)	1,796.0	2,733.9	3,318.1
Commissions from concessionaire sales (RMB in millions)	373.5	557.9	680.5
Average Concession rate (%)[(1)]	20.8%	20.4%	20.5%

Note:
(1) Calculated as commissions from concessionaire sales divided by total sales proceeds from concessionaire sales.

For 2005, 2006 and 2007, commissions from concessionaire sales accounted for approximately 50.0%, 52.1% and 54.6% of our Total Department Store Revenue, respectively, and total sales proceeds from concessionaire sales represented approximately 85.0%, 86.2% and 87.4%, respectively, of the Total Sales Proceeds. Total Department Store Revenue is defined as the sum of commission from concessionaire sales, revenue from direct sales, and rental income from store leases at our department stores. Total Sales Proceeds is defined as total sales proceeds from concessionaire sales plus revenue from direct sales at our department stores.

We had over 2,800 concessionaire arrangements in place as of December 31, 2007. For 2005, 2006 and 2007, total sales proceeds from our five largest concessionaires accounted for approximately 7.9%, 8.7%, and 10.6%, respectively, of the Total Sales Proceeds at our stores. During the same periods, the single largest concessionaire accounted for approximately 2.7%, 2.8% and 2.7%, respectively, of the Total Sales Proceeds at our stores.

We maintain a good and long-term relationship with our concessionaires. As of December 31, 2007, all of our top 50 concessionaires by total sales proceeds had maintained business relationships with us for at least three years. During the three years ended December 31, 2007, we did not experience any material dispute with any of our concessionaires.

Throughout the Track Record Period, Chow Tai Fook Jewellery (Shenzhen) Company Limited (周大福珠寶金行(深圳)有限公司), a jewellery retailer, Shenzhen Jin Yong Li Industrial Development Company Limited (深圳市金永勵實業發展有限公司), a cosmetics retailer, Shenzhen Lingpao Sporting Goods Company Limited (深圳市領跑體育用品有限公司) and New Belle Footwear (Shenzhen) Company Limited (新百麗鞋業(深圳)有限公司) have been among our top five concessionaires. Shenzhen Ying Nan Trade Development Company Limited (深圳市盈南貿易發展有限公司), whose principal products are sporting goods, shoes, and clothing and accessories, was one of our top five concessionaires in both 2005 and 2006. Bestseller Fashion Group (Tianjin) Co., Ltd. (淩致時裝(天津)有限公司) was one of our top five concessionaires in 2007.

To our Directors' best knowledge, information and belief, none of them, their respective associates or any of our shareholders had any interest in any of our top five concessionaires for the three years ended December 31, 2005, 2006 and 2007.

Merchandizing

Merchandise sold under concessionaire arrangements at our stores generally include apparel, shoes and leather goods, sporting goods, children's goods, and some cosmetics brands and jewelry. We believe that the concessionaire arrangements enable us to offer a broad range of merchandise to our customers without the risks and costs of inventory management, including the risks of obsolete merchandise.

We maintain a central database of potential concessionaires that currently do not operate in our stores as well as that of our existing concessionaires. We select concessionaires for our stores based on a variety of factors, including brand name, history, design style, market positioning, level of development in China, sales channel (e.g., direct sales by manufacturers or through distributors), and delivery time. We reevaluate our concessionaire arrangements, the brand and merchandise mixes, and floor layout of our department stores on an annual basis.

We regularly communicate with our concessionaires, providing guidance and recommendations relating to their sales performance, marketing and promotional strategies, merchandise mix, quality, inventory management, and the visual presentation of their designated areas. If any concessionaire fails to meet our operating requirements, we generally do not renew its agreement.

Major Contractual Terms

Concessionaires generally enter into a concessionaire agreement with us based on our standard form. Any deviation from our standard form or the use of a concessionaire-provided form by a Maoye store requires the approval of our central merchandizing department, contract management department and legal department. Chengshang adopts a separate but similar centralized approval process for its stores. The concessionaire agreements for both the Maoye and Chengshang stores set forth:

- brand and type of product to be sold;
- the store, floor position and floor area to be occupied by the concessionaire;
- how payment to us is determined (e.g., the percentage of total sales proceeds and any minimum sales requirement);
- arrangements upon end of term (such as removal of furnishings and fittings);
- provisions relating to operations, such as opening times, our right of inspection, security and insurance;
- term of the arrangement, typically 12 months; and
- other terms which may be agreed between the parties in each specific case.

The concessionaires set the prices for their merchandise, which may not exceed the prices for the same merchandise sold by the concessionaire at another outlet within the same city where our department stores are located. Adjustments of merchandise price often require prior notices to, and in some occasions, consultations with us. We actively monitor the quality and mix of merchandise of our concessionaires, the services provided by them and their sales volume. We have the right to terminate a concessionaire arrangement by giving written notice if the concessionaire has been one of the poorest performing concessionaires in terms of sales among its merchandise group or cannot meet its pre-agreed sales target for three consecutive months.

To maintain a consistent interior design of our stores and to preserve our image, we have established guidelines to regulate design, decoration and renovation by the concessionaires of their designated areas. In most cases, concessionaires are responsible for the associated costs. All design, decoration and renovation work requires our approval.

Concessionaires may organize their own promotional activities at the counters of our stores with our permission. Usually, we require the concessionaires to conduct promotional events when the merchandise of such concessionaires is covered by promotional events in other department stores or specialty stores in the same city where our relevant department store is located. In addition, concessionaires typically bear a portion of the costs associated with promotions organized by us, including our regular and special promotion events as well as our customer loyalty programs.

We provide our concessionaires with (a) basic facilities, including air-conditioning and basic lighting, and (b) services such as training, personnel management, procurement management, floor management, cashier services, security, maintenance, cleaning, and organizing promotional activities. We receive pre-agreed fees for these services. We also charge our concessionaires credit card handling fees to compensate us for the credit card handling charges we pay to credit card companies.

Concessionaires staff their sales counters with their own employees who must pass our interview process. We provide these sales staff with training, require them to abide by our guidelines, have the right to manage them and may request the concessionaires to terminate the employment of these personnel.

Our standard concessionaire agreement also provides representations by concessionaires that their products comply with all laws, including intellectual property laws, and applicable quality standards. Failure to meet appropriate quality standards will lead to penalties by us or termination of the concessionaire agreement. In addition, concessionaires are required to indemnify us for all our expenses and losses associated with their merchandise, and some concessionaires are required to pay us a quality assurance deposit from which we may make deductions under specified circumstances. We also have the right to deal with any customer complaints at our discretion, and concessionaires are required to cooperate with us in any actions so taken by us.

Sales Proceeds

We collect the proceeds from the sale of merchandise by our concessionaires. At the end of each day, our sales staff tally and agree with each concessionaire the sales proceeds for the day by that concessionaire. We remit the remaining sales proceeds to the concessionaire in the following month after deduction of relevant commissions, expenses and fees payable to us.

Direct Sales

General

Under direct sales arrangements, we purchase merchandise from suppliers and resell the merchandise in our stores. Currently, most merchandise at our supermarket and home appliance sections, and cosmetics products with high level of brand recognition are covered by direct sale arrangements. The typical length of our direct supply agreements is one year. We tend to select direct sales arrangements for standardized products of well-known brands (such as Procter & Gamble, Sony and Chanel), which are easier to manage and for which we can achieve economies of scale and enhance customer flow to our stores. We settle the payment with our direct sale suppliers upon receiving the merchandise or after the relevant credit period, which ranges from seven to 45 days.

The following table sets forth our revenue, purchases of and changes in inventories, and the gross margin relating to merchandise direct sales in our department store operations for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
Revenue from merchandise direct sales (RMB in millions)(1)	317.2	436.1	479.5
Purchases of and changes in inventories relating to merchandise direct sales (RMB in millions)(1)	297.7	406.8	435.0
Gross margin relating to merchandise direct sales(%)(1)(2)	6.2%	6.7%	9.3%

Note:

(1) Does not include automobile sales.

(2) Calculated as gross margin from merchandise direct sales divided by revenue from merchandise direct sales.

For 2005, 2006 and 2007, merchandise direct sales accounted for approximately 42.5%, 40.7% and 38.5% of our Total Department Store Revenue and 15.0%, 13.8% and 12.6% of our Total Sales Proceeds, respectively. We had over 1,000 direct sales arrangements in place as of December 31, 2007. For 2005, 2006 and 2007, sales proceeds from merchandise provided by the five largest direct sales suppliers together accounted for approximately 1.3%, 1.9% and 1.8%, respectively, of the Total Sales Proceeds at our stores. During the same periods, the single largest direct sales supplier accounted for approximately 0.4%, 0.5% and 0.5%, respectively, of the Total Sales Proceeds at our stores. For each of 2005, 2006 and 2007, the percentage of purchases attributable to our five largest suppliers combined was less than 30% of our total purchases.

As of December 31, 2007, all of our top 20 direct sales suppliers had maintained business relationships with us for at least three years. During the three years ended December 31, 2007, we did not experience any material dispute with any of our direct sales suppliers.

We also have consignment arrangements for a small portion of our supermarket merchandise, under which we sell these merchandise on behalf of our suppliers. We generate revenue from the difference between our selling prices of the consigned merchandise and the prices required by the relevant suppliers. As title to the merchandise under consignment arrangement does not pass to us, we do not carry these merchandise as our inventory. For the three years ended December 31, 2007, consignment sales amounted to 0.3%, 0.2% and 0.1% respectively, of our Total Sales Proceeds.

For the three years ended December 31, 2007, the gross margin for the direct sales of our supermarket section was 6.3%, 5.6% and 9.0%, respectively. For the same periods, the gross margin for the direct sales at our home appliance section and cosmetics products under direct sales arrangement was 2.1%, 4.4% and 4.3%, respectively, and 10.3%, 17.6% and 22.2%, respectively.

Merchandizing and Pricing

Our local management offices in the cities where we have stores are responsible for selecting direct sales brands, products and suppliers for the stores in their respective cities, and for carrying out contract negotiation, procurement, acceptance and inspection, and settlement with suppliers. We review our direct supply arrangements on an annual basis.

We determine our selling prices for the merchandise under direct sales arrangements, subject to price guidelines set by the manufacturers. We consider the suppliers' listed prices or suggested retail prices and the prevailing market retail prices of the merchandise when negotiating purchase prices with suppliers. We generally require that suppliers offer us the most favorable prices among all buyers of the same merchandise, including other department stores in the same cities where we operate our stores. In addition, if our sales of a particular merchandise exceed a mutually agreed amount, we often receive a sales incentive primarily based on our sales volume, sales amount or the relevant sales target as well as any seasonality factors. We are entitled to sales incentive rebate only if we complete a specified cumulative level of purchases, and such rebate is recognized as a reduction of cost of sales. The total sales incentive rebates recognized in our combined income statements for the years ended December 31, 2005, 2006 and 2007 was approximately RMB5.7 million, RMB16.3 million and RMB21.2 million, respectively.

Major Contractual Terms

Direct sale suppliers may organize activities to promote their merchandise in our stores upon our approval. We typically require that suppliers participate in promotional events initiated by us and share costs of such events. For example, our direct sale contracts typically require that the suppliers bear a portion of the costs when members of the customer loyalty program purchase the merchandise at discounted prices. In addition, we charge some direct sale suppliers a monthly promotion fee, and often ask suppliers to, at their cost, send their employees to our stores to assist the promotions and sales of their merchandise.

We inspect the condition and quality of goods upon delivery at our stores. We are entitled to return to the suppliers any goods that (a) have quality problems or have passed the expiration dates, (b) are damaged, (c) are determined or announced to be defective by the relevant government authority, or (d) infringe on third party rights. Defective merchandise that we uncover during sales can also be returned to the supplier. In addition, we may return merchandise 45 days before the end of their expiration period where such period is longer than three months, or within such expiration period if it is no more than three months. We account for merchandise purchased by us pursuant to direct sales arrangements as inventory once it has passed our quality control procedures. However, we often are entitled to return to the suppliers slow-selling merchandise or exchange them for more popular merchandise.

Our direct sale suppliers typically provide warranties as to the quality of their merchandise and agree to be held accountable for any liabilities that arise from the quality of such merchandise, including all expenses in connection with settling customers' complaints and any reputational damages that our stores may suffer. Suppliers also provide guarantees to us that their products do not infringe upon any third party's intellectual property rights. Additionally, suppliers are responsible for providing appropriate after-sale customer services for their products. As further protection, we often request suppliers to pay us a deposit. Furthermore, we have discretion to remove merchandise from our stores as a result of quality concerns or unsatisfactory after-sale customer services.

Inventory Management

We determine the upper and lower limits as well as the safe level of our inventory of direct sales merchandise based on our average weekly sales volume in recent weeks, and manage our inventory accordingly. We perform stock counts every three months. For the three years ended December 31, 2005, 2006 and 2007, the average inventory turnover was 70.0, 53.8 and 56.7 days, respectively.

Store Lease

We lease and sub-lease designated areas to operators of businesses that we believe are complementary to, and form part of, the shopping experience at our stores. These businesses vary for each store depending on consumer demands and preferences, and include jewelry counters, restaurants, coffee shops, pharmacies, and beauty and hair salons. These leases usually have terms of one year, although restaurants and beauty and hair salons often have terms ranging from three to five years. We generally reserve the right to terminate the leases if the tenants consistently fail to meet pre-determined sales targets or under-perform their peers.

As of December 31, 2007, we leased approximately 12,038 square meters, representing 3.5% of the total gross floor area at our department stores, to 113 independent tenants. For 2005, 2006 and 2007, rental income accounted for approximately 7.5%, 7.2% and 6.9% of our Total Department Store Revenue, respectively.

MARKETING AND PROMOTION

Branding

We position our department stores as offering stylish merchandise and target the medium to high-end segment of the retail market. We advertise through television, radio, newspaper, outdoor posters and billboards to promote our brand and reputation and strengthen our customer loyalty. In addition, we participate in charity events and other social activities to promote our brand and market recognition, such as fund raising for Red Cross organizations in Shenzhen, Chengdu and some other cities where we operate department stores, local charity organizations, disaster relief as well as for poor children in rural China. We also invite stars and celebrities for store openings and major promotional events, or work with merchandise vendors to invite their designers or the stars and celebrities who endorse their products to visit our stores, in order to strengthen and maintain the market recognition and image of our stores.

Promotions

We frequently organize promotional activities to stimulate consumption and increase revenue. Our sales promotions include cash coupons, discount sales, gifts, lucky draws, and bonus points under our customer loyalty program.

We carry out regular large-scale promotional activities for all Maoye stores and Chengshang stores, such as seasonal sales, company or store anniversary sales, holiday sales and festival sales. In addition, we organize events throughout the year according to seasonal consumer demands to promote particular categories of merchandise, such as “cosmetics festival,” “accessory festival,” “women’s apparel festival” and “men’s apparel festival,” and organize events every week of the year to promote a particular brand. Our individual stores also hold store-level promotional events from time to time to suit local needs. We typically hold these promotional activities jointly with our concessionaires and other merchandise vendors, who share the costs and expenses associated with such events.

We believe that we are the market leader in designing and organizing promotional events in Shenzhen. For example, Since 1997, we started to issue cash coupons based on customers’ spending, which was an innovative marketing technique in Shenzhen at that time. One of our flagship stores, the Shenzhen Dongmen Store, organizes a grand sales and promotion event called the "Gratitude Shopping Carnival" in early November every year during which the store is open for approximately 68 consecutive hours; total sales proceeds during the period is typically as high as the store's normal sales proceeds for one and a half months. Due to our management capabilities and the capabilities of our information technology system, we are well equipped to accommodate the significant increase in sales, store hours and traffic volume during promotional activities.

Our website at www.maoye.cn provides information on our Company and our Maoye stores as well as ongoing and upcoming promotional activities. Chengshang also has its own website at www.cpds.cn.

Customer Loyalty Program

We established our customer loyalty program when we opened our first store in 1997. Our Maoye customer loyalty program currently has a two-tier membership structure, with "Platinum cards" and "VIP cards," respectively. As a separate and listed company, Chengshang has its own customer loyalty program. To join our customer loyalty program, a customer must normally either pay a fee or spend a minimum amount in a day at a single store of our Group, although our promotional events may offer special terms for joining the program. At all our department stores, customer loyalty cardholders receive a discount on merchandise purchases. Customers also accumulate points based on purchases and can use the accumulated points to redeem gifts or cash coupons. We periodically publish and distribute a newsletter to our customer loyalty cardholders. As of December 31, 2005, 2006 and 2007, we had approximately 290,000, 570,000 and 790,000 active customer loyalty cards in issue, respectively.

We also have an arrangement with China Construction Bank to issue co-branded credit cards, the "Maoye Dragon Card," which was launched in August 2006, the first among department stores in Shenzhen. As of December 31, 2007, we had approximately 254,000 such co-branded credit cards in issue, which provide the same benefits as our customer loyalty cards.

Sales to our customer loyalty cardholders (including Maoye Dragon Cardholders) accounted for approximately 19.3%, 15.4% and 19.3% of our Total Sales Proceeds for the three years ended December 31, 2007, respectively.

Customer Services

We believe that quality customer service is fundamental to our customer loyalty and satisfaction. We have adopted the philosophy to "Provide Genuine Services Every Day" since our first department store was founded in 1997. Each of our stores has a customer service center. The customer services provided vary by store and include, among other things:

- return policy under which customers can return goods within a specified number of days depending on the nature of the merchandise;
- free delivery of household appliances and other bulky items;
- free maintenance of certain home appliances;
- free length alterations of pants;
- umbrella lending service;
- free parking for a limited period of time subject to a minimum amount of spending in the store;
- free simple first-aid package and knitting set;
- free lessons in merchandise knowledge, color combination and beauty and self-care; and
- free packaging at certain counters or during certain promotional activities.

In addition, we plan to roll out additional business-oriented customer service items or facilities such as photocopying, faxing, pay phone, gift wrapping, and VIP lounges.

Our customer services have won us numerous awards. To name a few, in 2006, we were rated as one of the “Top Ten Brands of the Year” in the “First Shenzhen Top 100 Commercial Brands Election” organized by Shenzhen Special Zone Daily, and were named as one of the “Ten Creators of Shenzhen’s Life Style” by Shenzhen Special Region Daily and the “Special Contribution Grand Prize of the Year” in the “Fashionable China, Charming Shenzhen – 2006 Fashion Media Awards” election organized by Shenzhen Special Zone Daily. Chengshang was awarded the honorable title of the “Provincial Contract-abiding And Trustworthy Enterprise” by the Industrial and Commercial Administrative Bureau of Sichuan Province in 2004. In 2007, Chengshang was named an “Excellent Commercial Retail Enterprise of Sichuan” by the Sichuan provincial government.

SEASONALITY

Our sales are affected by seasonal factors. A substantial proportion of sales is recorded during major festivals and holidays such as Chinese New Year, the Labor Day holiday in early May, the National Day holiday in early October, and the Christmas and New Year’s Day holiday in December and January. In addition, merchandise, especially apparel, is generally seasonal in nature, and merchandise for autumn and winter typically carries higher selling prices than spring and summer merchandise. As a result, sales from October to March is usually higher than sales from April to September. In the past, we were able to adjust the level of inventories to accommodate the increases in demand of merchandise during the traditional shopping seasons, and therefore did not experience a shortage of merchandise supply.

CUSTOMERS

We principally operate in the retail market. None of our customers individually accounted for more than 1% of our revenue for any of the three years ended December 31, 2007. None of our directors or their respective associates (as defined in the Hong Kong Listing Rules) or, so far as our directors are aware, any shareholder who owns 5% or more of our issued share capital had as at the Latest Practicable Date any interest in any of our five largest customers.

Customers pay for merchandise purchased at our department stores by cash, bank debit cards, credit cards, pre-paid cards, company checks or discount coupons, or by redemption of bonus points accumulated under customer loyalty cards issued by us. Our department stores do not make sales on credit and therefore do not have any bad debts.

MANAGEMENT AND OPERATIONS

Centralized Management System

We have adopted a centralized approach in managing our business, as seen in our operation management, merchandise procurement, contract review and approval, resource allocation, and marketing and promotion. We believe that a centralized management model will help optimize resource utilization within our Group, maintain a consistent market image and consistent business practices across all our department stores, and help control legal and operational risks. We also find that such approach enables us to leverage our Group-wide resources to attract popular concessionaires and other vendors, especially internationally renowned brands and quality domestic brands, obtain favorable terms for our stores in negotiation with them in terms of concession rates, cost of direct sales merchandise, and sales and promotional support, and improve internal sharing of best practices. At the same time, we maintain flexibility at the local level to tailor the types and mixes of merchandise in our stores according to local consumer preferences and demands, and to design advertising and promotional events that cater to the local needs to maximize effectiveness and impact of our sales activities. We believe that our centralized management approach is one of our key competitive advantages. The management and operations of the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store, which we manage, are integrated with our Maoye stores. As a separate and listed company, Chengshang has a similar but separate centralized management system.

Centralized Operation Management. In managing our operations, we have an operation management center in Shenzhen, which formulates our annual business targets and plans, establishes our operational and administrative rules and supervises the implementation of such rules, as well as organizes regular sales meetings. Our local operation management offices in the cities where we have stores supervise the implementation of our financial targets and plans by stores in their respective cities as well as the operations of such stores, establish local administrative and operational rules and monitor their implementations in the local stores, organize local marketing and promotional activities, collect market information, and monitor and review local store performance. The operation departments at our department stores are in charge of every aspect of store operations, including shopping environment management, quality controls, store promotional and marketing activities, customer services, and addressing customer complaint.

Centralized merchandizing. We also have a central merchandizing department in Shenzhen, which determines our overall merchandizing strategies and supervises our local merchandizing centers in the cities where we have stores. Our central merchandizing department develops the brand and merchandise composition strategies, establishes and manages our relationships with key concessionaires and other merchandise vendors, maintains a central database of brands and vendors that do not sell in our stores, and issues guidelines on selecting our concessionaires and other merchandise vendors. Our central merchandizing department is also responsible for numerous matters relating to the development of new stores, such as planning merchandise and brand composition and floor layout, and approaching and negotiating with potential concessionaires and other merchandise vendors. Our local merchandizing centers develop and manage relationships with concessionaires and other merchandise vendors for their respective cities, negotiate contracts with vendors, and deploy resources and seek vendor support for regional marketing and promotional activities. In addition, the local merchandizing centers are also responsible for determining and adjusting the merchandise mix, brand composition and floor layout of the stores in their respective cities. The merchandizing departments at our stores manage our store inventory, develop and manage relationships with store concessionaires and other vendors, organize store-level marketing and promotional activities, and conduct store-specific market research.

Centralized Contract Management. Our contract management center in Shenzhen has developed standard form contracts for concessionaires and other merchandise vendors and require our stores to adhere to these standard forms to achieve a consistent practice, control legal risks and minimize administrative expenses. Any deviation by our Maoye stores from our standard form requires the approval of our central merchandizing department, contract management center and legal department in Shenzhen. Deviation by any Chengshang store from the standard form similarly requires relevant approval by similar departments at Chengshang's headquarters.

Stores

Our individual department stores focus on daily operations, local marketing and promotion, customer service, and maintenance of supplier relationships. We require our stores to abide by our operational guidelines, which cover all aspects of the store operation, including cash management, merchandise acceptance, inventory management, personnel training and management, customer service, marketing and promotion. All of our department stores are also required to abide by our corporate identity system guidelines relating to visual presentation, including signage and lettering, to establish a distinct corporate identity and a strong and standardized visual image of our stores.

Hours of operation vary between department stores, depending on the shopping habits of our customers in the locality, but are typically between 9:30 a.m. to 10:30 p.m., seven days a week. The number of staff differs from store to store, ranging from approximately 120 to approximately 400. The majority of the staff in our department stores is sales personnel at our direct sales counters and support and administrative staff. Each department store is headed by a store manager who is principally responsible for the department store's day-to-day management and operation. The operation departments and merchandizing departments at our stores report to the store managers of their stores as well as to their counterparts in the local management offices in their cities.

We strive to maximize revenue per square meter of operating floor area. We maintain flexible store layout that changes periodically throughout the year. In determining the brand and merchandise mix and floor layout of our department stores, we take into account factors such as expected customer flow, customer purchasing habits, demand and growth potential of different types of merchandise, seasonality, and, if applicable, our concessionaires' specific requests (with an additional fee to be paid by the concessionaires).

Each of our department stores has storage space for stocking inventory. We also own and operate logistics centers in Shenzhen, Chengdu and Nanchong in Sichuan Province with a total floor area of approximately 20,000 sq.m. The logistics centers serve as warehouses and handle the dispatch of merchandise to the stores within their respective coverage areas. To minimize costs, we purchase equipment and facilities as well as office stationeries for our individual Maoye stores, and usually apply a bidding process when a purchase involves a value exceeding RMB30,000. Chengshang applies a similar centralized procurement process for its stores.

Cash Management

As cash accounts for a substantial portion of our proceeds and our operations span across seven cities in the PRC, we have established a system to maintain strict control over our cash inflow and outflow. All cash sales receipts at our stores are deposited into designated bank accounts on the same day. All cash receipts at our Maoye stores are deposited into accounts controlled by our headquarters. As a separate and listed company, Chengshang separately manages its cash, and all cash receipts at the Chengshang stores are deposited into accounts controlled by Chengshang. We reconcile sales data with sales receipts and inventory amount every day. In addition, our information technology system allows us to monitor the real time operating cash position of each store.

On the expenditure side, we set the annual budget in each October for each of our department stores for the following year. All cash outlays by the Maoye stores in excess of their relevant annual budget need to be approved by our headquarters in Shenzhen; cash outlays by the Chengshang stores in excess of their relevant annual budget need to be approved by Chengshang management.

We conduct internal audits of the cash inflow and outflow on a monthly basis to better monitor our cash management. We maintain insurance coverage for loss of cash by theft or robbery up to RMB10.5 million. We have not, to date, experienced any material loss of cash by theft or robbery.

Quality Assurance

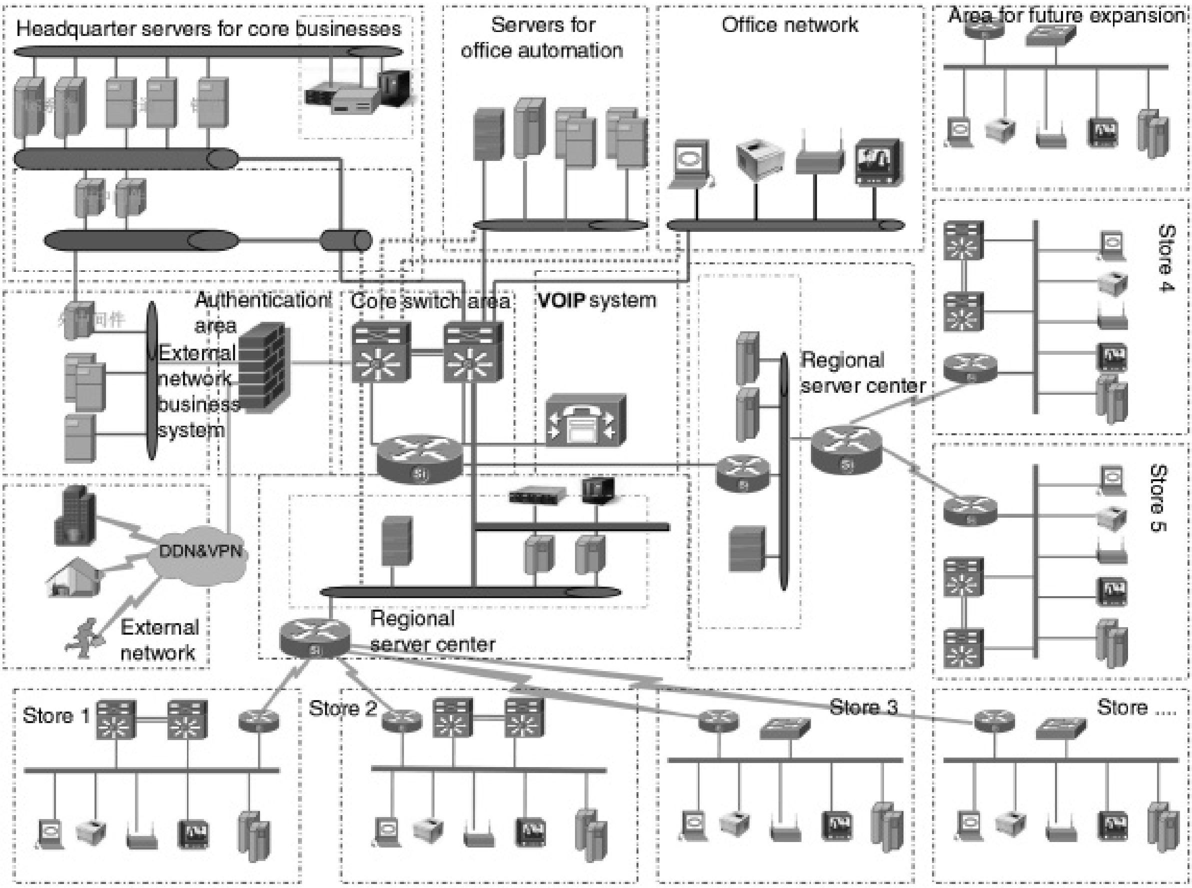
We believe that the provision of quality merchandise is critical to our market image. We inspect the brands, labels and relevant certificates of the merchandise sold in our stores, and reject any merchandise that we find to be defective. We also return any merchandise that has passed its effective or expiration date. All merchandise available for sale in our stores, including those sold by concessionaires and store tenants, is subject to inspection and acceptance procedures by us at delivery and also subject to inspection at any time by relevant governmental authorities. When any product is found to be defective or reported to be defective in the news media, we remove such product from our shelves in the first instance, pending resolution of the issue.

When negotiating agreements with concessionaires and other merchandise vendors, we require that they provide warranties as to their merchandise and indemnify us for any loss or expenses we incur in connection with the quality of their merchandise.

MANAGEMENT INFORMATION SYSTEM

We consider our information technology system a key strength that has enabled us to maintain efficient management and operation of our business. We have developed an information technology system that covers different aspects of our business and operations, including all our stores and merchandise categories. We have not experienced any material breakdown or interruption in the performance of our information technology system in the past.

Each of our department stores has on-site servers that record its financial and operational data on a real-time basis. Data of individual Maoye stores are then compiled and transmitted every day over dedicated lines to our regional servers in Shenzhen and Chengdu, which are further processed and transmitted every day over dedicated lines to our central servers in Shenzhen. In addition, our information technology system allows our headquarters and local management offices to access the financial and operating data of all our stores and monitor and analyze their performance on a real-time basis. Chengshang has a similar and separate information technology system with its central servers located in Chengdu. The following diagram sets out our computer network.



Key sub-systems of our information technology system include:

- *Commercial management.* Our self-developed commercial management system is the core to managing the operations of our stores. The front-end part of this system contains the Point-of-Sale (POS) system, which records merchandise sales and generates invoices. Our POS system supports the use of our customer loyalty cards as well as various credit cards, allows timely reconciliation of sales figures between our accounting personnel and sales counters, and generates detailed sales report for management review on a daily basis. At the back end, the functions of our store management system include direct sales procurement management, concessionaire supply management, inventory management, customer services management, settlement management as well as statistical analysis.

- *Sales and promotion management.* This self-developed system allows us to organize our promotional activities based either on merchandise or on customer loyalty program. Fully integrated with the POS system of our store management system, our sales and promotion management system enables us to adopt innovative promotional strategies, such as issuing cash coupons and discount coupons based on purchase amounts. Such system allows real time monitoring of sales and promotion, and permits timely analyses and decisions.

- *Customer loyalty program management.* Our self-developed customer loyalty program management system allows us to record transactions or participation in promotional activities by cardholders, calculate bonus points, process issuances of new cards and send mobile phone text messages to cardholders. Our system permits us to analyze our cardholders based on characteristics such as age and gender for targeted promotional events. In addition, our system manages the customer loyalty functions of the Maoye Dragon Cards, which are co-branded credit cards we developed with China Construction Bank.
- *Supplier management.* Our supplier management system supports the management of our relationships with concessionaires and other merchandise vendors, who can use the system to check and settle accounts with us and enquire information from us. Our supplier management system contains a self-developed online payment system, which allows us to settle purchase orders with our suppliers and make payment online through participating banks, which improves efficiency and reduces costs. We also use the system to collect merchandise-related information and identify attractive merchandise vendors. Furthermore, the system generates standard contracts with merchandise vendors, and supports a computerized process for negotiating and renewing contracts with such parties and monitoring their performance. The system also identifies merchandise vendors that consistently under-perform in comparison to their peers for potential termination. Our supplier management system has significantly improved the speed, transparency and efficiency of our interaction with merchandise vendors and reduced transaction costs. We also maintain a website www.moyscm.com which supports our supplier management system.
- *Websites.* Our website provides a channel for promoting our stores and merchandise as well as communicating with our customers. See also "Marketing and Promotion – Promotion." The website is developed and maintained by us and can be accessed at www.maoye.cn. Chengshang also has its own website at www.cpds.cn.
- *Financial management.* Our financial management system records and integrates the financial data of all our stores, and can generate daily, monthly and annual reports on revenue, profits, concession rates, gross margin and unit price, among other things. Our system can also generate financial data for each brand or merchandise category, which allows us to manage our merchandise based on individual brand or merchandise category. In addition, our financial management system contains a budget management system, which helps implement and enforce our budget policies and procedures, establish budgets for sales, profits and expenses, generate monthly and annual budget reports, and make budget adjustments and analysis.
- *Office automation system.* This system provides an unified computer environment for internal communication, information sharing and processing work forms and papers. Our office automation system contains a human resource management system as well as a self-developed administrative procurement system, which manages the purchases of office supplies, equipment and facilities.

We have intellectual property rights associated with all our information management systems.

As of December 31, 2007, we had 15 research and development personnel, and another 55 personnel responsible for the maintenance of our information management systems. We have formulated contingency plans for system failure caused by computer virus, network failure, application failure, power failure and natural disaster. In particular, we have adopted a dual-server system structure to avoid system downtime, and we conduct back-up storage of all our data on a daily basis. To date, we have not experienced any material system failure that has resulted in widespread and substantial loss of service or other significant damages.

INTERNAL CONTROL

Our internal audit department conducts ongoing inspections and audits of all our stores and business departments, supervises the implementation of our internal control procedures, and assesses the adequacy and effectiveness of internal controls throughout our Group. In particular, the internal audit department audits the financial records of all our subsidiaries, stores and business departments on a monthly basis, and examines our business performance, broken down by stores, brands, merchandise categories and store floors, on a quarterly basis. Our internal audit department also examines the management and use of funds as well as our fixed asset investment.

The head of our internal audit department reports directly to our Board of Directors. As a separate and listed company, Chengshang has its own internal audit department, which reports to its board of directors.

Action to be taken to ensure maintenance of internal control system

We will continue to strengthen our internal control system and ensure that it covers all aspects of our business, and will regularly test the effectiveness of our internal control system and assess its results to ensure its normal operation. Particular attention will be paid to ensure legal compliance, including compliance with applicable labor, social security, financial, tax, environment, information security, and safety laws and regulations. Legal compliance issues will be considered as a regular step of our decision making process. We will also carry out periodic review of legal compliance and rectify any identified problems, and conduct training on laws and regulations for our employees to improve their awareness of risks and internal control issues. Any change in land use or building structure will require the assessment by our engineering department, legal department and internal audit department, and must be approved by our head office under the supervision of Mr. Lu Fa Chee, our executive Director and company secretary, who has substantial knowledge and experience in legal compliance matters. We will also conduct monthly checking of our fire-fighting equipment and ensure compliance with fire prevention regulations.

Action to be taken to ensure compliance and good corporate governance

We will make arrangements for the staff of our finance department to be familiarised with relevant regulatory requirements. A special group will be formed, comprising staff of our finance department, internal audit department and legal department, to conduct regular review of the application of funds within our Group and ensure compliance with relevant laws and regulations. Any loans, advances and guarantees between companies within our Group will have to be reviewed by the finance department, internal audit department and legal department, and approved in accordance with our corporate governance and internal audit procedures. After the loan or advance has been internally approved, our finance department will apply to banks and arrange for an entrusted loan as approved by the relevant banks.

INVESTMENT AND OTHER BUSINESSES

We own a 69.23% interest in Chengshang, which is listed on the Shanghai Stock Exchange. As a listed company, the management and operation of Chengshang is decided by its shareholders and board of directors. With its 69.23% interest in Chengshang, Maoye Shangsha is able to effectively influence the decisions at Chengshang's shareholder meetings. Moreover, directors nominated by Maoye Shangsha form the majority of Chengshang's board of directors. As at the Latest Practicable Date, the board of directors of Chengshang consisted of Mr. Huang, Zou Minggui, Wang Guisheng, Cao Hong, Wang Fuqin, Han Yu, Fu Daiguo, Guo Yuanxi and Zhang Jianyu. Out of the nine directors of Chengshang, three are our executive Directors and another two are members of our senior management. We are therefore able to implement our management and operating strategies in Chengshang through our 69.23% controlling interest in Chengshang.

In addition to its department store business, Chengshang has a number of other businesses most of which it has owned since before our acquisition of Chengshang. Chengshang owns a 93.75% interest in and operates Chengdu Renmin Automobiles Company Limited ("Renmin Automobiles"), which owns and operates two car dealerships in Chengdu, Sichuan Province that are engaged in new car sales as well as supplying automobile parts and providing maintenance. One of the car dealerships sells Dongfeng Nissan sedans, and the other sells domestically-made Chrysler automobiles, and imported Mitsubishi automobiles. Neither dealership serves as the exclusive dealership for these automobiles. Both dealerships also have distributors in other parts of Sichuan Province. In 2007, Renmin Automobiles sold a total of 2,164 vehicles and generated RMB311.5 million in revenue.

Chengshang also owns and operates a business hotel in Chengdu, and owns an 80% interest in and operates a three-star hotel at E'mei Mountain, Sichuan Province, which have 90 and 156 rooms, respectively. The other shareholder of the hotel at E'mei Mountain is an Independent Third Party. In 2007, the revenue and loss of Chengshang's hotel business amounted to approximately RMB6.1 million and RMB1.1 million, respectively.

Chengshang holds a 30% equity interest in a department store in Yibin, Sichuan Province, and a 11.4% interest in a medicine sales and distribution company in Chongqing in which the Controlling Shareholder Group also holds a 22.8% interest.

Chengshang holds a 62.11% interest in Sichuan New Century Cable Television Networks Construction Company Limited ("New Century Networks"), a professional information network investment company that owns minority interests ranging from 17% to 49% in five local cable television network companies in Ya'an, Guangyuan and Leshan in Sichuan Province, Yinchuan in Ningxia Hui Autonomous Region, and Xining in Qinghai Province. The local broadcast and television bureaus and state assets management bureaus in these cities hold the controlling interests in these companies.

Chengshang intends to concentrate on its core business after the completion of the Global Offering and to dispose of the above non-core businesses in the medium to long term as and when favorable opportunities or valuation arise. In fact, Chengshang has already disposed of certain subsidiaries in 2007 in an effort to eliminate its non-core business. For details of such disposals, see Note 32(b) to "Appendix I — Accountants' Report".

Chengshang owns a premise in Chengdu with total gross floor area of approximately 30,000 sq.m. 14,526 sq.m. of such premise is provided to Chengdu Shangsha Pacific Department Store Co., Ltd., a cooperative joint venture company incorporated by Chengshang and Hong Kong Pacific Department Store Co., Ltd. under a cooperative joint venture agreement for the operation of a department store. The joint venture agreement has a term of 21 years commencing on January 1, 1994, divided into three successive periods of seven years, ten years and four years, respectively. If the parties cannot agree on the terms of renewal within the year preceding the expiry of any period, the joint venture will terminate upon the expiry of such period. Another 8,474 sq.m. of this premise is leased to Chengdu Shangsha Pacific Department Store Co., Ltd. for its operation of the department store under the cooperative joint venture agreement. The remaining space of the premise is leased to third parties as offices. Chengshang intends to use this premise for operation of its own department stores after the expiration of the cooperative joint venture agreement on December 31, 2010 at the end of the second period. The income from such premise was RMB28.6 million in 2006. A neighboring hotel of one of such premises is building a structure to structurally conjoin the hotel with our premise at its own cost. Under the current arrangement, Chengshang will own the conjoining structure.

Chengshang also plans to use its existing land to develop certain real estate projects which centre around its department store properties. In particular, in connection with its planned expansion of the Chengshang Chengdu Yanshikou Store, Chengshang will build a composite building which includes functions such as a hotel operation, commercial offices and residential apartments. In addition, Chengshang plans to build a department store and an apartment building on another parcel of land it owns in the Jiuyanqiao area in Chengdu. Chengshang plans to own and operate the department store, hotel and commercial offices, and to sell units in the two apartment buildings. We have applied for the relevant government approvals for the construction. Based on the property certificates, the site selection approvals, and other relevant documents that we have obtained, as advised by our PRC legal advisor, provided that our applications for construction have been accepted and that the construction plan and documents be revised and consummated as required by the relevant governmental bureau, there is no substantial legal obstacle for us to obtain the governmental approval for construction. As of the Latest Practicable Date, we have not finalized our budgeted amount or timeframe for the above projects as they are contingent on our obtaining relevant government approvals and the terms of such approvals. Chengshang believes that these projects will allow Chengshang to maximize the value of the land it currently owns and provide good opportunity for Chengshang to expand its existing department store network in Chengdu in prime areas. Chengshang intends to fund these real estate development projects with project development bank loans and its operating cash flow. Chengshang does not currently plan otherwise to expand its real estate development business.

Prior to our acquisition of Chengshang, it granted certain loans and provided certain guarantees to third parties. We do not presently intend to grant any loan or guarantee to third party after the Listing.

We own a 5.87% interest in Guiyang Friendship Group, which we acquired in May 2007. The Controlling Shareholder Group also acquired a 18.93% of the equity interests in Guiyang Friendship Group immediately after our acquisition in May 2007. The remaining shareholders of Guiyang Friendship Group are all Independent Third Parties. Guiyang Friendship Group primarily operates two department stores in Guiyang, Guizhou Province. These two stores are not operated or managed by our Group or the Controlling Shareholder Group. In addition, Guiyang Friendship Group owns two buildings that it leases to third parties for the operation of a wholesale market and a home appliance store. We have entered into an agreement with the Controlling Shareholder Group under which a call option was granted to us for the acquisition of the Controlling Shareholder Group's interest in Guiyang Friendship Group to us. See "Relationship with the Controlling Shareholder and Connected Transactions — Arrangements on Stores and Competing Business Retained by the Controlling Shareholder Group."

EMPLOYEES AND TRAINING

As of December 31, 2007, we had a total of 3,516 employees. The following table sets out the total number of our employees (including Chengshang's employees) by function as of December 31, 2007.

Employee Category	Department store business	Other businesses	Total
Management	27	4	31
Procurement	199	20	219
Administration, finance and human resources	381	65	446
Information technology(1)	68	2	70
Operation	2,292	315	2,607
Other supporting	118	25	143
Total	**3,085**	**431**	**3,516**

(1) Including 15 research and development personnel.

As of December 31, 2007, 29.1% of our employees had junior college or higher degrees.

As of December 31, 2007, our concessionaires and store tenants employed a total of approximately 15,400 employees to serve at their sales counters located in our stores. These personnel must comply with the guidelines set out in our employee handbook. We supervise the performance of these personnel and have the power to request their replacement if they violate our guidelines.

We enter into separate labor contracts with all of our employees. The remuneration of our employees consists of basic salary and quarterly and annual performance bonuses. We conduct quarterly evaluations of our managerial personnel and monthly evaluations of our other employees. Such evaluation programs are linked directly with the employees' compensation. Selected employees with outstanding work performances are promoted to managerial positions.

In accordance with applicable PRC laws and regulations, as well as compulsory requirements of the local authorities where our stores are located, we contribute to various social insurance plans such as a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a maternity insurance plan and a work injury insurance plan for our employees. The amount of required contribution as a percentage of our employees' salaries varies from place to place, depending on relevant salary levels, location of the operation and other factors such as the average age of our employees. As advised by our PRC legal advisor, we have complied with relevant labor and social welfare laws and regulations in the PRC throughout the Track Record Period. As confirmed by the relevant labor and social welfare authorities, the Group has complied with relevant labor and social welfare laws and regulations in the PRC throughout the Track Record Period.

We have established a training program that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and workshops and external training opportunities. For our other employees, training programs are organized by the different departments and include orientation to newly hired employees as well as continuing training for existing employees. For sales personnel, including sales personnel of our concessionaires and store tenants, our training programs cover body posture, service etiquette, sales techniques, customer services and safety information.

Our Maoye stores do not have workers' unions while our Chengshang stores have workers' unions. We believe we have good relationships with our employees.

PROPERTIES

We own the premises on which our Maoye Shenzhen Dongmen Store, Chengshang Chengdu Yanshikou Store, Chengshang Chengdu Beizhan Store, Chengshang Nanchong Store and Chengshang Mianyang Store are located, and lease on a long-term basis the premises on which all of our other self-run stores are located. All of our stores are located at prime sites in commercial areas in their respective cities. As of the Latest Applicable Date, our stores (including managed stores) have an aggregate gross floor area of approximately 481,461 sq.m.

Properties for self-run Maoye Stores

We own the premises of the Maoye Shenzhen Dongmen Store, which is located at No. 2047 Central Dongmen Road, Luohu District, Shenzhen. Such property comprises a 11-storey retail building with a total gross floor area of approximately 47,436 sq.m. As advised by our property valuer, CB Richard Ellis Limited, the market price of such property was approximately RMB2.2 billion as of February 29, 2008. In 2007, we leased approximately 3,710 sq.m. of adjoining space from the Controlling Shareholder Group for a term of 12 years at an annual rent of approximately RMB3,561,293.

We lease the premise of the Maoye Shenzhen Heping Store, which is located at No. 3009 Heping Road, Luohu District, Shenzhen. Such property comprises a 5-storey building for retail use with a total gross floor area of approximately 25,048 sq.m. In January 2007, we entered into a new lease for such property from the Controlling Shareholder Group for a term of 12 years at an annual rent of RMB13,828,668. Our PRC legal advisor has advised us that the lease is lawful, valid and legally binding.

We lease the premise of the Maoye Shenzhen Shennan Store, which is located at No. 1018 Central Shennan Road, Futian District, Shenzhen. Such property comprises a 5-storey building for retail use with a total gross floor area of approximately 10,507.16 sq.m. In January 2007, we entered into a new lease for such property from the Controlling Shareholder Group for a term of 12 years and at an annual rent of RMB6,304,296. Our PRC legal advisor has advised us that the lease is lawful, valid and legally binding.

We lease the premise of the Maoye Shenzhen Huaqiangbei Store, which is located at No. 2005-2006, North Huaqiang Road, Futian District, Shenzhen. Such property comprises a 9-storey building for retail use with a total gross floor area of approximately 63,388 sq.m., among which the first phase of the Huaqiangbei Store has 29,716 sq.m., the second phase of the store has 30,072 sq.m. and the basement level 1 has 3,600 sq.m. The first phase of the Huaqiangbei store, opened in 2003, and the second phase of the store, opened in 2005, are structurally conjoined and form one store. In 2007, we entered into a new lease for the property of the first phase of the Huaqiangbei store for a term of 12 years at an annual rent of RMB28,526,976, and entered into a new lease for the property of the second phase of the store for a term of 12 years at an annual rent of RMB28,868,813, both from the Controlling Shareholder Group. Our PRC legal advisor has advised us that both leases are lawful, valid and legally binding.

We lease the premise of the Maoye Zhuhai Store, which is located at No. 301, Zijing Road, Xiangzhou District, Zhuhai. Such property comprises a 6-storey building, four of which are used for retail with a total gross floor area of approximately 25,293 sq.m. In 2007, we entered into a new lease for 20,141.16 sq.m. of such property from Zhong Zhao Investment (Groups) Limited (中兆投資(集團)有限公司), a member of the Controlling Shareholder Group, for a term of 12 years and at an annual rent of approximately RMB7,250,818. Our PRC legal advisor has advised us that (a) the lease is lawful, valid and legally binding, (b) the lessor, Zhong Zhao Investment (Groups) Limited, has obtained a civil court judgment that the relevant premises belong to it from the date of such judgment, (c) the lessor should complete the property right registration and lease registration with local administrative authority, and (d) notwithstanding (c) above, based on confirmation of the local administrative authority, the lessor is not required to register the lease since there is no local regulation regarding property registration and the local administrative authority does not accept such registration.

We lease the premise of the Maoye Chongqing Jiangbei Store, which is located at No. 16 North Jian Xin Road, Chongqing. Such property comprises a portion of basement level 1 and the whole area of level 1 to 7 in a 37-storey commercial building with a total gross floor area of approximately 52,214.57 sq.m. In 2007, we entered into a new lease for such property from the Controlling Shareholder Group for a term of 12 years and at an annual rent of approximately RMB18,797,245. Our PRC legal advisor has advised us that the lease is lawful, valid and legally binding.

Chengshang Stores

We own the premise of the Chengshang Chengdu Yanshikou Store, which is located at No. 19 Dongyu Street, Jinjiang District, Chengdu. Such property comprises a 6-storey commercial building with a total gross floor area of approximately 53,873 sq.m.

We own the premise of the Chengshang Chengdu Beizhan Store, which is located at No. 2 Gongjiao Road, Jinniu District, Chengdu. Such property comprises a 3-storey retail building with the total gross floor area of approximately 7,204 sq.m.

We lease the premise of the Chengshang Chengdu Wenjiang Store, which is located at Block 4, Fanhuashidai Retail Park, Wenjiang District, Chengdu. Such property comprises a portion of basement level 1 and the whole of level 1 and level 2 in a 5-storey commercial building with a total gross floor area of approximately 8,422 sq.m. On April 2, 2004, we leased such property from Sichuan Guotai Real Estate Development Limited, an Independent Third Party, for a term of 20 years and at a monthly rent of RMB151,200 which will be increased at a rate of 5% every three years. Our PRC legal advisor has advised us that the lease is lawful, valid and legally binding.

We lease the premise of the Chengshang Chengdu Wuhou Store, which is located at No. 34 Section 4 of First Ring Road South, Wuhou District, Chengdu. Such property comprises the major portion of the commercial podium on level 1 and level 2 under a low-rise residential development with a total gross floor area of approximately 16,000 sq.m. In January 2003, we leased such property from Sichuan Juyi Real Estate Development Limited, an Independent Third Party, for a term of 10 years and at an annual rent of RMB9,000,000. Our PRC legal advisor has advised us that the lease is lawful, valid and legally binding.

We own the premise of the Chengshang Nanchong Store, which is located at No. 1 to 15 Central Renmin Road, Shunqing District, Nanchong City. Such property comprises the whole basement level 1 and the whole level 1 to 9 of block 1, the whole level 1 to 5 of block 2 of No. 1 to 3 Central Renmin Road and portion of level 1 and the whole level 2 to 4 of No. 7 to 15 Central Renmin Road in three composite buildings with a total gross floor area of approximately 25,994 sq.m.

We lease the premises of the Chengshang Luzhou Store, which is located at No. 2 Ying Hui Road, Luzhou City. Such property comprises a portion of basement level 1 and the whole area of level 1 to 3 in a 6-storey commercial building with a total gross floor area of approximately 12,000 sq.m. In 2003, we leased such property from Luzhou Daishijie Commercial Management Co., Ltd. (瀘洲大世界商業管理有限公司), an Independent Third Party, for a term of 10 years and at a yearly rent of RMB2.9 million. To our knowledge, the landlord has not obtained the valid title certificate of the premise. According to the lease agreement, the landlord shall provide relevant title certificates or other proof to demonstrate that it has the right to lease the premise; otherwise the landlord shall indemnify us for loss such as investment in operation equipments and fixture if this lease becomes invalid as a result of any title defect. See "— Non-compliance of regulations" for further description of the potential impact of the title defect involving the Chengshang Luzhou Store.

We own the premises of the Chengshang Mianyang Store, which is located at East Linyuan Road, Fucheng District, Mianyang, Sichuan Province. Such property comprises the whole of basement level 1 through level 3 of a 10-storey building and the vacant land in front of it for car park use with a total gross floor area of approximately 21,731 sq.m.

Others

Currently, three of our warehouses are located at premises that we own, and two at premises we lease. Our three owned warehousing properties are located in Chengdu and Nanchong, Sichuan Province with the gross floor areas of approximately 15,405 sq.m., 6,217 sq.m. and 2,599 sq.m. respectively. The two leased warehousing properties are located in Shenzhen and Chengdu with the gross floor areas of approximately 1,414 sq.m. and 4,947 sq.m., respectively. One of such leased properties was leased from the Controlling Shareholder Group.

We lease office space in Shenzhen of approximately 1,715 sq.m. from the Controlling Shareholder Group. The remaining term of such lease is until 2009 with annual rent of RMB2,345,545.

The business hotel in Chengdu and the three-star hotel at E'mei Mountain, both majority owned by Chengshang, own their respective premises. The premises of the business hotel and the three-star hotel at E'mei Mountain have gross floor areas of 7,733 sq.m. and 9,768 sq.m., respectively.

Besides the premises we use for department stores, warehouses, offices and hotels as discussed above, we have other properties with a total floor area of 7,733 sq.m. that are currently or planned to be utilized for residential apartments, dining halls, retail shops, workshop and school. In addition, Chengshang owns a premise in Jinjiang District, Chengdu with total gross floor area of approximately 30,000 sq.m. that is partially provided to Chengdu Shangsha Pacific Department Store Co., Ltd. under a cooperative joint venture agreement and a lease for the operation of a department store. See "—Investment and Other Businesses." Furthermore, Chengshang owns a number of properties each with gross floor area under 8,200 sq.m. that are leased to third parties primarily as retail shops. We have not obtained the land use rights certificates for some of these properties.

On March 14, 2008, we entered into an agreement with the Shenzhen Municipal Bureau of Land Resources and Housing Management as a result of a public auction for the acquisition of the land use right in relation to a piece of land in Nanshan Central District, Shenzhen of 10,926.48 sq.m. at an aggregate consideration of RMB650 million, which we have fully paid with our own resources. We plan to develop the land into a department store, with a minor portion of the land to be office premises.

Non-compliance of regulations

For the Maoye Shenzhen Dongmen Store, we have used the basement 2 of the premises (which is owned by our Group and has been designated by local authorities for use as carparks only) for retail use since May 2003 as the carpark utilization rate was very low. On September 13, 2007, the local government in Shenzhen formally notified us to correct the usage of that floor within six months.

As to the Maoye Shenzhen Heping Store, we have used the basement 1 of the premises (which is leased from the Controlling Shareholder Group and has been designated by local authorities for use as carparks only) for retail use since March 2003 as the carpark utilization rate was very low. On September 13, 2007, the local government in Shenzhen formally notified our Controlling Shareholder Group to correct the usage of that floor within six months.

The revenue attributable to the basement areas of the Maoye Shenzhen Dongmen Store and the Maoye Shenzhen Heping Store amounted to approximately 1.29% and 0.65% of our total revenue for 2007, respectively. As advised by King & Wood PRC Lawyers, our PRC legal advisor, if we and our Controlling Shareholder Group, as the case may be, cannot obtain the approval of the relevant government authority for a change of the use of the basement space mentioned above and do not rectify the inappropriate use of the basement space within six months from the notice of correction issued by the local government in Shenzhen, the relevant government authority may impose administrative penalties on us or our Controlling Shareholder Group, as the case may be, including a fine of 5% to 15% of the total construction costs for such basement space. We have rectified the irregularity prior to the completion of the Global Offering. Although King & Wood PRC Lawyers, our PRC legal advisor, has advised us that the PRC authorities would not impose any further penalties for the inappropriate use of these floors in the past if the usage of these floors is corrected within six months, our Controlling Shareholder has agreed to indemnify and keep us indemnified against any losses or liabilities incurred by any member of our Group arising from the inappropriate use of these floors, including any penalties that may be imposed by any government body. See also "–Internal Controls" for further steps we are taking to ensure future legal compliance.

On October 3, 2007, the Shenzhen Fire Department inspected the Maoye Shenzhen Huaqiangbei Store and issued a notice to the Maoye Shenzhen Huaqiangbei Store requiring the following to be rectified before October 15, 2007: (i) there were several defective smoke detectors; (ii) the children's playground on the premises was not in compliance with relevant fire prevention regulations; and (iii) there was a temporary unauthorized building structure on the tenth floor of the premises. The smoke detectors were found to be defective because of poor electrical connection. The children's playground was found to be non-compliant because the floor it was on was too high. The temporary unauthorised building structure was a roof erected for the purpose of providing a covered dining area for our employees. We have rectified the relevant non-compliance within the time specified in the rectification notice, and there was no related material impact on our operations and financial position.

Among our leased properties, the building ownership rights certificates for five buildings, including the premises for the entire second phase of the Maoye Shenzhen Huaqiangbei Store, the premises for the entire Maoye Zhuhai Store, the premises for the basement of the Maoye Shenzhen Heping Store, the premises for the entire Chengshang Luzhou Store, and the premises for a warehouse in Chengdu, Sichuan Province have not been obtained by the respective landlords. The second phase of the Maoye Shenzhen Huaqiangbei Store, the Maoye Zhuhai Store, the basement of the Maoye Shenzhen Heping Store and the Chengshang Luzhou Store are used for our department store businesses. The warehouse in Chengdu, Sichuan Province has been subleased to an Independent Third Party. We may not be able to continue to occupy such premises if disputes arise due to the lack of building ownership rights certificates to these leased buildings. The total floor area of these five buildings is approximately 77,912 sq.m., representing approximately 14.8% of our total occupied area including all department stores, hotels, warehouses and leased properties but not the managed stores. If we exclude the floor area of the second phase of the Maoye Shenzhen Huaqiangbei Store, for which, in the view of our PRC legal advisor, there is no legal obstacle for the relevant landlord to obtain the building ownership rights certificate, the remaining four premises represent approximately 8.4% of our total occupied space including all self-run department stores, hotels, warehouses and leased properties but excluding managed stores.

The following table sets forth the respective percentages of our revenue generated from these five leased properties for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
Revenue for the entire second phase of the Maoye Shenzhen Huaqiangbei Store	3.9%	11.6%	11.88%
Revenue for the basement of the Maoye Shenzhen Heping Store	0.73%	0.67%	0.65%
Revenue for the entire Maoye Zhuhai Store	2.76%	1.83%	2.38%
Revenue for the entire Chengshang Luzhou Store	0.73%	0.74%	0.63%
Revenue for the premises for a warehouse in Chengdu	0.02%	0.03%	0.07%

The gross floor area of the above five leased properties as of December 31, 2007 was 33,672 sq.m., 2,000 sq.m., 25,293 sq.m., 12,000 sq.m. and 4,947 sq.m., respectively, and accounted for no more than 10%, 1%, 8%, 4% and 2% of the total gross floor area of all our self-run stores, respectively.

Among these five leased properties, the premises for the second phase of the Maoye Shenzhen Huaqiangbei Store, the Maoye Zhuhai Store and the basement of the Maoye Shenzhen Heping Store are owned by the Controlling Shareholder Group, which is applying for the relevant building ownership rights certificates. The premises for the Chengshang Luzhou Store and the warehouse in Chengdu are owned by Independent Third Parties. We have requested the respective landlords of the Chengshang Luzhou Store and the Chengdu warehouse to apply for the relevant building ownership rights certificates. The Directors do not expect that the respective lessors can obtain the relevant building ownership certificates for the above five leased properties before the Listing.

For the second phase of the Maoye Shenzhen Huaqiangbei Store, the Controlling Shareholder Group has signed the land use right contract and obtained the relevant completion certificate for the building. King & Wood PRC Lawyers, our PRC legal advisor, has advised that there is no legal obstacle in obtaining the ownership certificate after the fire department has issued its inspection certificate. The fire department inspection certificate is expected to be issued in or before June 2008.

For the basement of the Maoye Shenzhen Heping Store, it has a total floor area of approximately 2,000 sq.m. out of a gross floor area of 25,048 sq.m. of the entire store and was used as a supermarket, and it represents only an insignificant portion of the total floor area of our Group. We have relocated our operation in the basement to other areas within the Maoye Shenzhen Heping Store prior to the completion of the Global Offering, and the cost of relocation was approximately RMB300,000. Therefore, we take the view that there was no material adverse effect on our business or operations due to the lack of a building ownership rights certificate.

For the Maoye Zhuhai Store, the Controlling Shareholder Group acquired the building pursuant to a court order, and it is in the process of transferring the title for the building under its name. King & Wood PRC Lawyers, our PRC legal advisor, has advised us that (a) our lease is lawful, valid and legally binding, (b) the relevant lessor, Zhong Zhao Investment (Groups) Limited, has obtained a civil court judgment that the relevant premise belongs to it from the date of such judgment, (c) the lessor should complete the property right registration and lease registration with local administrative authority, and (d) notwithstanding (c) above, based on confirmation of the local administrative authority, the lessor is not required to register the lease since there is no local registration regarding property registration and the local administrative authority does not accept such registration. If we are required to cease occupation of the premises, we expect to be able to find alternative premises for relocation as we are constantly seeking potential locations suitable for lease for our operations.

For the Chengshang Luzhou Store, its revenue represented only a very small portion of our revenue for 2006. Moreover, if we are required to cease occupation of the premises, we expect to be able to find alternative premises for relocation as we are constantly seeking potential locations suitable for lease for our operations. We estimate that the relocation will cost approximately RMB2 million and take approximately one month.

For the leased warehouse in Chengdu, we have sub-leased the property to an Independent Third Party. Thus, the warehouse is not crucial to our operations and we do not expect that there will be any material adverse effect on our business or operations due to the lack of building ownership rights certificate.

Moreover, as described in "– Property Indemnity" below, the Controlling Shareholder Group has agreed to indemnify our Group in respect of all damages, losses, claims, fees, expenses, loss of profit and business arising from lack of property title. Therefore we do not expect that there will be any material adverse effect on our financial condition or results of operations due to lack of building ownership rights certificates described above.

In addition, we have one lease with an Independent Third Party lessor which has not been registered with the relevant PRC authorities. The lease is in relation to six premises in Chengdu with an aggregate area of 150 sq.m. We have sub-leased those six premises to other third parties. As such, the Directors consider that the properties under the lease are insignificant to our business, and the failure to register the lease for those six premises would not have any material adverse effect on our operations. Our PRC legal advisor, King & Wood PRC Lawyers, has advised us that, under PRC law, the relevant lease agreement to which such leased property is subject would remain valid. However, under some local regulations, leases that have not been registered do not bind third parties such as a lessee who has registered its lease or a mortgagee of the leased property. In such situations, we have the right to be compensated by the lessor due to the lessor's breach of the lease agreement. However, we cannot claim any right to continue the lease over the disagreement of the registered lessee and have no right to continue the lease if the subject property had been mortgaged and then disposed of by the mortgagee.

There are no encumbrances existing on our leased buildings, and the construction of these buildings are in compliance with all relevant PRC laws and regulations. They are not subject to any judicial or administrative confiscation orders. Accordingly, we believe that, in practice, the risk of forced eviction from these properties due to our landlords' lack of title documents and/or any failure to register the leases is limited. If we are not able to use any of these properties due to the lack of the requisite title documents or registration, we may seek alternative properties for use. So far, we have not encountered any evictions or fines. Even if we are unable to lease these properties as a result of any disputes arising due to title encumbrances or failure to register the leases, our PRC legal advisor, King & Wood PRC Lawyers, has advised us that we would still maintain our right of recourse on the rental deposits.

Property Indemnity

The Controlling Shareholder Group will indemnify each member of our Group in respect of all damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests, expenses, actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of any of our property arising from lack of any proper title or use or occupation rights or registration documents or any breach of any law or regulation, covenants or obligations under any property ownership certificate, land use right certificate or land grant contract in connection with any property. For details of the indemnity, please see "Appendix VI – Statutory and General Information – Other Information – Deed of Indemnity – Property and legal proceeding indemnities".

INSURANCE

We maintain different types of insurance policies, including property insurance, public safety liability insurance, equipment damage insurance, motor vehicle insurance, theft and robbery insurance and cash storage insurance. Our insurance policies generally cover economic loss or damage of the merchandise we carry in our department stores and other losses arising out of or in connection with the equipment and facilities in our department stores such as for elevators and air conditioners. As of December 31, 2007, we maintained approximately RMB2,254.9 million in insurance coverage.

We do not maintain any product liability insurance, which we believe is the normal industry practice for department stores in China. During the three years ended December 31, 2007, the number of defective goods claims against us has been minimal. In addition, under the terms of our contracts with concessionaires and other merchandise vendors, they will bear all product liability in respect of any product supplied to us or sold in our store. See "Risk Factors – We may be subject to product liability claims for merchandise sold in our stores."

INTELLECTUAL PROPERTY

Trademark and trade names – China

PRC laws do not accept trademark registration for general retail services. The laws, however, do allow trademark registration in class 35 for specific services relating to the retail business (such as commercial window display, advertising, commercial consulting and agency for import and export). Consistent with industry practice, we have obtained registration in class 35 for certain trademarks, including "Maoye" (茂業), "Maoye Department Store" (茂業百貨) and "Chengshang" (成商).

The trade names "Maoye" (茂業) and "Chengshang" (成商) have been registered as part of the enterprise name of some of our PRC subsidiaries. We use the trade names "Maoye" and "Chengshang" as part of the English name of some of our subsidiaries, but English enterprise name is not registrable with the company registry in the PRC. Some of our connected persons also use "Maoye" (茂業) as their trademark and trade name in their businesses, such as real estate development.

Furthermore, we may have an unfair competition claim under the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) against a third party if our trademark and/or trade name is unfairly used by that party. Under this law, the use of the name of another entity that results in consumers confusing one service with another is deemed to be unfair competition and is prohibited.

Trademarks – Hong Kong and other places

We have obtained trademark registrations for "Maoye" (茂業) and "Maoye Department Store" (茂業百貨) in Hong Kong, Macau, Taiwan and Singapore. See the section entitled "Appendix VI – Statutory and General Information – Further information about our business – Intellectual property rights" for more information.

Other Intellectual Property Rights

We are the registrant of the domain names of www.maoye.cn, www.moyscm.com and www.cpds.cn. We have also obtained design patents for our two store mascots.

See the section entitled "Appendix VI – Statutory and General Information – Further information about our business – Intellectual property rights" for more information.

Infringement Claims

We recognize the importance of protecting and enforcing intellectual property rights. During the Track Record Period, we brought legal proceedings against a PRC company in Leiyang, Hunan Province which used "金珠茂業百貨" as part of its trade name. The PRC court ruled that such company shall stop infringing upon our trademark rights including the issuance of any advertisement that may make the public associate such company with us, although such company may continue the use of "金珠茂業百貨" as part of its trade name. Except for the above proceedings, we are not aware of any material infringement of our intellectual property rights during the Track Record Period. We believe that we have taken all reasonable measures to prevent any infringement of our intellectual property rights and avoid any losses as a result of infringement of intellectual property rights of the third parties by our concessionaires and other merchandise vendors. As of the Latest Practicable Date, we were not aware of any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any intellectual property rights owned by any third parties.

COMPETITION

The retail industry in China, and particularly the operation of department stores, is highly competitive. We face competition from national and international operators of department stores, shopping centers, convenience stores, specialty retailers, discount stores and other retail sites and forms of retail business in the areas in which we currently operate and markets into which we intend to enter. Our key competitors include foreign and other local department stores in the cities in which we operate that offer a similar range of merchandise at similar price points or have similar targeted customers as we do. Competition is typically based on location, shopping environment and amenities, marketing and promotional activities, customer services and pricing.

As a result of China's accession to the WTO and the opening up of the PRC retail industry to foreign enterprises, foreign investment in the PRC retail industry has increased. These foreign companies include operators of department stores and specialty stores, many of which have more capital resources and more experiences in operating retail businesses. In addition, the entrance of specialty stores that sell internationally-renowned brands has also increased competition as consumers are given more choices of goods and concessionaires are given alternative channels to sell their goods. Any increase in competition may exert pricing pressure on our goods and/or our concession rates, and adversely affect our profitability.

Our business strategy depends on our ability to secure premises at prime locations at our target cities. However, such prime locations are very limited, and we face intense competition for such premises from other department stores, retailers and business establishments. We may not be able to obtain attractive premises for opening new stores or retain continued occupation of our existing stores, or we may have to pay increased rent for the premises of our existing stores.

Moreover, we face potential competition from other PRC-based operators of department stores. Some of these stores are more established, have broader national coverage, better brand awareness or more financial resources than our Group. In addition, when we carry out our expansion plan and enter into new regions, we may encounter competition from existing department stores that have better name recognition and better understanding of the consumer preferences in such regions. Some of these existing department stores may have an established customer base and relationships with merchandise suppliers in the region, be better located, and/or be better able to effectively navigate the local legal and regulatory landscape.

For further discussion of our competitive environment, see "Risk Factors – We operate in a competitive industry" and "Industry Overview – Regulation".

LEGAL, COMPLIANCE AND LITIGATION

Licenses and permits

As advised by our PRC legal advisor, we have obtained all necessary licenses and permits for the operation of our business.

Tax filings

Save for the tax filings of Chengdu Chengshang Construction Decoration Engineering Co., Ltd. (成都成商建築裝飾工程有限公司) ("Chengshang Construction"), Chengdu Chengshang Jindi Advertisement Co., Ltd. (成都市成商金地廣告有限責任公司) ("Chengsha Jindi"), Chongqing Chengshang Department Store Co., Ltd. (重慶成商百貨有限公司) ("Chongqing Chengshang Department Store") and 13 companies incorporated in Nanchong, Sichuan Province, we have made all the required tax filings and have obtained all proof of tax payment with relevant tax authorities. As confirmed by the relevant

State tax authorities, as Chengshang Construction, Chengsha Jindi and the 13 companies incorporated in Nanchong did not have any tax payable since their establishment, no state tax certificate was issued to the above companies. Moreover, Chongqing Chengshang Department Store's state tax certificate was withdrawn because it was de-registered on January 8, 2008. As advised by our PRC legal advisor, even though the above companies do not have their respective state tax certificates, there would not be any adverse effect on our Group.

Based on the capital verification reports of all our controlled PRC entities and save and except for Chengdu People's Market Chain Company Limited (成都人民商場連鎖有限公司) and Chengdu Shunhe Dining and Entertainment Company Limited (成都順和餐飲娛樂有限公司), which are in the process of liquidation and termination of their corporate registration with all their debts and liabilities to be settled upon completion of such liquidation and termination, we have fully paid up our contribution of registered capital into our controlled PRC entities according to the timing and manner provided in the relevant PRC laws and regulations.

Inter-company loans

In July 2006 and January 2007, Maoye Shangsha entered into agreements with Chengshang and advanced loans of RMB130 million and RMB50 million, respectively, to Chengshang. Both loans were for a term of one year and had no collateral. The RMB130 million loan, which expired in July 2007, carried a capital occupancy fee equivalent to 2.25% per annum of the loan amount, which fee was payable monthly. The RMB50 million loan carried interest at 6.84% per annum payable monthly. As Maoye Shangsha has waived the capital occupancy fee and interest in respect of the two loans respectively, it has not received any capital occupancy fee or interest from Chengshang. We have been advised by King & Wood PRC Lawyers, our PRC legal advisor, that the above loans do not comply with the requirements under the General Principles of Loans promulgated by the People's Bank of China and may be invalidated by the relevant PRC authority. Maoye Shangsha may be subject to a fine of one to five times of its gain derived from such loans. As Maoye Shangsha has not received any interest or fee from the loans, our PRC legal advisor are of the opinion that Maoye Shangsha has not obtained any illegal income from the loan agreements and would not be subject to any penalty. As Chengshang is the borrower, we believe that there is no negative legal consequence for Chengshang under the relevant PRC laws and regulations. We have been advised by our PRC legal advisors that the loans do not violate the rules of the Shanghai Stock Exchange. We have arranged an entrusted loan with a bank in Shenzhen to replace our loan to Chengshang. As advised by our PRC legal advisors, the entrusted loan does not violate relevant PRC laws and regulations. As at the Latest Practicable Date, no connected person(s) of our Company (other than at the level of its subsidiaries) as defined under Rules 14A.11(1) to (4) of the Hong Kong Listing Rules is/are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of Chengshang, Chengshang is not a connected person under Rules 14A.11(5) and (6) of the Hong Kong Listing Rules and the provision of loans to Chengshang does not constitute a financial assistance under Rule 14A.63 to 14A.66 of the Hong Kong Listing Rules. If Chengshang becomes a connected person, the provision of loans to Chengshang shall constitute a connected transaction and would be subject to the provisions in the Hong Kong Listing Rules in respect of connected transactions.

No material fines, penalties or sanctions

During the Track Record Period, we were not subject to material fines, penalties or sanctions by national or local authorities for violations of PRC laws and regulations.

Claim against the Department Store Chain

On December 4, 2006, Chengshang filed a civil lawsuit in Chengdu Intermediate People's Court against Chengdu People's Department Store Chain Company Limited (成都人民百貨連鎖有限公司) (the "Department Store Chain") seeking recovery of approximately RMB 12.8 million, being amount owed and outstanding by the Department Store Chain to Chengshang arising from certain payments by Chengshang on behalf of the Department Store Chain. Historically, the Department Store Chain, being the intermediate holding company owning Chongqing Jiefangbei Maoye, was 75% owned by Chengshang with the remaining 25% owned by Shanghai Wang Deming Investment Company (上海王德明投資公司) ("SWD Investment"), an Independent Third Party. The purpose of Chengshang's lawsuit against the Department Store Chain, a subsidiary of Chengshang at the time, was to secure its interests in such amount owed in light of disputes with SWD Investment concerning the Department Store Chain in relation to the management manner, operation strategy and future development of the Department Store Chain. A hearing for the lawsuit was held in April 2007. As part of the Reorganization, our interests in the Department Store Chain together with certain related rights and obligations were transferred to the Controlling Shareholder Group, and all amounts due from the Controlling Shareholder Group to our Group were settled. Judgment was entered in Chengshang's favour in May 2007. However, as the rights and obligations of Chengshang in such litigation and judgment were transferred to the Controlling Shareholders Group under the Reorganization, Chengshang is no longer entitled to any benefit and does not bear any obligation with respect to such litigation or amount owed.

Claim against Zhongfa

Chengshang filed a number of civil lawsuits for contract disputes in Chengdu Intermediate People's Count against Chengdu Zhongfa Huanghe Industrial Company Limited (成都中發黃河實業有限公司) ("Zhongfa") between December 2004 and January 2007 seeking recovery of a total of approximately RMB116.0 million. These claims arose in connection with certain bank loans borrowed by Chengdu People's Department Store Huanghe Commercial City Company Limited (成都人民商場黃河商業城有限責任公司)("Chengshang Huanghe"), in which Chengshang owns a 30% equity interest and the controlling stake is owned by Sichuan Huanghe Commercial Company Limited (四川黃河商業有限責任公司)("Sichuan Huanghe"). Chengshang Huanghe was accounted for as our associated company during the Track Record Period. Chengshang provided guarantees for these bank loans by Chengshang Huanghe, for which Zhongfa in turn provided counter-guarantee in the form of real estate collateral. Zhongfa is the owner of a property currently used by Chengshang Huanghe for operation. Zhongfa and Sichuan Huanghe are both controlled by Guangdong Huanghe Industrial Group Company Limited (廣東黃河實業集團有限公司) ("Guangdong Huanghe"). Sichuan Huanghe, Zhongfa and Guangdong Huanghe are all Independent Third Parties. After Chengshang made payments totaling RMB116.0 million under the guarantees for Chengshang Huanghe, it has not received any payment. Therefore, Chengshang sued Zhongfa under the counter-guarantee. The court ruled for Chengshang in a number of judgments between June 2005 and May 2007, and has further seized the real property collateral provided by Zhongfa for auction in payments of the judgment award. To our knowledge Zhongfa has not made any objection to the court ruling. As the final resolution of the matter will be affected by various factors including action by the PRC court (such as valuation by an independent valuer, appointment of an auctioneer and announcement of auction details) and possible objection by Zhongfa, we are unable to estimate the timing of the auction and when we can recover the outstanding amount. We have applied to the court for the execution of the mortgaged property and the court has accepted our application. We have not made any provision for the amount claimed against Zhongfa as the value of the collateral provided by Zhongfa is determined to be in excess of the amount being claimed, based on a valuation conducted by an independent valuer, DTZ (深圳市戴德梁行土地房地產評估有限公司), in December 2007. According to such valuation report, the value of the collateral provided by Zhongfa, which is a piece of real property situated at Level 1 to Level 3 and Level 5, No. 19, Yongling Road, Jinniu District, Chengdu, Sichuan Province, is approximately RMB264.2 million, using revenue method as the valuation approach.

Dispute over guarantee provided

On December 30, 1997, Chengdu Municipal Finance Bureau (成都市財政局), 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; it is also under dispute whether Chengshang has the obligation to guarantee such undertakings.

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. Although Chengdu Municipal Finance Bureau and Chengdu Municipal Commerce Bureau are both departments of the Chengdu municipal government, they are different legal entities. Based on the statement of defence prepared by Chengshang's PRC counsel for this litigation, it is under dispute whether Chengdu Municipal Commerce Bureau is the qualifying plaintiff for the lawsuit as it was not the actual lender under the loan agreement is under dispute. Nevertheless, the Intermediate People's Court in Chengdu accepted the lawsuit, which is pending for trial. The capacity of Chengdu Municipal Commerce Bureau in commencing the lawsuit is subject to determination by the Intermediate People's Court in Chengdu. We have not made any provision for any potential liabilities under the guarantee for the RMB20 million loan as the PRC legal counsel acting for us in such legal proceedings is of the opinion that because no legal action had been taken against Chengshang within the effective period of the guarantee, Chengshang's liability under the loan agreement and the guarantee had expired. The trial commenced on October 16, 2007, and we have incurred legal costs of approximately RMB100,000 so far. As it is uncertain as to how long the trial will take, we cannot estimate when the trial will end. In view of the small amount of legal fee incurred so far, we have not made a provision for any losses. Although the ultimate outcome of the lawsuit cannot be ascertained until final judgment, we will diligently defend the action, and may seek to reach a settlement with the relevant parties.

Indemnity provided by Mr. Huang, MOY International and Maoye Investment in our favour

Each of Mr. Huang, MOY International and Maoye Investment has jointly and severally undertaken to indemnify our Group against any loss arising from any of the above pending litigations and non-compliances. See "Statutory and General Information – Other Information – Deed of Indemnity".

Save as disclosed above, we are not aware of any material litigation, arbitration or administrative proceedings pending or threatened by or against us, that would have a material adverse effect on the results of our operations or financial condition.

NO SIGNIFICANT INTERRUPTIONS

There have been no interruptions in our business that may have a significant effect on our financial position during the Track Record Period.

OVERVIEW

Immediately after completion of the Global Offering, our Controlling Shareholder will own approximately 83.1% of our enlarged issued share capital (assuming the Over-allotment Option is not exercised) and will continue to be the controlling shareholder of our Company.

Whilst our Group will continue to operate independently of the Controlling Shareholder Group, there will be certain transactions between our Group and the Controlling Shareholder Group which will continue following completion of the Global Offering. For details of such transactions, please see "– Connected Transactions" below.

BACKGROUND OF THE CONTROLLING SHAREHOLDER GROUP

The Controlling Shareholder Group engages in a wide range of businesses, including real estate development, property management, real estate leasing, hotel operation, tourism, high-tech industry, energy, warehousing and transportation, and business information consulting. In particular, Shenzhen Xing Hua Enterprise Holdings Company Limited (深圳興華實業股份有限公司), a member of the Controlling Shareholder Group, is principally, directly and indirectly, engaged in the leasing of factory premises and office buildings and hotel business. For the year ended December 31, 2007, the turnover of the Controlling Shareholder Group from its real estate development, property management, real estate leasing, and other businesses accounted for approximately 54.2%, 7.7%, 32.5% and 5.6%, respectively, of its total turnover. Save as disclosed above, the Directors confirm, to the best of their knowledge, information and belief, that the Controlling Shareholder Group does not have any other major businesses.

While we (through Chengshang) have plans to develop real estate projects which centre around Chengshang's department store properties, such development plans are only for the purposes of expanding Chengshang's existing department store network in Chengdu. Otherwise we do not currently plan to expand into real estate developments. Accordingly, the Directors are of the view that there is no competition between our Group and the Controlling Shareholder Group's real estate development business.

The Controlling Shareholder Group owns and operates a hotel in Shenzhen since July 2006. Our Group, through Chengshang, owns and operates a business hotel in Chengdu and a three-star hotel at E'mei Mountain in Sichuan Province, which have been owned and operated by Chengshang before it was acquired by our Group. As Chengshang's hotels are geographically delineated from the Controlling Shareholder Group's hotel in Shenzhen, the Directors consider that there is no competition between our Group and the Controlling Shareholder Group in this regard. Going forward, Chengshang intends to concentrate on its core department store business after the completion of the Global Offering and to dispose of the non-core businesses (including the hotel business) in the medium to long term as and when favorable opportunity or valuation arises.

Upon completion of the Global Offering, the Controlling Shareholder Group will own the Maoye Chongqing Jiefangbei Store, the Maoye Wuxi Store and an 18.93% equity interest in Guiyang Friendship Group. The reasons for the Controlling Shareholder Group's ownership of these businesses or interests are further described in "– Arrangements on stores and competing business retained by the Controlling Shareholder Group" below.

ARRANGEMENTS ON STORES AND COMPETING BUSINESS RETAINED BY THE CONTROLLING SHAREHOLDER GROUP

Excluded Stores

The ownership by the Controlling Shareholder Group of the Excluded Stores, namely the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store, is due to the following reasons:

Maoye Chongqing Jiefangbei Store

The owner of the Maoye Chongqing Jiefangbei Store, Chongqing Jiefangbei Maoye (formerly known as Chongqing Di Kang Department Store Co., Ltd. (重慶迪康百貨有限公司)), was previously owned as to 95% by Department Store Chain (which was in turn owned as to 75% by Chengshang and as to 25% by an Independent Third Party), and as to 5% by Chengshang directly. All Chengshang's such interest was transferred to Maoye Shangsha pursuant to an agreement dated March 31, 2007 in light of certain pending litigation.

The Maoye Chongqing Jiefangbei Store has been involved in a rental dispute with Chongqing Xin Long Da Real Estate Development Company Limited (重慶鑫隆達房地產開發有限公司) ("Xin Long Da"), the landlord of the premises of the Maoye Chongqing Jiefangbei Store. On September 27, 2005, the landlord filed with the Chongqing Arbitration Commission (重慶仲裁委員會) a claim against Chongqing Jiefangbei Maoye, seeking an early termination of the lease for the Maoye Chongqing Jiefangbei Store on the ground that Chengshang had failed to make prepayment of rent within the stipulated time. The Chongqing Arbitration Commission ruled on January 16, 2006 to terminate the lease. Chongqing Jiefangbei Maoye then filed an application with the Chongqing No. 1 Intermediate People's Court (重慶第一中級人民法院) for the withdrawal of the above ruling by the Chongqing Arbitration Commission. On August 1, 2006, Chongqing Jiefangbei Maoye filed a claim with the Chongqing Municipal Higher People's Court (重慶市高級人民法院) against Xin Long Da alleging that Xin Long Da did not fulfill its obligations in accordance with the lease, while Xin Long Da made a counter-claim against Chongqing Jiefangbei Maoye. On March 20, 2007, in view of Xin Long Da having obtained the building ownership certificate for the leased premises, Chongqing Jiefangbei Maoye filed with the Chongqing Municipal Higher People's Court a claim against Xin Long Da, requesting it to continue to comply with the terms of the lease and compensate Chongqing Jiefangbei Maoye for related losses of approximately RMB58 million. During the course of the litigation, the landlord cut the water and electricity of the Maoye Chongqing Jiefangbei Store on various occasions in 2006, which had affected the operation of the store, with the store's revenue well short of its rental expense and labor cost. Therefore we have decided not to include the Maoye Chongqing Jiefangbei Store in our Group at this stage to avoid uncertainty and costs associated with such legal dispute. On July 11, 2007, Maoye Shangsha transferred its entire equity interest in Chongqing Jiefangbei Maoye to Maoye Industry, a member of the Controlling Shareholder Group, as a result of which the Maoye Chongqing Jiefangbei Store is no longer part of our Group. The transfer was made together with Maoye Shangsha's 75% equity interest in the Department Store Chain, as well as all receivables due from the Maoye Chongqing Jiefangbei Store and the Department Store Chain, for an aggregate consideration of approximately RMB54.1 million, resulting in a gain on disposal of approximately RMB46.4 million. The consideration for the transfer of our interests in Chongqing Jiefangbei Maoye and the Department Store Chain was arrived at based on the valuation prepared by an independent valuer as of September 30, 2006 with adjustment for the increase in receivables of Chongqing Jiefangbei Maoye and the Department Store Chain after September 30, 2006. Our Company confirms that our Group has not provided any guarantee in respect of the liabilities of Chongqing Jiefangbei Maoye and/or contingent liabilities in relation to its outstanding litigation.

Our revenue derived from the Maoye Chongqing Jiefangbei Store in 2005, 2006 and 2007 was RMB7.8 million, RMB7.0 million and RMB0.7 million, respectively, and our net loss derived from the Maoye Chongqing Jiefangbei Store in 2005, 2006 and 2007 was RMB25.1 million, RMB51.9 million and RMB31.4 million, respectively. After the disposal of our interest in the Maoye Chongqing Jiefangbei Store, we no longer have to absorb the loss incurred by the Maoye Chongqing Jiefangbei Store. We now manage the store under a management agreement and receive a management fee. See "— Connected Transactions — Master Management Agreement." For the period after the transfer of the Maoye Chongqing Jiefangbei Store until December 31, 2007, management fee generated from the Maoye Chongqing Jiefangbei Store was approximately RMB273,000.

As advised by our PRC legal advisors, we will have to obtain relevant PRC government approvals if we proceed to re-acquire the equity interest in the Maoye Chongqing Jiefangbei Store.

Maoye Wuxi Store

The Maoye Wuxi Store was opened in October 2007, and is wholly-owned by Wuxi Maoye and Wuxi Baifu, which are members of the Controlling Shareholder Group. As advised by our PRC legal advisors, we will have to obtain relevant PRC government approvals, including approval from the Ministry of Commerce, if we proceed to acquire the equity interests in Wuxi Maoye and Wuxi Baifu. We have entered into an agreement with the Controlling Shareholder Group under which we have an option to acquire the entire interest in Wuxi Maoye and Wuxi Baifu at a price to be agreed but not in excess of the value of the Controlling Shareholder Group's interest in the Maoye Wuxi Store as determined by independent valuation upon obtaining necessary regulatory approvals, and we have submitted applications to the relevant PRC regulatory authorities for the transfer. However, as the approval process is not within our control, we are unable to provide any meaningful estimate of when such approvals will be obtained.

The Maoye Wuxi Store is currently managed by us under a management agreement. See "— Connected Transactions — Master Management Agreement." From the commencement of business of the Maoye Wuxi Store until December 31, 2007, management fee generated from the Maoye Wuxi Store was approximately RMB762,000.

Guiyang Friendship Group

As of May 29, 2007 and as a result of a series of acquisitions by the Controlling Shareholder Group and Maoye Shangsha from Independent Third Parties, Guiyang Friendship Group was owned as to 18.93% by the Controlling Shareholder Group and as to 5.87% by Maoye Shangsha. As of the Latest Practicable Date, the Controlling Shareholder Group owned a 18.93% equity interest in Guiyang Friendship Group.

Guiyang Friendship Group primarily operates two department stores in Guiyang, Guizhou Province. These two stores are not operated or managed by our Group or the Controlling Shareholder Group. As of December 31, 2007, the registered share capital of Guiyang Friendship Group was approximately RMB53.2 million. Based on the audited financial statements of Guiyang Friendship Group provided to our Group by Guiyang Friendship Group, the turnover and net profit of Guiyang Friendship Group amounted to RMB113.0 million and RMB3.2 million, respectively, for the year ended December 31, 2006. Based on the management accounts of Guiyang Friendship Group provided to our Group by Guiyang Friendship Group, the turnover and net profit of Guiyang Friendship Group amounted to RMB142.9 million and RMB3.1 million, respectively, in the year ended December 31, 2007. The financial statements of Guiyang Friendship Group are prepared in accordance with PRC GAAP, which differs in certain material respects from IFRSs. Moreover, the financial statements of Guiyang Friendship Group have not been audited by Ernst & Young.

The operations of our Group and Guiyang Friendship Group are totally independent. We have not entered into any transaction with Guiyang Friendship Group and do not in any way rely on Guiyang Friendship Group to carry on our business. Therefore we are capable of carrying on our business independently of, and at arm's length from, Guiyang Friendship Group.

At present, the Controlling Shareholder Group's 18.93% interest in Guiyang Friendship Group has not been transferred to our Group due to, among others, the following reasons:

(a) while holding a 18.93% equity interest in Guiyang Friendship Group, the Controlling Shareholder Group does not have control of Guiyang Friendship Group as the Guiyang State Asset Administrative Committee (貴陽市國有資產監督管理委員會) owns a 42.27% equity interest in Guiyang Friendship Group. The remaining shareholders of Guiyang Friendship Group are all Independent Third Parties;

(b) the Controlling Shareholder Group does not have majority control over Guiyang Friendship Group's board of directors, and neither the Controlling Shareholder Group nor our Group would be able to dictate the business direction or strategy of Guiyang Friendship Group; and

(c) the relevant government authority has not consented to the transfer of the Controlling Shareholder Group's 18.93% equity interest in Guiyang Friendship Group to our Group.

A transfer of the Controlling Shareholder Group's 18.93% interest in Guiyang Friendship Group to us will require the approval of the Ministry of Commerce. However, as the approval process is not within our control, we are unable to provide any meaningful estimate of when such approval(s) will be obtained.

Mr. Huang and the two principal holding companies within the Controlling Shareholder Group, namely, Maoye Holdings Limited and Richon Holdings Limited ("Richon"), have granted an option to us under the Deed of Non-Competition and Call Option to acquire the whole or part of their interests in the Excluded Stores and Guiyang Friendship Group, or their interests in any of the companies that hold the Excluded Stores and the interest in Guiyang Friendship Group. In this regard, Mr. Huang, Maoye Holdings Limited and Richon have undertaken to us:

- to use his/its best endeavor within three years to (x) resolve the existing litigation between the Maoye Chongqing Jiefangbei Store and Xin Long Da, (y) obtain all necessary consents and approvals for the transfer of the interests of the Controlling Shareholder Group in the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store to our Group and (z) obtain all necessary consents and approvals for the transfer of the Controlling Shareholder Group's interest in Guiyang Friendship Group, to serve a notice ("Notice") on us within ten business days of any of the issues in clauses (x) through (z) above having been resolved and to transfer the Excluded Stores and interest in Guiyang Friendship Group, as applicable, to us as soon as practicable once the relevant issues impeding such transfer have been resolved and upon our exercise of the option to acquire such interest; and

- to keep us informed every six months from the Listing Date as regards the progress on the matters referred to in clauses (x) through (z) in the preceding paragraph. We will include such progress in our interim report and annual report in order to keep our shareholders fully and timely informed.

As one of the corporate governance measures, we will appoint an independent financial advisor to advise whether to exercise the option under the Deed of Non-Competition and Call Option as soon as the Notice is served on us. Immediately after having been advised by the independent financial advisor to exercise the option, we will seek approval from a board committee (the "Board Committee"), comprising the independent non-executive Directors who do not have any material interest in the matter, to decide whether to exercise the option (taking into consideration the advice of the independent financial advisor). In determining whether to exercise the option under the Deed of Non-Competition and Call Option, our Company has to comply with the relevant requirements of the Hong Kong Listing Rules.

Our Group currently provides management services to the Excluded Stores. The Directors believe that this will serve to protect the interests of our Group and to facilitate possible acquisition by our Group of the Excluded Stores in the future (pursuant to the option and similar arrangements under the Deed of Non-Competition and Call Option described in "– Connected Transactions – Deed of Non-Competition and Call Option" below). Further details of the management agreement between the Controlling Shareholder Group and our Group are set out in "– Connected Transactions – Master Management Agreement" below.

The Directors consider that the arrangements set out below in "– Connected Transactions – Deed of Non-Competition and Call Option", which are endorsed by the boards of directors of Maoye Holdings Limited and Richon, are reasonable measures in managing the conflicts of interest between the Controlling Shareholder Group and our Group in respect of the Excluded Stores.

COMPETING BUSINESS HELD BY A NON-EXECUTIVE DIRECTOR

Mr. Zhong Pengyi, a non-executive Director, currently holds a 40% equity interest in Shenzhen Friendship Trading Centre Company Limited (深圳市友誼貿易中心有限公司), which in turn holds a 90% equity interest in Shenzhen Friendship Department Store Company Limited (深圳市友誼城百貨有限公司) and a 25.01% equity interest in Shenzhen Aeon Friendship Co., Ltd. (深圳永旺友誼商業有限公司). Mr. Zhong is also the chairman of Shenzhen Friendship Department Store Company Limited and the vice-chairman of Shenzhen Aeon Friendship Co., Ltd.

Both Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd. are engaged in the department store and retail business. As advised by Mr. Zhong and based on the best knowledge and belief of the other Directors, the other shareholders of Shenzhen Friendship Trading Centre Company Limited and Shenzhen Aeon Friendship Co., Ltd are Independent Third Parties, and the other shareholder of Shenzhen Friendship Department Store Company Limited is owned as to 70% by Shenzhen Friendship Trading Centre Company Limited. Mr. Zhong is the chairman of Shenzhen Friendship Department Store Company Limited, but does not have control over the board of Shenzhen Aeon Friendship Co., Ltd.

As advised by Mr. Zhong and based on the best knowledge and belief of the other Directors, the department store of Shenzhen Friendship Department Store Company Limited is situated in the central commercial district on Renmin South Road in Shenzhen. The store has a gross floor area of 15,600 sq.m. and targets the medium to high-end market segment.

As advised by Mr. Zhong and based on the best knowledge and belief of the other Directors, Shenzhen Aeon Friendship Co., Ltd has four department stores in Shenzhen, namely:

- CITIC City Plaza store at CITIC City Plaza, with an operating area of 19,900 sq.m.;
- Donghu store at Dongjun Commercial Building, Sino-Link Garden, Taining Lu, Luohu District, with an operating area of 18,021 sq.m.;
- Longgang store at 1- 3F, Shenzhen Wanxin Mall, Shenhui Road side, Longgang District, with an operating area of 24,000 sq.m.; and
- Shopping park store in COCO PARK L1, Xinghe Shopping Center, 3rd Fuhua Road, Futian District, with an operating area of 10,432 sq.m.

Shenzhen Aeon Friendship Co., Ltd is planning to open its fifth store in the Nanshan district in Shenzhen.

The Directors consider that there is competition between our Group and Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd.

To manage any conflict of interest arising from Mr. Zhong's interests and directorships in Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd, Mr. Zhong will be required to abstain from participation, deliberation or voting at Board meetings where matters involving Shenzhen Friendship Department Store Company Limited or Shenzhen Aeon Friendship Co., Ltd are discussed or resolved, and he will not be counted for purpose of determining quorum for such Board meetings. In view of the corporate governance measures implemented by our Group, we are able to carry on our business independently of, and at arm's length from, Shenzhen Friendship Trading Centre Company Limited, Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER GROUP

The Directors are satisfied that we are capable of carrying on our business independently from the Controlling Shareholder Group after the Global Offering. This conclusion is based on, among other factors, the following:

(a) ***Competition.*** As stated in "– Connected Transactions – Deed of Non-Competition and Call Option" below, our Directors believe that the concern regarding competition between the Controlling Shareholder Group and our Group is alleviated by the fact that there is clear delineation between the business of our Group and the business of the Controlling Shareholder Group and that Mr. Huang, Maoye Holdings Limited and Richon have undertaken not to engage in the Restricted Businesses (as defined below in "– Corporate Governance Measures") in the PRC with limited exceptions.

(b) ***Our assets and operational independence.*** Except as described under "Business – Legal, Compliance and Litigation", we hold all relevant licences and assets necessary to operate our businesses, and we have sufficient capital and employees to operate our business independently. Out of our 13 self-run department stores, five department stores are located at premises primarily leased from the Controlling Shareholder Group under six separate leases, with one additional store owning the premises for most of its floor space but leasing a small portion of its floor space from the Controlling Shareholder Group. We also have two lease agreements with the Controlling Shareholder Group for properties that we use for office and warehouse purposes and are not crucial to our operations. With respect to the seven lease agreements where the relevant leased properties are used for our department store operations, we have secured a lease term of 12 years for each of these lease agreements. In addition, such lease agreements constitute continuing connected transactions of our Group and are therefore subject to the review by independent non-executive Directors. The Directors do not expect to encounter any major difficulties in securing locations for department store operation, and the Directors believe that there is no reliance by our Company on the Controlling Shareholder Group in leasing properties for our operation. Save for and except those provided to the Controlling Shareholder Group by us under the Master Management Agreement (the details of which are set out in "– Connected Transactions – Our Non-Exempt Continuing Connected Transactions" below), we have not shared our operation resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholder Group. The amounts payable by the Controlling Shareholder Group to our Group after Listing under the Office Automation Software System Licence Agreement, Human Resources Software System Licence Agreement and File Management System Licence Agreement will be insignificant compared to the size of our operations and these agreements will fall within the de minimis continuing connected transactions category of the Hong Kong Listing Rules. For the Master Management Agreement, the management fee charged by our Group will be the sum of (i) 1.8% of the Total Sales Proceeds of each Excluded Store and (ii) 10% of the profit before tax of each Excluded Store, and the Total Sales Proceeds of the Excluded Stores will only represent an insignificant portion of the Total Sales Proceeds of our Group. The Directors expect that this trend will continue for the two years ending December 31, 2009 and that the amounts payable to our Group by the Controlling Shareholder Group will represent no more than 0.35% and 0.81% of our total revenue for the two years ending December 31, 2009. For the Master Leasing Agreement, the amount of rental payment under the leases between our Group and the Controlling Shareholder Group represented only 7.3%, 6.5% and 7.0% of our revenue for each of the three years ended December 31, 2007, respectively. The Directors expect no significant change in such percentage for the two years ending December 31, 2009 and that the amounts payable by our Group to the Controlling Shareholder Group under the Master Leasing Agreement will represent no more than 8.1% and 8.1% of our total revenue, respectively, for the two years ending December 31, 2009. In view of the amounts involved, the Directors consider that there is no reliance by our Group on the Controlling Shareholder Group in conducting the transactions under the above agreements. Other than the above and the transactions set out in "– Connected Transactions" below, no services and facilities will be provided by the Controlling Shareholder Group to our Group for our operation, and we are able to operate independently from the Controlling Shareholder Group after the Listing.

(c) ***Management independence.*** Our Board consists of nine members, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. With the exception of Mr. Huang and Mrs. Huang, there is no overlap between our Directors and senior management and the directors and senior management of the Controlling Shareholder Group. All transactions between our Group and the Controlling Shareholder Group were and will be negotiated and concluded on an arm's length basis. Mr. Huang is the Chairman, an executive Director and the chief executive officer of our Company, and as the chairman of the Controlling Shareholder Group. Despite the dual roles of Mr. Huang, he is only responsible for making major decisions as the chairman of the Controlling Shareholder Group and is not involved in its daily management. Mr. Huang will spend most of his time on the management of our Group. Mrs. Huang is the director and chief executive officer of Shenzhen Maoye (Group) Co., Ltd. (深圳茂業(集團)股份有限公司) in charge of management tasks associated with such roles. She is also the chairman of Shenzhen Xing Hua Industrial Holdings Company Limited (深圳興華實業股份有限公司) responsible for its decision making and financial management, and is the chairman of Shenzhen Oriental Times Industrial Company Limited (深圳市東方時代廣場實業有限公司) and is involved in its decision making but not responsible for its daily operations and management. All of these companies are members of the Controlling Shareholder Group and are connected persons of the Company. Mrs. Huang resigned from various offices at companies within our Group to avoid potential conflict of interest between our Group and the Controlling Shareholder Group, in particular, in relation to various continuing connected transactions. Mrs. Huang will only serve as a non-executive Director of our Company, and will be responsible only for decision making without other management tasks. In view of the above, the Directors consider that despite the dual roles held in our Group and in the Controlling Shareholder Group by Mr. Huang and Mrs. Huang, it is expected that they will spend sufficient time in the management of our Group to fulfill their duties. Further, in spite of the dual roles held by the above Directors in our Group and in the Controlling Shareholder Group, our Directors believe that our Group is able to operate independently from the Controlling Shareholder Group as:

- except for the Excluded Stores, our Group is the only group of companies controlled by Mr. Huang engaging in department stores operation;
- the daily operations of our Group is principally overseen and managed by the three executive Directors, namely Mr. Zou Minggui, Mr. Wang Guisheng and Mr. Lu Fa Chee, and none of them hold any position in the Controlling Shareholder Group;
- although Mr. Huang holds dual concurrent directorships in our Group and the Controlling Shareholder Group, he is only in charge of strategic planning of the Controlling Shareholder Group;

- Although Mr. Huang and Mrs. Huang are directors of the Controlling Shareholder Group, the business activities of the Controlling Shareholder Group are completely different from that of our Group, and no remuneration is paid to Mr. Huang and Mrs. Huang for being directors of the Controlling Shareholder Group. In any event, these Directors will abstain from voting in any resolution(s) relating to transaction(s) between our Group and the Controlling Shareholder Group;

- Our Group has imposed strict corporate governance measures as set out in "– Corporate Governance Measures" below to manage existing and potential conflicts of interest between our Group, the Controlling Shareholder Group and the Directors; and

- In the event that any conflict of interest arises such as connected transaction with the Controlling Shareholder Group or the exercise or non-exercise of the option or the right of first refusal under the Deed of Non-Competition and Call Option, or where the transaction(s) pose direct conflicts with the operations of the Excluded Stores and/or Guiyang Friendship Group, the relevant Director(s) with an interest in such relevant transaction(s) will not be present at the relevant board meeting, and will be excluded from the board deliberation and abstain from voting on such relevant resolution(s) at such board meeting. Even if all the Directors holding positions in the Controlling Shareholder Group excuse themselves in such relevant resolution(s), the remaining Directors, including the three executive Directors, namely Mr. Zou Minggui, Mr. Wang Guisheng and Mr. Lu Fa Chee, who are responsible for the daily operations of our Group, can still properly consider and decide on such relevant resolution(s), and therefore the operation of our Group will not be affected. Taking into account Mr. Zou Minggui's over 10 years' experience in the retail industry, Mr. Wang Guisheng's extensive experience in the retail industry and financial management and Mr. Lu Fa Chee's legal background and his experience with various multinational corporations, the Directors consider that the Board can still function effectively if Mr. Huang and Mrs. Huang need to refrain from Board deliberation due to potential conflict of interest. In any event, approval from the Board Committee will be required as to whether to exercise the right of first refusal or the option under the Deed of Non-Competition and Call Option.

(d) ***Financial independence.*** Our Group is financially independent from the Controlling Shareholder Group. During the Track Record Period, (a) the rental payment payable by our Group to the Controlling Shareholder Group represented approximately 43.6% to 44.7% of the total rental income received by the Controlling Shareholder Group; and (b) the property management fee payable by our Group to the Controlling Shareholder Group represented approximately 1.1% to 1.5% of the total property management fee received by the Controlling Shareholder Group.

Throughout the Track Record Period, we have provided funding to the Controlling Shareholder Group as part of the cooperation between our Group and the Controlling Shareholder Group. The funding provided by our Group to the Controlling Shareholder Group as at December 31, 2005, 2006 and 2007 represented approximately 9.6%, 21.1% and 17.8%, respectively, of the overall funding requirement of the Controlling Shareholder Group (obtained from its working capital, operating cash flow and external financing). As our Group was not a listed entity during the Track Record Period, a clear delineation of the operations and financing of the retail business and the other businesses was not required.

After the Listing, the management fee income derived from the Controlling Shareholder Group for the management of the Excluded Stores is expected to represent only a small portion of our revenue. In the opinion of the Directors, all amounts due to or from the Controlling Shareholder and its subsidiaries (other than our Group), and any guarantee or security provided by the Controlling Shareholder and its subsidiaries (other than our Group) for any indebtedness of our Group, or by our Group for any indebtedness of the

Controlling Shareholder and its subsidiaries (other than our Group) will be fully settled or released before or upon the Listing. As advised by the Directors, all non-trade balances between the Excluded Stores and our Group will be fully settled before the Listing. We believe we are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on the Controlling Shareholder Group. We also have our own financial management system and related personnel who are independent from the Controlling Shareholder Group.

(e) ***Administrative independence.*** We are administratively independent from the Controlling Shareholder Group as we have our own office, our own company secretary, qualified accountant, authorized representatives and administrative personnel.

In addition, under the Deed of Non-Competition and Call Option, Mr. Huang, Maoye Holdings Limited and Richon have granted us an option to purchase the whole or part of the interest in any of the companies which hold the Excluded Stores and Guiyang Friendship Group. Further details of the Deed of Non-Competition and Call Option are set out in "– Connected Transactions – Deed of Non-Competition and Call Option" below.

CORPORATE GOVERNANCE MEASURES

The Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest between our Group, the Controlling Shareholder Group and the Directors, including:

- pursuant to the Deed of Non-Competition and Call Option, Mr. Huang, Maoye Holdings Limited and Richon have undertaken, among other things, not to engage in any business engaged by our Group from time to time, including the business of retail trade in merchandise in department stores, supermarkets, hypermarkets, convenience stores and specialty merchandise stores (the "Restricted Businesses") in the PRC with a limited number of exceptions as detailed in "– Connected Transactions – Deed of Non-Competition and Call Option" below;
- we will seek approval from the Board Committee as to whether to exercise the option or the right of first refusal under the Deed of Non-Competition and Call Option. The Board Committee may appoint an independent financial advisor as it considers necessary to advise it on the aforesaid matters. Any decision reached by the Board Committee will be disclosed in an announcement to be made by our Company and in our subsequent annual report;
- each of Mr. Huang, Maoye Holdings Limited and Richon has undertaken to provide an annual confirmation (which, in the case of Maoye Holdings Limited and Richon, should be from its directors) to us for inclusion in our annual report confirming his/its compliance with the terms of the Deed of Non-Competition and Call Option. Maoye Holdings Limited and Richon also undertake to provide all information necessary for annual review by the independent non-executive Directors and to allow, subject to confidentiality restrictions imposed by third parties, the representatives of our Company and an international renowned accounting firm to be appointed by our Company to have access to the relevant financial and corporate records of the Controlling Shareholder Group for us to determine whether the Deed of Non-Competition and Call Option has been complied with by Maoye Holdings Limited and Richon. Such disclosure on how the Deed of Non-Competition and Call Option was complied with and enforced is consistent with the principles of making voluntary disclosures in the corporate governance report as required under the Hong Kong Listing Rules;
- we will disclose decisions on matters reviewed by the independent non-executive Directors relating to the enforcement of the Deed of Non-Competition and Call Option (if

any) or the undertakings (i.e., the options or the rights of first refusal) in our annual report or, where the Board considers it appropriate, by way of an announcement in compliance with the Hong Kong Listing Rules, and we will also make an annual confirmation as to compliance with the Deed of Non-Competition and Call Option in our annual report;

- any transaction that is proposed between our Group and the Controlling Shareholder Group, including the exercise or non-exercise of the option or the right of first refusal under the Deed of Non-Competition and Call Option, will be required to comply with Chapter 14A of the Hong Kong Listing Rules, including, where applicable, the announcement, reporting and independent shareholders' approval requirement;
- as stated under "— Independence from the Controlling Shareholder Group" above, we believe that our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong element on the Board that can effectively exercise independent judgement. For the independent non-executive Directors, Mr. Pao Ping Wing has extensive experience in serving as a director of listed companies in Hong Kong, Mr. Leung Hon Chuen has extensive experience in banking and finance, and Mr. Chow Chan Lum has extensive experience in the accounting field. With expertise in different professional fields, the Directors believe that the independent non-executive Directors, with the assistance of Mr. Zou Minggui, Mr. Wang Guisheng and Mr. Lu Fa Chee, who are engaged in the daily operation of our Group and not associated with the Controlling Shareholder Group, have the necessary caliber and expertise to form and exercise independent judgement in the event that conflicts of interest between our Group and the Controlling Shareholder Group arise;
- in the event that potential conflicts of interest may materialize, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with an interest in the relevant transaction(s) will not be present at the relevant board meeting, and will be excluded from the board deliberation and abstain from voting and will not be counted towards quorum in respect of the relevant resolution(s) at such board meeting;
- in the event that potential conflicts of interest may materialize, Maoye Investment will abstain from voting in the shareholders' meeting of the Company with respect to the relevant resolution(s); and
- our Group is administratively independent from the Controlling Shareholder Group as we have our own company secretary, qualified accountant, authorized representatives and administrative personnel.

CONNECTED TRANSACTIONS

Upon the listing of the Shares on the Hong Kong Stock Exchange, the transactions set forth below will constitute continuing connected transactions (as such term is defined under the Hong Kong Listing Rules) for us.

Our One-off Connected Transaction

Deed of Non-Competition and Call Option

Pursuant to the Deed of Non-Competition and Call Option dated April 17, 2008 among Mr. Huang, Maoye Holdings Limited, Richon (Maoye Holdings Limited and Richon being two principal holding companies within the Controlling Shareholder Group) and our Company (which superseded the Deed of Non-Competition and Call Option dated January 13, 2008 among the same parties), each of Mr. Huang, Maoye Holdings Limited and Richon undertakes not to, and undertakes to procure their respective associates other than our Group (together the "Restricted Persons") not to:

(a) engage in any Restricted Business in the PRC;

(b) have interest in any project or proposal in any Restricted Business on behalf or for the benefit of any person, otherwise than in the capacity as a shareholder of the Company;

(c) directly or indirectly maliciously solicit, interfere with or endeavor to entice away from any member of our Group any person, firm, company or organization who to his/its knowledge is now or has been a customer, supplier or senior management of any member of our Group within the past three years prior to such deed;

(d) exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the business earned on by our Group; and

(e) directly or indirectly take any other action which constitutes an intentional undue influence with or a disruption of any of the business of our Group,

save and except that he/it will be allowed to:

(1) continue to maintain his/its existing interest in the Excluded Stores and in Guiyang Friendship Group;

(2) continue to be engaged in real estate development and hotel businesses in the PRC;

(3) hold and/or be interested in any shares or other securities in any company which engages or is involved in the Restricted Businesses in the PRC, provided that such shares or securities are listed on a recognized stock exchange and the total shareholdings of the Restricted Persons in such company do not exceed 3% of such listed company's issued share capital, and further provided that at all times there is a shareholder holding more shares in such listed company than the total shareholdings of the Restricted Persons;

(4) hold shares and other securities in the Company;

(5) act as an officer or an employee of any member of our Group; and

(6) carry on, engage in, invest in, participate in or otherwise be interested in the Restricted Businesses which forms an ancillary part of a composite business (the other part of which does not otherwise constitute a Restricted Business) in the PRC where the opportunity to carry on, engage in, invest in, participate in or otherwise be interested in such Restricted Businesses has first been offered or made available to us, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to carry on, engage in, invest in, participate in or otherwise be interested in such Restricted Businesses, provided that the principal terms by which any of the Restricted Persons subsequently engages in, invests in, participates in or otherwise is interested in such Restricted Businesses are not more favorable in any material aspect than those disclosed to us, provided, further, that Mr. Huang, Maoye Holdings Limited and Richon undertake to either (x) sell such Restricted Business to our Group at a price to be negotiated by the parties not in excess of the value of such Restricted Business determined by an independent valuation company mutually selected by our Group and Maoye Holdings Limited, or (y) dispose of such Restricted Business to an Independent Third Party. The sale and disposal referred to in (6)(x) and (y) above shall be completed within one year from the later of the effectiveness of the acquisition by the Controlling Shareholder Group of such Restrictive Business and such Restricted Business commencing operation of its department store(s). If the sale and disposal referred to in (6)(x) and (y) above is not completed within the one-year period, Mr. Huang, Maoye Holdings Limited and Richon undertake to immediately cease all of the operations of such Restricted Business.

The intention of providing the exception in (6) above is not to overly restrict the ability of the Controlling Shareholder Group to engage in or acquire a new composite business which has a Restricted Business forming an ancillary part. However, in order to eliminate competition with our business, the Controlling Shareholder Group is given a period of one year to either dispose of or terminate such Restricted Business should we decide not to acquire it pursuant to the pre-emptive right.

The non-competition restrictions will terminate on the earlier of the date on which the Controlling Shareholder Group ceases to be a controlling shareholder of our Company and the date on which the Shares cease to be listed on the Stock Exchange. Unless complying with the above-mentioned exceptions, the Controlling Shareholder Group will not own or operate any department store in the PRC other than the Excluded Stores and the stores under Guiyang Friendship Group so long as the Deed of Non-Competition and Call Option is in effect.

Under the Deed of Non-Competition and Call Option,

- Mr. Huang, Maoye Holdings Limited and Richon have undertaken to us to use their best endeavor within three years to (x) resolve the existing litigation between the Maoye Chongqing Jiefangbei Store and Xin Long Da, (y) obtain all necessary consents and approvals for the transfer of the interests of the Controlling Shareholder Group in the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store to our Group, and (z) obtain all necessary consents and approvals for the transfer of the Controlling Shareholder Group's interest in Guiyang Friendship Group, to serve a Notice on us within ten business days of any of the issues in clauses (x) through (z) above having been resolved, and to use his/its best endeavor to transfer the Excluded Stores and interest in Guiyang Friendship Group, as applicable, to us as soon as practicable once the relevant issues impeding such transfer have been resolved and upon our exercise of the option to acquire such interests.
- Mr. Huang, Maoye Holdings Limited and Richon have further undertaken to keep us informed every six months from the Listing Date with regards to the progress on the matters described in clauses (x) through (z) above, and we will include such progress in our interim report(s) and annual report(s) in order to keep our shareholders fully and timely informed. Subject to confidentiality restrictions imposed by third parties, Mr. Huang, Maoye Holdings Limited and Richon have further undertaken to allow the representatives of our Company and an internationally renowned accounting firm to be appointed by our Company to have access to the relevant financial and corporate records of the Controlling Shareholder Group for us to determine whether the Deed of Non-Competition and Call Option has been complied with by Mr. Huang, Maoye Holdings Limited and Richon and to provide us with an annual confirmation from each of them (with respect to Maoye Holdings Limited and Richon, by their respective directors) in respect of its compliance with the Deed of Non-Competition and Call Option for inclusion in our annual report.
- Mr. Huang, Maoye Holdings Limited and Richon have granted us an option to purchase the whole or part of the interest in the Excluded Stores or Guiyang Friendship Group at a price to be agreed between Mr. Huang, Maoye Holdings Limited, Richon and our Company not in excess of the value of the Controlling Shareholder Group's interest in the Excluded Stores and Guiyang Friendship Group determined by an independent valuation company mutually selected by Mr. Huang, Maoye Holdings Limited, Richon and our Company. The option will remain outstanding and effective for as long as Mr. Huang, Maoye Holdings Limited and/or Richon hold any interest in Guiyang Friendship Group or the Excluded Stores, as applicable. If Mr. Huang, Maoye Holdings Limited, Richon and our Company fail to agree on a purchase price, an independent internationally recognized firm of valuers will be jointly appointed by Maoye Holdings Limited and our Company to determine the purchase price.

As the exercise or non-exercise of the option under the Deed of Non-Competition and Call Option will constitute a connected transaction under the Hong Kong Listing Rules, we will comply with the relevant requirements of Chapter 14A of the Hong Kong Listing Rules as necessary.

The entering into of the Deed of Non-Competition and Call Option is a connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Our Exempt Continuing Connected Transactions

Office Automation Software System Licence Agreement

Pursuant to the office automation software system licence agreement entered into between Maoye Shangsha and Maoye Group dated January 1, 2007 (the "Office Automation Software System Licence Agreement"), Maoye Shangsha agrees to grant a licence to Maoye Group to use its office automation software system at an one-off fee of RMB78,333 for a term of three years commencing from the date of the Office Automation Software System Licence Agreement. Based on the agreed licence fee set out in the Office Automation Software System Licence Agreement, we believe that the one-off licence fee to be paid to Maoye Shangsha under the Office Automation Software System Licence Agreement will not be more than the de minimis threshold calculated under Rule 14A.33(3) of the Hong Kong Listing Rules, and accordingly will be exempted from the reporting, announcement and independent shareholders' approval requirements stipulated under the Hong Kong Listing Rules.

Human Resources Software System Licence Agreement

Pursuant to the human resources software system agreement entered into between Maoye Shangsha and Maoye Group dated January 24, 2007 (the "Human Resources Software System Licence Agreement"), Maoye Shangsha agrees to grant a licence to Maoye Group to use its human resources software system at an one-off fee of RMB55,000 for a term of three years commencing from the date of the Human Resources Software Licence Agreement. Based on the agreed licence fee set out in the Human Resources Software System Licence Agreement, we believe that the one-off licence fee to be paid to Maoye Shangsha under the Human Resources Software System Licence Agreement will not be more than the deminimis threshold calculated under Rule 14A.33(3) of the Hong Kong Listing Rules, and accordingly will be exempted from the reporting, announcement and independent shareholders' approval requirements stipulated under the Hong Kong Listing Rules.

File Management System Licence Agreement

Pursuant to the file management system licence agreement entered into between Maoye Shangsha and Maoye Group dated January 5, 2007 (the "File Management System Licence Agreement"), Maoye Shangsha agrees to grant a licence to Maoye Group to use its file management system licence agreement at an one-off fee of RMB118,000 for a term of three years commencing from the date of the File Management System Licence Agreement. Based on the agreed licence fee set out in the File Management System Licence Agreement, we believe that the one-off licence fee to be paid to Maoye Shangsha under the File Management System Licence Agreement will not be more than the deminimis threshold calculated under Rule 14A.33(3) of the Hong Kong Listing Rules and accordingly will be exempted from the reporting, announcement and independent shareholders' approval requirements stipulated under the Hong Kong Listing Rules.

Trademark Licence Agreement

Pursuant to the trademark licence agreement entered into between Maoye Shangsha and SZ Maoye Group dated December 12, 2007 (the "Trademark Licence Agreement"), SZ Maoye Group agreed to grant a non-exclusive irrevocable licence to Maoye Shangsha for the use of the Nos.1179836, 1179837, 1179838, 1187801 and 3912548 trademarks registered for service relating to the department store business under No.35 Classification of Goods law panel in the name of SZ Maoye Group for our business, in consideration for Maoye Shangsha granting a non-exclusive irrevocable licence to SZ Maoye Group for the use of the Nos. 1133888, 3988122 and 3988124 trademark registered for service relating to the property management business under No.37 of the Classification of Goods law panel in the name of Maoye Shangsha for SZ Maoye Group's business. Each of the non-exclusive licences will be for such term until the relevant trademark expires, and shall be automatically renewed upon renewal of the relevant trademarks. As no consideration is payable under the Trademark Licence Agreement, we believe it falls within the de minimis threshold calculated under Rule 14A.33(3) of the Hong Kong Listing Rules and the arrangement is on normal commercial terms, and accordingly will be exempted from the reporting, announcement and independent shareholders' approval requirements stipulated under the Hong Kong Listing Rules. Upon renewal of the Trademark Licence Agreement, we will ensure compliance with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

Our Non-Exempt Continuing Connected Transactions

Each of Maoye Holdings Limited and Richon is controlled by Mr. Huang, the ultimate controlling shareholder of our Company, and is therefore a connected person of our Company under the Hong Kong Listing Rules. Transactions between us and members of the Controlling Shareholder Group will constitute connected transactions of our Company under the Hong Kong Listing Rules.

Summary table of our non-exempt continuing connected transactions

			Historical Amounts (in RMB million)			Annual Caps (in RMB million)	
			Year ended December 31			Year ending December 31	
	Transactions	**Waiver Sought**	**2005**	**2006**	**2007**	**2008**	**2009**
i.	Master Management Agreement	waiver from announcement requirement	N/A	N/A	1.0	4.8	11.0
ii.	Master Leasing Agreement	waiver from announcement and independent shareholders' approval requirements	67	88	110	110	110

i. Master Management Agreement

Description of the transactions

Pursuant to the master management agreement entered into between Mao Ye Group Limited and our Company on January 13, 2008 (the "Master Management Agreement"), our Company agrees to provide management services to the Controlling Shareholder Group with respect to the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store. The management services to be provided by our Group include services in respect of operation, accounting, administration, advertising and promotion, finance, marketing, human resources, licence to use the "Maoye Department Store" trademark, computer software, information technology and any other services in relation to the management of department stores as agreed by the parties from time to time. The term of the Master Management Agreement is three years and extendable for another three years at our option. The term of the Master Management Agreement was concluded on an arm's length basis.

The Directors, including the independent non-executive Directors, are of the view that the provision of the management services to the Controlling Shareholder Group is in the ordinary and usual course of business of our Group and is on normal commercial terms that are no more favorable to the Controlling Shareholder Group than those available to Independent Third Parties. The Directors, including the independent non-executive Directors, and the Joint Sponsors are of the view that it is normal business practice for contracts of this type to be of such duration and that it is appropriate for the effective term of the Master Management Agreement to be up to three years as: (a) it is in the interest of our Group to have long-term Master Management Agreement through which the value of the Excluded Stores could be enhanced by our management until the acquisition of such stores in the future; (b) a long-term Master Management Agreement could ensure a steady revenue from management fees and could avoid a relatively frequent renegotiation of the terms and conditions of the

Master Management Agreement, which might result in less favourable terms for our Company; and (c) the terms of the Master Management Agreement are generally consistent with the term of other management agreements entered into between other comparable department store chain operators in the PRC and their managed stores.

The Master Management Agreement provides that we will receive an annual fee at rates no less favourable to our Group than those charged to Independent Third Parties for managing the Excluded Stores, which includes a licence fee for permitting such stores to use the "Maoye Department Store" trademark. The management fee for each Excluded Store is equal to the sum of (i) 1.8% of the Total Sales Proceeds of such Excluded Store and (ii) 10% of the profit before tax of such Excluded Store.

Reasons for transactions

As Mr. Huang is the ultimate beneficial owner of the Excluded Stores, the Directors believe that the Master Management Agreement will serve to protect the interests of our Group and to facilitate possible acquisition by our Group of the Excluded Stores at a future date. The Directors therefore believe it is in our best interest to provide the above mentioned services to the Controlling Shareholder Group and to enter into the Master Management Agreement.

Annual cap on future transaction amounts

It is expected that the aggregate revenue to our Group under the Master Management Agreement for each of the two years ending December 31, 2009 will not exceed RMB4.8 million and RMB11.0 million, respectively. In arriving at the above caps, we have taken into account the expected Total Sales Proceeds, rental income from third party store tenants and profit before tax of the Excluded Stores. The Directors consider that the above caps are reasonably determined pursuant to Rule 14A.34(1) of the Hong Kong Listing Rules.

ii. Master Leasing Agreement

Description of the transactions

Pursuant to the master leasing agreement entered into between Maoye Holdings Limited and our Company dated January 13, 2008 (the "Master Leasing Agreement"), our Company agrees to continue to lease from the Controlling Shareholder Group certain premises in accordance with the respective terms of the relevant leasing agreement (the "Lease Agreement") entered into between members of our Group and members of the Controlling Shareholder Group. As of the Latest Practicable Date, we have entered into nine Lease Agreements with members of the Controlling Shareholder Group, including seven leases for department stores and two leases for office space and warehouse. We entered into these Lease Agreements after having considered, *inter alia,* the location of the relevant properties and the terms offered by the Controlling Shareholder Group. The following table summarizes the Lease Agreements between our Group and the Controlling Shareholder Group as of the Latest Practicable Date. Except for the leases for the office unit and the warehouse, each of the following leases has a term of 12 years from January 1, 2007 to December 31, 2018.

Landlord	Tenant	Location	Monthly Rental (RMB')	Details of Occupancy
SZ Maoye Group	Heping Shangsha	Shop Unit at Level 1 to Level 5, No. 3009 Heping Road, Luohu District, Shenzhen, PRC	1,152,389	Maoye Shenzhen Heping Store
Shenzhen Maoye Property Business Company Limited (深圳市茂業物業經營有限公司)	Maoye Shennan	Level 1 to Level 5, No. 1018 Central Shennan Road, Futian District, Shenzhen, PRC	525,358	Maoye Shenzhen Shennan Store
Shenzhen Oriental Times Industrial Company Limited (深圳市東方時代廣場實業有限公司)	Maoye Huaqiangbei	Nos. 2005-2006, North Huaqiang Road, Futian District, Shenzhen, PRC	2,377,248	The first phase of Maoye Shenzhen Huaqiangbei Store
Shenzhen Oriental Times Industrial Company Limited (深圳市東方時代廣場實業有限公司)	Maoye Oriental Times	Nos. 2005-2006, North Huaqiang Road, Futian District, Shenzhen, PRC	2,405,734	The second phase of Maoye Shenzhen Huaqiangbei Store
Zhongzhao Investment Groups	Zhuhai Maoye	No. 301, Zijing Road, Xiangzhou District, Zuhai, PRC	604,235	Maoye Zhuhai Store
SZ Maoye Group	Maoye Shangsha	Level 5 to Level 7, Wangjiao Shopping Center, Dongmen Road, Luohu District, Shenzhen, PRC	296,774	Maoye Shenzhen Dongmen Store
SZ Maoye Group	Maoye Shangsha	Office Unit of the whole of 37/F, World Finance Centre, Shennan Road, Luohu District, Shenzhen, PRC	195,462	Office Unit[(1)]

Landlord	Tenant	Location	Monthly Rental (RMB')	Details of Occupancy
Shenzhen Chongde Real Estate Company Limited (深圳市崇德地產有限公司)	Maoye Shangsha	B1, Yongcui Huafu, Taibai Road, Luohu District, Shenzhen, PRC	35,348	Warehouse(2)
Chongqing Maoye Real Estate Company Limited (重慶茂業地產有限公司)	Chongqing Maoye	Shop Unit on Portion of Basement Level 1, the whole of Level 1 to Level 7, No. 16 North Jian Xin Road, Chongqing, PRC	1,566,437	Maoye Chongqing Jiangbei Store

(1) Lease term will expire on December 31, 2009. Chongde Property Management (Shenzhen) Co., a member of the Controlling Shareholder Group, also provides us with property management services for the premises under this lease.
(2) Lease term will expire on December 31, 2009.

We and the Joint Sponsors consider the term of the leases for over three years to be fair and reasonable because (a) we need to make large capital investments in such properties and it takes time to build up customer loyalty to a department store at a particular location, and (b) a long-term lease allows our Group to build long-term relationships with third party merchandise vendors and tenants of our stores. It is therefore in our best interest to enter into long-term leases to ensure the stability of the operation. The rental under each of the lease agreements is fixed for the first three years and subject to periodic adjustment every three years after such period. Each of the lease agreements provides that our Group may terminate such lease agreement if any of the following occurs: (a) the Controlling Shareholder Group fails to deliver the premises to our Group for over one month; (b) breach by the Controlling Shareholder Group under the lease agreement to the effect that we cannot continue to lease the premises; (c) breach by the Controlling Shareholder Group under the lease agreement due to its refusal to take up maintenance of the premises and payment of related expenses to the effect that we cannot continue to lease the premises; or (d) reconstruction, extension or renovation of the premises without our consent and the relevant government approval. The adjusted rental will be reached by mutual agreement between the parties based on market rent, any price guidance prescribed by local government, location and any discount due to bulk leasing and rental prepayment. As the terms of the above lease agreements require annual lease payments in advance, we have made an aggregate lease payment of approximately RMB82.4 million to the Controlling Shareholder Group covering the period from April 1, 2008 through December 31, 2008. We believe such annual advance lease payment is necessary to secure the long-term leases for the premises as they are all located at prime locations in central commercial districts in their respective cities. Upon the expiry of the two financial years ending December 31, 2009, we will ensure re-compliance with all relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

CB Richard Ellis Limited, our independent property valuer, has confirmed that the terms and conditions of the Lease Agreements are on normal commercial terms and the terms are fair and reasonable, the rental terms and other terms available to our Group under each of the Lease Agreements are no less favorable than that offered by an Independent Third Party, and it is normal business practice for contracts of this type to be of such duration. The Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that it is normal business practice for contracts of this type to be of such duration.

Reasons for the transactions

Given that the relevant department stores of our Group have been operating at their respective premises for a number of years and the cost to be incurred and the adverse impact on the operation of our stores in the event of their relocation will be substantial, the Directors believe that maintaining the Lease Agreements will ensure our stability in using the relevant premises. The Directors further believe that it is in the interests of the Company to enter into a Master Leasing Agreement so that we may regulate the existing Lease Agreements under a common framework agreement.

Historical transaction amounts

For each of the three years ended December 31, 2007, the aggregate rental payment to members of the Controlling Shareholder Group under the Lease Agreements were approximately RMB67 million, RMB88 million and RMB110 million, respectively. The increase in our rental expenses paid to the Controlling Shareholder Group was primarily due to the increase in our stores as well as the expiration of rent holiday periods under several leases.

Annual cap on future transaction amounts

Based on the historical transaction amounts and the terms of the leases from the Controlling Shareholder Group, it is expected that the aggregate annual rental payment to members of the Controlling Shareholder Group under the Lease Agreements, as provided for by the Master Leasing Agreement, for each of the two years ending December 31, 2009 will not exceed RMB110.0 million. The annual cap amounts have been determined based on existing lease agreements. The Directors consider that the above caps are reasonably determined pursuant to Rule 14A.35(2) of the Hong Kong Listing Rules.

Application for a waiver

The transactions under the Master Management Agreement (the "Category A Non-Exempt Transactions") constitute continuing connected transactions for the Company under Rule 14A.34(1) of the Hong Kong Listing Rules and are subject to the reporting and announcement requirements set out in Rules 14A.35(3) of the Hong Kong Listing Rules following Listing.

The transactions under the Master Leasing Agreement (the "Category B Non-Exempt Transactions") constitute continuing connected transactions for our Company under Rules 14A.35(2) of the Hong Kong Listing Rules and are subject to the reporting and announcement requirements and the independent shareholders' approval requirement set out in Rules 14A.35(3) and (4) of the Hong Kong Listing Rules following Listing.

The Category A Non-Exempt Transactions and the Category B Non-Exempt Transactions will be entered into and conducted in the ordinary and usual course of business of our Group on normal commercial terms and on arm's length basis in accordance with the pricing basis as set out in the relevant written agreements between the connected parties.

Pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules, our Company has applied for and the Stock Exchange has agreed to grant (i) a waiver from strict compliance with the announcement requirement under Rule 14A.47 the Hong Kong Listing Rules in respect of the Category A Non-Exempt Transactions; and (ii) a waiver from strict compliance with announcement requirement under Rule 14A.47 of the Hong Kong Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 of the Hong Kong Listing Rules in respect of the Category B Non-Exempt Transactions.

Apart from the announcement and/or independent shareholders' approved requirements in respect of which a waiver has been sought, our Company will comply with the provisions in Chapter 14A of the Hong Kong Listing Rules governing continuing connected transaction from time to time.

The Directors (including the independent non-executive Directors) confirm that all the above-mentioned connected transactions were entered into on normal commercial terms and in the ordinary and usual course of business, and are fair and reasonable to our Group and are in the interests of our shareholders as a whole.

OPINION OF OUR DIRECTORS

The Directors (including the independent non-executive Directors), having reviewed the relevant information (including, among other things, the historical transaction amounts, the underlying agreements, the trends and growth in the industry in which our Group operates and the future plans of our Company) relating to the continuing connected transactions and the justifications set out in the sub-paragraphs headed "Reasons for the transactions" and "Annual cap on future transaction amounts" for each of the transactions, are of the opinion that each of the continuing connected transactions disclosed above has been entered into, and will be carried out, in our ordinary and usual course of business and on normal commercial terms or on terms no less favorable to our Company than terms available to or from (as appropriate) Independent Third Parties, and that each of these continuing connected transactions disclosed above is fair and reasonable and in the interest of our shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors consider that:

(i) the above connected transactions for which waivers are sought have been entered into in the ordinary course of business of our Company on normal commercial terms and are fair and reasonable and in the interest of our shareholder as a whole; and

(ii) the proposed annual caps for the above continuing connected transactions are fair and reasonable.

DIRECTORS

Our Board consists of nine Directors, three of whom are independent non-executive Directors.

The following table sets forth certain information relating to our Directors:

Executive Directors

Name	Age	Group Position
Mr. Huang Mao Ru (黃茂如)	42	Chairman, Executive Director and Chief Executive Officer
Mr. Zou Minggui (鄒明貴)	44	Executive Director and General Manager
Mr. Wang Guisheng (王貴升)	38	Executive Director, Chief Financial Officer and Qualified Accountant
Mr. Lu Fa Chee (魯化知)	48	Executive Director and Company Secretary

Non-executive Directors

Name	Age	Group Position
Mr. Zhong Pengyi (鍾鵬翼)	52	Non-executive Director
Mrs. Huang Jingzhang (黃張靜)	39	Non-executive Director

Independent non-executive Directors

Name	Age	Group Position
Mr. Chow Chan Lum (鄒燦林)	57	Independent non-executive Director
Mr. Pao Ping Wing (浦炳榮)	60	Independent non-executive Director
Mr. Leung Hon Chuen (梁漢全)	56	Independent non-executive Director

Executive Directors

Mr. Huang Mao Ru (黃茂如), 42, founder of our Group, Chairman, executive Director, and Chief Executive Officer of our Company since August 2007, is responsible for our overall development and strategic planning. He is chairman and director of our various Group companies. Since July 2005, Mr. Huang has been the chairman of the board of directors of Chengshang, a company listed on the Shanghai Stock Exchange. Mr. Huang has extensive experience in the department store industry and commercial real estate industry and has been engaged in the department store business for over 10 years. Before Mr. Huang commenced his department store business, he established Maoye (Shenzhen) Real Estate Development Co., Ltd. (茂業(深圳)房地產開發有限公司) in 1992 and Shenzhen Maoye (Group) Co., Ltd. (深圳茂業(集團)股份有限公司) in 1995. He is the husband of Mrs. Huang Jingzhang, our non-executive Director.

Mr. Zou Minggui (鄒明貴), 44, has been an executive Director of our Company since August 2007. Mr. Zou is the general manager of our Group and is responsible for our overall operational management and business development in China. He is also a director of our various Group companies. Mr. Zou joined our Group in 1997. He has over 10 years of experience in the retail industry, and worked as the manager of the Finance Department of our Group, deputy general manager and general manager of our Group. From April 2006 to March 2007, Mr. Zou was the general manager of Chengshang, a company listed on the Shanghai Stock Exchange, where he has also been a director since February 2006. Mr. Zou obtained a master's degree in business administration from China Europe International Business School in 2007.

Mr. Wang Guisheng (王貴升), 38, has been an executive Director, chief financial officer, and qualified accountant of our Company since August 2007. Mr. Wang joined our Group in August 2004.

He is also a director of our various Group companies. For the period from June 2005 to May 2007, Mr. Wang was the chief financial officer of Chengshang, a company listed on the Shanghai Stock Exchange, where he has also been a director since July 2005. He has over 8 years of experience in the retail industry and financial management. Prior to joining our Group, Mr. Wang served as the assistant financial controller of Wal-Mart China Investment Corporation Ltd. (沃爾瑪中國投資有限公司). Mr. Wang is qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants and has been a member of the Association of Chartered Certified Accountants of England since April 2003. Mr. Wang received a bachelor's degree from China Finance Institute (中國金融學院) in 1993.

Mr. Lu Fa Chee (魯化知), 48, has been an executive Director and company secretary of our Company since October 2007. Prior to joining our Group in 2007, Mr. Lu had served in various multi-national corporations, including legal advisor of BNP Paribas (formerly known as Banque Nationale de Paris), head of legal department of Sun Life Hong Kong Limited (formerly known as CMG Asia Limited), assistant vice president and associate general counsel of American International Assurance Company Limited, Hong Kong senior counsel of AXA China Region Insurance Company Limited. He is a solicitor of the High Court of Hong Kong and a solicitor of the Supreme Court of England and Wales. Mr. Lu received the degree of bachelor of laws from University of Sussex in England in 1992.

Non-Executive Directors

Mrs. Huang Jingzhang (黃張靜), 39, was appointed as a non-executive Director of our Company in August 2007. She has been a director of Maoye Shangsha since its establishment, responsible for internal control, audit and financial matters, and had been the chairman of our various other Group companies from 1996 to December 2007. She has also been chairman and since 2006 a director of Shenzhen Xing Hua Enterprise Holdings Company Limited (深圳興華實業股份有限公司), a director and the Chairman of Shenzhen Maoye (Group) Co., Ltd. since December 2007, and the chairman of Shenzhen Oriental Times Industrial Square Co., Ltd. since 2001, which are all members of the Controlling Shareholder Group. Mrs. Huang received a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in 2006, and has over 10 years of experience in the retail industry. She is the wife of Mr. Huang Mao Ru, our chairman, executive Director and chief executive officer.

Mr. Zhong Pengyi (鍾鵬翼), 52, was appointed as a non-executive Director of our Company in August 2007. Mr. Zhong has over 20 years of experience in the operational management of the department store industry, real estate industry and trading industry. He has been the chairman of Friendship Department Store Company Limited (友誼城百貨有限公司) since February 2006. Mr. Zhong is also the vice chairman of Shenzhen Aeon Friendship Co., Ltd. (深圳永旺友誼商業有限公司), a councillor of China Commerce Association for General Merchandise (中國百貨商業協會) and a vice chairman of China Friendship External Supplier Association of Commerce (中國友誼外供商業協會). Mr. Zhong received a master's degree in business administration from Hong Kong Baptist University in 2003.

Independent Non-executive Directors

Mr. Chow Chan Lum (鄒燦林), 57, was appointed as an independent non-executive Director of our Company in October 2007. He is a member of the Hong Kong Institute of Certified Public Accountants and is a partner of Wong Brothers & Company, Certified Public Accountants. Mr. Chow is a member of the Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance and had served on a number of committees of the Hong Kong Institute of Certified Public Accountants, including as a member of the Auditing & Assurance Standards Committee, Investigation Panel, and Professional Standards Monitoring Committee. Mr. Chow is also an independent non-executive director of China Aerospace International Holdings Limited (stock code: 00031) and Pak Tak International Limited (stock code: 02668), both being companies listed on the Main Board of the Stock Exchange. Mr. Chow obtained a bachelor of business administration degree from the Chinese University of Hong Kong in 1974 and received a Postgraduate Diploma in Accountancy from the University of Strathclyde of Glasgow, United Kingdom in 1975. He has been qualified as a Scottish Chartered Accountant since 1979, and was awarded a Postgraduate Diploma in China Law by the University of East Asia in 1987. He was the President of The Taxation Institute of Hong Kong. Mr. Chow serves as an honorary advisor and committee member of various social bodies, and is currently a member of the Chinese People's Political Consultative Conference of Guangdong Province, China.

Mr. Pao Ping Wing (浦炳榮), 60, was appointed as an independent non-executive Director of our Company in August 2007. Mr. Pao is also an independent non-executive director of Oriental Press Group Ltd. (stock code: 00018), UDL Holdings Limited (stock code: 00620), Sing Lee Software (Group) Limited (stock code: 08076), Hembly International Holdings Limited (stock code: 03989) and Zhuzhou CSR Times Electric Co., Ltd. (stock code: 03898). For more than 20 years, he has been actively serving on government policy committees and statutory bodies, especially those involving town planning, urban renewal, public housing, culture and arts and environmental matters. Mr. Pao is an Hon. Fellow of the Hong Kong Institute of Housing. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Outstanding Young Persons of the World in 1983. He was also an ex-Urban Councilor of Hong Kong. Mr. Pao was appointed as a Justice of Peace in 1987 and was a member of the 9th and 10th session of the Guangzhou Committee of the Chinese People's Political Consultative Conference. Mr. Pao obtained a master of science degree in Human Settlements Planning and Development from the Asian Institute of Technology in Bangkok, Thailand in 1980.

Mr. Leung Hon Chuen (梁漢全), 56, was appointed as an independent non-executive Director of our Company in October 2007. He obtained his bachelor of arts degree with a major in economics from the University of Western Ontario in Canada in 1976. Mr. Leung has over 25 years of experience in the financial services industry in Canada and Asia. Since 1976, Mr. Leung worked for Canadian Imperial Bank of Commerce in Canada and Asia for 15 years, where he held senior management positions in investment banking, retail and corporate banking and private banking. He was the director and general manager of ENM Holdings Ltd. (stock code: 00128), formerly known as Essential Enterprises Company Limited (stock code: 00128). Mr. Leung has also been a non-executive director for EPI (Holdings) Limited (stock code: 00689) since October 2006. He is currently operating a financial and investment consultation company with a focus on corporate fundraising and asset restructuring.

Save as disclosed above, there are no other matters concerning the appointment of our Directors that need to be brought to the attention of our shareholders and the Hong Kong Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information relating to our senior management:

Name	Age	Group Position
Mr. Huang Mao Ru (黃茂如)	42	Chairman, Executive Director and Chief Executive Officer
Mr. Zou Minggui (鄒明貴)	44	Executive Director and General Manager
Mr. Wang Guisheng (王貴升)	38	Executive Director, Chief Financial Officer and Qualified Accountant
Mr. Lu Fa Chee (魯化知)	48	Executive Director and Company Secretary
Ms. Cao Hong (曹宏)	36	Deputy General Manager
Mr. Zhao Runtao (趙潤濤)	38	General Manager of Human Resources Department
Ms. Wang Fuqin (王福琴)	37	General Manager of Chengshang
Ms. Zha Jun (查君)	38	General Manager of Merchandizing
Mr. Wang Wei (王偉)	39	General Manager (Eastern China)
Ms. Lei Lichun (雷麗春)	37	General Manager (Southern China)
Mr. Chai Qinjian (柴勤儉)	47	General Manager (Chongqing)

Details of the qualifications and experience of Mr. Huang Mao Ru, Mr. Zou Minggui, Mr. Wang Guisheng and Mr. Lu Fa Chee are set out in the paragraph headed "Directors" in this section.

Ms. Cao Hong (曹宏), 36, is the deputy general manager of the Company and is responsible for information technology and other office matters. Ms. Cao joined our Group in 1996, and has served as office manager, assistant to general manager and deputy general manager, with more than 10 years' experience in the retail industry. Ms. Cao is also a director of our various Group companies, including Chengshang, where she has been a director since February 2006. Before joining our Group, Ms. Cao worked in Shenzhen Shekou Taifeng Electronics Company Limited (深圳蛇口泰豐電子有限公司) and Shenzhen Huawei Technology Company Limited (深圳市華為技術有限公司). Ms. Cao obtained her master in business administration from Xi'an Jiaotong University in June 2002.

Mr. Zhao Runtao (趙潤濤), 38, is the general manager of human resources department of the Company. Mr. Zhao joined our Group in 1996, and has worked as its purchasing manager, deputy head of the Maoye Shenzhen Heping Store, head of purchasing department and head of human resources department. He has more than 10 years' experience in the retail industry. Mr. Zhao obtained his masters in business administration from the University of Southern California in May 2002.

Ms. Wang Fuqin (王福琴), 37, has been the general manager of Chengshang since March 2007 and was appointed as the deputy general manager of Chengshang in June 2006. She has been a director of Chengshang since June 2006, and is responsible for the operational management of Chengshang and its subsidiaries. Ms. Wang was the general manager for various Group companies. Ms. Wang joined our Group in 1996. She has over 10 years of experience in the retail industry and had served as assistant general manager and deputy general manager of Maoye Shangsha. Prior to joining our Group, Ms. Wang was involved in office management at Nanjing Jianghai Shipping (Group) Company (南京江海航運集團公司). Ms. Wang graduated from the Canal College of Wuhan in 1992.

Ms. Zha Jun (查君), 38, has been the director of merchandizing of our Group since 2000 and is responsible for merchandizing, supplier sourcing, concessionaire management and product planning for new projects. She is also the director of Chongqing Maoye and the assistant general manager of Maoye Shangsha. Ms. Zha joined our Group in 1999. She has over seven years of experience in the retail industry. Prior to joining our Group, Ms. Zha worked at the marketing department of Shenzhen Advertisement World Magzine Press (深圳<<廣告世界>>雜誌社) from 1990 to 1995 and as the general manager of Shenzhen Longteng Culture Development Co., Ltd (深圳市龍騰文化發展有限公司) from 1996 to 2000. Ms. Zha graduated from Shenzhen Radio and TV University in 1999.

Mr. Wang Wei (王偉), 39, has been the general manager (Eastern China) of our Group since October 2007 and is responsible for business management in the eastern China district of our Group. Mr. Wang joined our Group in 2003. He has over three years of experience in the retail industry and had served as the general manager of Zhuhai Maoye. Prior to joining our Group, Mr. Wang worked as the department manager of the office of Hubei Yibai (Group) Trading Holdings Company Limited (湖北宜百(集團)貿易股份有限公司) from 1993 to 1999 and as the general manager of Hubei Yichang Julong Trading Company Limited (湖北宜昌巨龍商貿有限公司) from 2000 to 2002. He received a postgraduate degree in applied social sciences from The Chinese Academy of Social Sciences in 1998.

Ms. Lei Lichun (雷麗春), 37, has been the general manager (Southern China) of our Group since 2007 and is responsible for business management in the Southern China district of our Group. Ms. Lei joined our Group in 1999. She has over 11 years of experience in the retail industry. Prior to joining our Group, Ms. Lei worked as the finance and audit officer in Wuhan Department Store Group Co., Ltd. (武商集團). She graduated from Jianghan University in 1991.

Mr. Chai Qinjian (柴勤儉), 47, has been the general manager (Chongqing) of our Group since September 2006 and is responsible for the business operational management in the Chongqing district of our Group. He is also the general manager of Chongqing Maoye. Mr. Chai joined our Group in 2006. He has over 10 years of experience in the retail industry.

COMPANY SECRETARY

Details of the qualifications and experience of Mr. Lu Fa Chee are set out in paragraph headed “Directors” in this section.

QUALIFIED ACCOUNTANT

Details of the qualifications and experience of Mr. Wang Guisheng are set out in paragraph headed “Directors” in this section.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Hong Kong Listing Rules, an issuer must have sufficient management presence in Hong Kong. Normally at least two of the issuer’s executive directors must be ordinarily resident in Hong Kong. Currently, neither of our two executive Directors resides in Hong Kong. Since our operations are located outside Hong Kong, we do not and, for the foreseeable future, will not have a management presence in Hong Kong. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules subject to the conditions that we (among other things) maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange.

We have appointed two authorized representatives, namely Mr. Wang Guisheng, one of our executive Directors who ordinarily resides in Shenzhen, and Mr. Lu Fa Chee, one of our executive Directors and our company secretary who ordinarily resides in Hong Kong, to act at all times as our principal channel of communication with the Hong Kong Stock Exchange. Mr. Lu will be readily contactable in Hong Kong by phone, facsimile and email to deal promptly with inquiries from the Hong Kong Stock Exchange and Mr. Wang will also be readily contactable in Shenzhen, China by phone, facsimile and email.

They will, together with our compliance advisor appointed in accordance with Rule 3.19 of the Hong Kong Listing Rules, act as additional channels of communication between us and the Hong Kong Stock Exchange. Mr. Wang and Mr. Lu will also be readily contactable by the Hong Kong Stock Exchange where necessary to deal promptly with inquiries from the Hong Kong Stock Exchange by phone, facsimile and email.

Each of our authorized representatives and their alternates has access to our board of directors and senior management at all times, and will be able to visit Hong Kong within a reasonable period of time to meet with the Hong Kong Stock Exchange as and when required.

Further, we have appointed First Shanghai Capital Limited as our compliance advisor upon Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

We pay our Directors (other than executive Directors) stipend for their services and reimburse them for expenses incurred in connection with their services. Executive Directors receive salaries and other incentive compensation (based on meeting specific performance targets and linked to our profit after tax) for their services.

The aggregate amounts of compensation (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to the Directors in 2005, 2006 and 2007 were approximately RMB1.1 million, RMB1.3 million and RMB2.5 million, respectively. The estimated aggregate remuneration payable to, and benefits in kind receivable by, the Directors for 2008 under the arrangements in force as at the date of this prospectus are approximately RMB6.8 million.

The aggregate amount of salaries and other allowances and benefits in kind paid to our five highest paid individuals in 2005, 2006 and 2007 was approximately RMB2.5 million, RMB3.0 million and RMB2.9 million, respectively.

During the Track Record Period, Mr. Huang and Mr. Zhong Pengyi were not directors of Maoye Shangsha. Accordingly, no Directors' emoluments were paid to them.

BOARD COMMITTEES

Audit Committee

We have established an audit committee.

The primary duties of the audit committee are mainly to recommend to the Board on the selection of external auditors; to communicate with external auditors and monitor their audit process; to monitor the integrity of our financial statements, annual reports and accounts; to review our financial controls, internal control and risk management systems; to review our financial and accounting policies and to liaise with the Board on prompt response to issues raised by external auditors. At present, our audit committee consists of three members who are Mr. Chow Chan Lum (the Chairman), Mr. Leung Hon Chuen and Mr. Pao Ping Wing.

Remuneration Committee

We have established a remuneration committee.

The primary duties of the remuneration committee are mainly to review and determine the terms of remuneration packages, benefits and other compensation payable to the Directors and other senior management. At present, our remuneration committee consists of three members, namely Mr. Pao Ping Wing (the Chairman), Mr. Chow Chan Lum and Mrs. Huang Jingzhang.

COMPLIANCE ADVISOR

We have appointed First Shanghai Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance advisor will advise us on the following matters:

1. the publication of any regulatory announcement, circular or financial report;
2. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
3. where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
4. where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

Share Capital

Our authorized and issued share capital as at the date of the Prospectus is as follows:

Authorized share capital:	HK$
9,000,000,000 Shares	900,000,000

Our share capital immediately following the Global Offering and the Capitalization Issue will be as follows:

		Approximate percentage of issued share capital	
		HK$	(%)
Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue assuming the Over-allotment Option is not exercised:			
(Shares)			
1	Share in issue at the date of this prospectus	0.1	0.0
4,249,999,999	Shares to be issued pursuant to the Capitalization Issue	424,999,999	83.1
	Shares to be issued pursuant to the Global Offering		
776,700,000	– Under the International Offering	77,670,000	15.2
86,300,000	– Under the Hong Kong Public Offering	8,630,000	1.7
5,113,000,000	Total	511,300,000	100

		Approximate percentage of issued share capital	
		HK$	(%)
Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue assuming the Over-allotment Option is exercised in full:			
(Shares)			
1	Share in issue at the date of this prospectus	0.1	0.0
4,249,999,999	Shares to be issued pursuant to the Capitalization Issue	424,999,999	81.1
	Shares to be issued pursuant to the Global Offering		
906,150,000	– Under the International Offering	90,615,000	17.3
86,300,000	– Under the Hong Kong Public Offering	8,630,000	1.6
5,242,450,000	Total	524,245,000	100

According to Rule 8.08 of the Hong Kong Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public. We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion, and the Hong Kong Stock Exchange has agreed to exercise its discretion, pursuant to Rule 8.08(1)(d) of the Hong Kong Listing Rules, to permit a lower public float percentage of our Company subject to the conditions that our Company shall have a minimum public float percentage of not less than the higher of (i) 15% of our issued share capital and (ii) the percentage of our Shares held by the public immediately after the exercise, if any, of the Over-allotment Option, and the market value of the Shares in public hands at time of the Listing will be not less than HK$2.5 billion. In addition, we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus and confirm sufficiency of our public float in our successive annual reports after the Listing in full compliance with Rule 8.08(1)(d) of the Hong Kong Listing Rules.

Assumptions

The above tables assume that the Global Offering and the Capitalization Issue become unconditional and will be completed in accordance with the relevant terms and conditions. However, it takes no account of any Shares which may be allotted and issued, or repurchased by us pursuant to the issuing mandate and repurchase mandate as described below.

Ranking

The Offer Shares will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this prospectus and will rank in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

Issuing Mandate

The Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares with a total nominal value of not more than the sum of:

1. 20% of the total nominal amount of our issued share capital immediately following the completion of the Global Offering and the Capitalization Issue (excluding any Shares issued pursuant to any exercise of the Over-allotment Option); and
2. the total nominal amount of our issued share capital repurchased by us (if any) pursuant to the general mandate to repurchase Shares (as referred to below).

The above mandate will expire:

- at the conclusion of our annual general meeting; or
- at the expiration of the period within which our next annual general meeting required by the Articles or any other applicable laws of the Cayman Islands to be held; or
- at the time when such mandate is revoked, varied or renewed by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

For further details of this issuing mandate, see the paragraph headed "Written resolutions of our shareholder" in Appendix VI to this prospectus.

Repurchase Mandate

The Directors have been granted the repurchase mandate, which is a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate of the total nominal amount of our share capital in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares issued pursuant to any exercise of the Over-allotment Option).

This mandate relates only to repurchase made on the Hong Kong Stock Exchange or on any other stock exchange on which our securities may be listed/and which is recognized by the HKSFC and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with the Hong Kong Listing Rules. A summary of the relevant Hong Kong Listing Rules is set out in the section headed "Repurchase of our own securities" in Appendix VI to this prospectus.

The repurchase mandate will expire:

- at the conclusion of our next annual general meeting; or
- at the expiration of the period within which our next annual general meeting is required by the Articles or any other applicable laws of the Cayman Islands to be held; or

- at the time when such mandate is revoked or varied by an ordinary resolution of our shareholders in general meeting, whichever is the earliest.

For further details of this repurchase mandate, see the paragraph headed "Written resolutions of our shareholder" in Appendix VI to this prospectus.

Substantial Shareholders

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any shares which may be taken up under the Global Offering and assuming that the Over-allotment Option is not exercised), the following persons have the following beneficial interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at general meetings of any member of our Group:

Name	Type of interest	Number of Shares	Approximate percentage of voting power (%)
Mr. Huang(1)	Interest of a controlled corporation	4,250,000,000	83.1%
Mrs. Huang(2)	Interest of spouse	4,250,000,000	83.1%
MOY International(3)	Interest of a controlled corporation	4,250,000,000	83.1%
Maoye Investment	Beneficial owner	4,250,000,000	83.1%

Notes:

(1) Mr. Huang directly holds the entire interest in MOY International and is accordingly deemed to have an interest in the Shares deemed to be interested by MOY International.

(2) Mrs. Huang is deemed to be interested in the Shares by virtue of the fact that she is the wife of Mr. Huang, the chairman and executive Director of the Company.

(3) MOY International directly holds the entire interest in Maoye Investment and is accordingly deemed to have an interest in the Shares interested by Maoye Investment.

Save as disclosed above, the Directors confirm that they are not aware of any other person who will, immediately following completion the Global Offering and the Capitalization Issue (taking no account of any shares which may be taken up under the Global Offering and assuming that the Over-allotment Option is not exercised), have beneficial interests or short positions in any of the Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at our general meetings.

SELECTED COMBINED FINANCIAL INFORMATION AND OTHER DATA

Our financial information included in this prospectus has been prepared in accordance with International Financial Reporting Standards, or IFRSs. The following tables set forth our selected combined financial information, which should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus. The selected income statement information for the years ended December 31, 2005, 2006 and 2007, and the selected balance sheet information as of December 31, 2005, 2006 and 2007 set forth below are derived from the Accountants' Report set out in Appendix I to this prospectus.

	Year ended December 31,		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Combined Income Statement Data:			
REVENUE	918,140	1,352,600	1,567,301
Other income	186,867	299,102	355,638
Purchases of and changes in inventories	(457,078)	(669,911)	(728,055)
Employee expenses	(110,000)	(196,750)	(93,395)
Depreciation and amortization	(91,721)	(133,397)	(128,898)
Operating lease rental expenses	(94,383)	(135,558)	(128,513)
Other operating expenses	(200,706)	(264,507)	(284,802)
Other gains/(losses), net	4,122	(18,482)	83,946
Operating profit	155,241	233,097[1]	643,222
Finance costs	(31,937)	(53,005)	(99,140)
Share of profits and losses of associates	3,274	3,804	3,573
PROFIT BEFORE INCOME TAX	126,578	183,896	547,655
Income tax	(9,476)	(5,964)	(103,567)
PROFIT FOR THE YEAR	117,102	177,932	444,088
Attributable to:			
Equity holders of the Company	136,759	217,059	416,999
Minority interests	(19,657)	(39,127)	27,089
	117,102	177,932	444,088
DIVIDENDS	—	—	1,063,950

1. Our operating profit for 2006 of RMB233,097,000 included (i) non-recurring termination benefits of RMB57.6 million and (ii) a loss on capital restructuring of RMB 22.3 million as a result of Chengshang's restructuring. See "History and Structure — Substantial Acquisition and Investment — Chengshang" for more information.

	As of December 31,		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Combined Balance Sheet Data:			
NON-CURRENT ASSETS			
Property, plant and equipment	875,200	833,782	825,382
Investment properties	352,309	334,778	318,332
Land lease prepayments	362,147	347,000	369,935
Goodwill	38,134	45,114	45,286
Investments in associates	39,124	78,412	30,509
Available-for-sale equity investments	27,818	26,606	106,195
Properties under development	—	145,983	—
Prepayments	3,629	3,956	4,543
Deferred tax assets	79,849	119,406	51,591
Total non-current assets	1,778,210	1,935,037	1,751,773
CURRENT ASSETS			
Inventories	87,614	98,654	113,131
Equity investments at fair value through profit or loss	—	4,895	11,573
Trade receivables	3,794	2,929	3,938
Prepayments and other receivables	450,470	391,011	224,151
Due from related parties	698,574	1,399,120	1,101,015
Cash and cash equivalents	553,537	372,665	391,577
Total current assets	1,793,989	2,269,274	1,845,385
CURRENT LIABILITIES			
Trade payables	726,452	747,188	840,254
Deposits received, accruals and other payables	677,070	501,462	483,929
Interest-bearing bank loans	667,000	773,800	610,381
Due to related parties	384,405	416,305	58,636
Income tax payable	25,929	54,828	36,171
Dividends payable	—	—	209,547
Total current liabilities	2,480,856	2,493,583	2,238,918
NET CURRENT LIABILITIES	(686,867)	(224,309)	(393,533)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,091,343	1,710,728	1,358,240
NON-CURRENT LIABILITIES			
Deferred tax liability	125,796	117,919	110,042
Interest-bearing bank loans	21,968	456,726	786,712
Total non-current liabilities	147,764	574,645	896,754
Net assets	943,579	1,136,083	461,486
EQUITY			
Equity attributable to equity holders of the Company			
Paid-in capital/issued share capital	51,135	51,135	75
Reserves	632,685	849,171	200,683
	683,820	900,306	200,758
Minority interests	259,759	235,777	260,728
Total equity	943,579	1,136,083	461,486

The following discussion should be read in conjunction with our audited combined financial information together with the accompanying notes. See the Accountants' Report in Appendix I to the prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section entitled "Risk Factors" and elsewhere in this prospectus.

*We have prepared our financial information in accordance with International Financial Reporting Standards ("**IFRSs**"), including International Accounting Standards ("**IAS**") and Interpretations promulgated by the International Accounting Standards Board. All applicable new and revised IFRSs, which are generally effective for annual periods beginning on or after January 1, 2005, December 1, 2005, January 1, 2006 and January 1, 2007 and are relevant to our Group, have been applied for the three years ended December 31, 2007. Our financial information has been prepared under the historical cost convention with the exception of certain financial assets and financial liabilities, which (where appropriate) were measured at fair value.*

OVERVIEW

We are a leading department store chain in the affluent regions of southern and southwestern China, operating 15 stores (including eight Maoye-branded stores and seven Chengshang-branded stores) across eight cities and targeting the medium to high-end segment of the retail market. We opened our first store in Shenzhen in 1997. The eight Maoye-branded stores that we operate include two Maoye stores we manage pursuant to management agreements, with one such store in Chongqing and the other in Wuxi in Jiangsu Province, which was opened in October 2007 and was the first Maoye-branded store in eastern China. All of our stores are situated at prime shopping locations in their respective cities, primarily in China's four special economic zones of Shenzhen and Zhuhai, and the new economic reform zones of Chongqing and Chengdu.

BASIS OF PRESENTATION

Our combined financial information has been prepared on a combined basis. Our combined income statements, combined cash flow statements and combined statements of changes in equity for the years ended December 31, 2005, 2006 and 2007 include the financial information of the companies under common control and now comprising our Group as if the current group structure had been in existence throughout the years ended December 31, 2005, 2006 and 2007 or since the date when the combining companies first came under the control of the controlling shareholder, where it is a shorter period. Our combined balance sheets as of December 31, 2005, 2006 and 2007 have been prepared to present the assets and liabilities of the companies under common control and comprising our Group at these dates, as if the current Group structure had been in existence as of these dates.

In particular, our combined financial information includes Chengshang's financial information after we acquired a majority interest in Chengshang on June 29, 2005. Our acquisition of Chengshang is accounted for according to the purchase method, which has increased the carrying value of Chengshang's assets to their fair value. As a result, Chengshang's depreciation and amortization as included in our combined financial information have increased accordingly subsequent to our acquisition.

Moreover, our combined financial results for the years ended December 31, 2005, 2006 and 2007 also includes the financial results of the Maoye Chongqing Jiefangbei Store, which was owned by Chengshang and acquired by us in June 2005 as part of our Chengshang acquisition. Chengshang transferred the store to Maoye Shangsha, one of our indirect wholly-owned subsidiaries, in March 2007 in light of certain pending litigation, and Maoye Shangsha further transferred the store to the Controlling Shareholder Group in July 2007. We now manage the store under a management agreement. For further discussion of transactions involving the Maoye Chongqing Jiefangbei Store, see "History and Structure – The Reorganization – Disposition of Chongqing Jiefangbei Maoye" and "Relationship with the Controlling Shareholder and Connected Transactions – Arrangements on stores and competing business retained by the Controlling Shareholder Group – Maoye Chongqing Jiefangbei Store.” Our revenue included revenue from the Maoye Chongqing Jiefangbei Store of RMB7.8 million, RMB7.0 million and RMB0.7 million in 2005, 2006 and 2007, respectively, and our profit was reduced by losses of the Maoye Chongqing Jiefangbei Store of RMB25.1 million, RMB51.9 million and RMB31.4 million in 2005, 2006 and 2007, respectively. Our revenue and profit after July 2007 does not include the revenue or loss of the Maoye Chongqing Jiefangbei Store, but our revenue includes the management fee generated from the Maoye Chongqing Jiefangbei Store, which amounted to approximately RMB273,000 for the period after the transfer until December 31, 2007.

Minority interests represent the interests of outside equity holders not held by our Group in the results and net assets of our 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.

GENERAL FACTORS AFFECTING THE RESULTS OF OUR OPERATIONS

The results of our operations are affected by a number of factors, including in particular the factors described below.

Economic and other conditions in our areas of operations and in the PRC in general

Our business depends on consumer demands, which are determined by their disposable income as well as the economic and other conditions in our areas of operations. The PRC economy in general, and the special economic zones of Shenzhen and Zhuhai, and the new economic reform zones of Chongqing and Chengdu in which we operate in particular, have experienced rapid growth in recent years. The substantial increase in per capita disposable income and retail sales in our cities of operations during the Track Record Period is a key driver for our revenue growth in recent years. Moreover, as we target the medium to high-end segment of the retail market, the increasing income and standards of living of our target customers have allowed us to increase the relative composition of high-end merchandise in our offerings, which typically offer higher margins.

Each of our stores is located at a prime shopping location in a main commercial area of the city in which it operates. Changes in the areas surrounding a store may significantly affect its performance. For example, the opening of a pedestrian-shopping street next to our Maoye Chongqing Jiangbei Store contributed to the increase in customer visits, which improved revenue and operating profit of such store, and we expect a newly re-opened square near the Chengshang Chengdu Yanshikou Store also to favorably affect the store’s performance. On the other hand, subway construction near our Maoye Shenzhen Heping Store has adversely affected the customer flow and revenue of the store; however, we expect the store’s performance will improve substantially once the subway line is open, which is expected in 2010.

Our future growth and financial performance will depend on the continued growth of the Chinese economy, particularly the economies of the cities in which we operate department stores. However, the economic growth that we have seen may not continue in the future. Any economic downturn in the PRC in general or in our cities of operations in particular may adversely affect our future business and financial condition.

Addition of new Maoye stores and expansion of existing Maoye stores

We have been expanding our Maoye department store network through opening new stores and increasing the floor areas of existing stores. For example, we opened the Maoye Chongqing Jiangbei Store in October 2004 and the Maoye Shenzhen Shennan Store in December 2004. We substantially expanded the Maoye Shenzhen Huaqiangbei Store in September 2005. The expansion of our store network, particularly the expansion of the Maoye Shenzhen Huaqiangbei Store, has contributed to the increase in our revenue.

Opening new stores may at first have a negative impact on our profit margin as new stores are typically less profitable and may incur a loss initially, and it may take a new store a few years to build up customer flow and market recognition. On the other hand, expansion of a well-established existing store such as the Maoye Shenzhen Huaqiangbei Store can often generate a profit margin comparable to the existing store right from the beginning.

Acquisition of Chengshang

We acquired a majority interest in Chengshang in June 2005, which now owns and operates seven stores in Sichuan Province. Our combined financial information has included Chengshang's financial results after the acquisition, which increased our revenue but reduced our profit for 2005 and 2006 as Chengshang recorded losses in those years. In addition, as the carrying value of Chengshang's assets was increased to their fair market value after the acquisition according to the purchase method of accounting, Chengshang's depreciation and amortization as included in our combined financial information have increased subsequent to our acquisition.

Improvement of Chengshang's operating and financial performance

Since our acquisition of the majority interest in Chengshang, Chengshang has taken a number of steps to improve its operating and financial performance:

- Chengshang has refocused its businesses, adjusted its management team, and adopted Maoye's management philosophy and methods.
- Chengshang successfully negotiated payments to its employees as lump-sum compensation for pre-existing employee benefit obligations, which resulted in termination benefits of RMB57.6 million in 2006, but has allowed Chengshang to substantially reduce its workforce and employee expense afterwards.
- Chengshang conducted extensive renovation of its stores. In particular, Chengshang renovated the Chengshang Chengdu Yanshikou Store and expanded the store's floor area in 2005. The Chengshang Chengdu Yanshikou Store, Chengshang's only flagship store, was closed for several months in 2005 for such renovation, as a result of which the Chengshang Chengdu Yanshikou Store made little contribution to our Total Sales Proceeds or revenue in 2005; on the other hand, the renovation significantly enhanced the store's performance in 2006. Chengshang also renovated and expanded the floor area of the Chengshang Nanchong Store in 2006.
- In connection with the renovation of its stores, Chengshang has upgraded its merchandise and brand mix, and introduced more popular and stylish merchandise and brands to its stores. Chengshang has also applied concessionaire arrangements to more of its merchandise.

As a result of these efforts, Chengshang's financial and operating performance has improved significantly since 2005. Moreover, Chengshang opened a new store in Mianyang, Sichuan Province in January 2008, which we expect will also contribute to Chengshang's financial performance in the future.

Improving performance at our existing Maoye stores

The financial and operating performance of our existing Maoye stores has also improved since 2004 as we continue to introduce quality and attractive brands, and gradually increase the composition of higher-value merchandise, which generally offers higher profit margins. We have also improved our merchandizing process to increase competition among our merchandise vendors, which has enabled us to increase concession rates and reduce cost of sales in direct sales. In addition, we have taken a number of other measures to reduce costs, such as applying a centralized procurement process across all our Maoye stores.

Growth in our other income, particularly fee income from concessionaires

Our other income has grown substantially during the Track Record Period. Other income primarily includes income from suppliers and concessionaires, such as administration and management fee income and promotion income. The increase in our income from suppliers and concessionaires is consistent with the growth in our Total Sales Proceeds as fee income from a concessionaire is typically closely related to such concessionaire's total sales proceeds and/or intended to compensate us for utility expenses or providing facilities and administrative and support services. Moreover, as the market position of our stores, especially our flagship stores, has strengthened, we have often been able to obtain more favorable terms from our concessionaires and other merchandise vendors, including in the form of various fees.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our combined financial information included in this prospectus has been prepared in accordance with IFRSs. The results of our operations and financial condition are sensitive to accounting policies, assumptions and estimates that underlie the preparation of our combined financial information. Some of our accounting policies require the application of significant judgement by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgements are subject to an inherent degree of uncertainty and are based on our historical experience, terms of existing contracts, management's view on trends in our industry and information from outside sources.

Our principal accounting policies are described in more detail in Section II, Note 3 to our audited combined financial information in Appendix I to this prospectus, and this discussion and analysis should be read in conjunction with our audited combined financial information and related notes included in the Accountants' Report in Appendix I to this prospectus. Our management has identified the following as critical accounting policies because estimates used in applying these policies are subject to material risks and uncertainties. Our management believes the following critical accounting policies, together with the other principal accounting policies discussed in the notes to our combined financial information, involve the most significant judgements and estimates used in the preparation of our combined financial information and could potentially impact our financial results and future financial performance.

Revenue recognition

We present our revenue net of returns, rebates and discounts to customers, and after elimination of intra-group sales. We recognize revenue when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably on the following bases:

- Commissions from concessionaire sales are recognized upon the sales of merchandise by the relevant concessionaires.
- Direct sales of merchandise and sales of automobiles are recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the merchandise sold.
- Rental income is recognized on the straight-line accrual basis over the lease terms.
- Management fee income from the operation of department stores is recognized when management services are rendered.
- Interest income is recognized 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.

Property, plant and equipment and depreciation

We state property, plant and equipment other than construction-in-progress at historical 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 capitalized as an additional cost of that asset or as a replacement only if 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 the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

We calculate depreciation using the straight-line method to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Our management determines the estimated useful lives and the related depreciation charge based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. 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%
Furniture, fittings and other equipment	5 - 12 years	5 - 10%
Motor vehicles	5 - 8 years	5 - 10%
Leasehold improvements	5 - 10 years	—

We review and adjust, if appropriate, the assets' depreciation methods, residual values and useful lives at each balance sheet date. We will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Classification between investment property and owner-occupied properties

We determine whether a property qualifies as an investment property, and have developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, we consider whether a property generates cash flows largely independently of the other assets held by us. 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), we account 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.

Inventory

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realizable value. We determine the cost of merchandise using the first-in, first-out method. The cost of merchandise comprises goods purchase cost and other direct cost. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. We base these estimates on the current market condition and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer tastes or competitor actions. Our management reassesses the estimations on each balance sheet date. As of December 31, 2005, 2006 and 2007, our inventory of merchandise amounted to RMB87.6 million, RMB98.7 million and RMB113.1 million, respectively, and provision for inventory amounted to RMB13.5 million, RMB12.3 million and RMB10.4 million, respectively.

Impairment of other receivables and amounts due from related parties

Our management estimates the provision of impairment of other receivables and amounts due from related parties by assessing their recoverability based on credit history and prevailing market condition. This requires the use of estimates and judgements. We apply provisions 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, the difference will impact the carrying value of other receivables and amounts due from related parties and result in impairment charges in the period in which the estimate has been changed. We review our other receivables and amounts due from related parties as of each balance sheet date and determine whether any provisions need to be made.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognized 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 recognized for all deductible temporary differences, carry-forward 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 carry-forward of unused tax credits and unused tax losses can be utilized 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 recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying 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 utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized 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 utilized.

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.

TAXATION

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly is exempt from payment of Cayman Islands income tax. Before the new PRC enterprise income tax law became effective as of January 1, 2008, our subsidiaries that are incorporated in China were subject to enterprise income tax of 33% except for certain PRC subsidiaries that are tax-exempted or taxed at preferential rates. In particular, our PRC subsidiaries that are situated in the Shenzhen and Zhuhai special economic zones were entitled to a preferential tax rate of 15%. As advised by our PRC legal advisors, these preferential tax treatments were consistent with the relevant PRC laws and regulations then in effect, and approvals were obtained from competent tax authorities. In addition, pursuant to Several Preferential Policies on Enterprise Income Tax Circular (CaiShui [1994] no. 001) promulgated by the Ministry of Finance and State Administration of Taxation on March 29, 1994, as approved by the relevant tax authority, Maoye Huaqiangbei (which owns and operates the first phase of the Maoye Shenzhen Huaqiangbei Store) commenced operation on October 1, 2003 and was granted a one year tax holiday for the year 2004 by the Shenzhen Futian State Tax Bureau in October 2003; Maoye Oriental Times (which owns and operates the second phase of the Maoye Shenzhen Huaqiangbei Store) commenced operation on September 9, 2005 and was granted a one year tax holiday for the year 2006 by the Shenzhen Futian State Tax Bureau in October 2005.

Moreover, 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-invested enterprises located in the western region of the PRC are entitled to a 50% reduction from state income tax for ten years from January 1, 2001 to December 31, 2010, and according to a tax exemption notice (Yu Fu Fa [2001] no. 14) issued by the Chongqing Municipal Government, foreign-invested enterprises situated in Chongqing are further 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. Accordingly, Chongqing Maoye (which owns and operates the Maoye Chongqing Jiangbei Store) was subject to a tax rate of 15% for 2005 and 2006 and a tax rate of 16.5% (including national and local tax) for 2007. Chengshang and its subsidiaries are not considered foreign-invested enterprises, and were subject to the normal enterprise income tax rate of 33%. The table below summarizes the relevant tax rates and tax exemption that were applicable to our PRC subsidiaries before the effective date of the new PRC enterprise income tax law:

PRC Subsidiaries	Tax Rate and Tax Exemption Before January 1, 2008
PRC subsidiaries situated in the Shenzhen and Zhuhai special economic zones	Preferential tax rate of 15%
Maoye Huaqiangbei	One year tax holiday for 2004[1]
Maoye Oriental Times	One year tax holiday for 2006[2]
Chongqing Maoye	Tax rate of 15% for 2005 and 2006[3], and 16.5% for 2007[3]
Chengshang and its subsidiaries	Tax rate of 33%

1 Pursuant to Ministry of Finance and State Administration of Taxation, Several Preferential Policies on Enterprise Income Tax Circular (CaiShui [1994] no. 001) promulgated on March 29, 1994, as approved by relevant tax authority.

2 Pursuant to Ministry of Finance and State Administration of Taxation, Several Preferential Policies on Enterprise Income Tax Circular (CaiShui [1994] no. 001) promulgated on March 29, 1994, as approved by relevant tax authority.

3 Pursuant to a tax relief notice (CaiShui [2001] no. 202) jointly issued by the Ministry of Finance and State of Administration of Taxation and China Customs.

On March 16, 2007, the National People's Congress of the PRC adopted a new enterprise income tax law that imposes a single uniform income tax rate of 25% for most domestic enterprises and foreign-invested enterprises. This new law and its implementation rules became effective as of January 1, 2008. A new Notice promulgated by the PRC State Council on December 29, 2007 provides that the preferential income tax treatment enjoyed by enterprises in Shenzhen and Zhuhai shall be gradually transitioned to the uniform income tax rate of 25% over five years from January 1, 2008. In particular, enterprises that were taxed at a rate of 15% before the new PRC enterprise income tax law went into effect are subject to a rate of 18% in 2008, and will be subject to a rate of 20% in 2009, a rate of 22% in 2010, a rate of 24% in 2011 and a rate of 25% in 2012. On the other hand, preferential tax treatment for foreign-owned enterprises in western China will continue, and as a result our subsidiary in Chongqing will continue to be subject to a tax rate of 15%.

Moreover, under the new PRC enterprise income tax law, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid by our PRC subsidiaries to our Company, unless we are entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties between PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the Hong Kong company directly holds a 25% or more interest in the PRC enterprise. See "Risk Factors — A newly enacted PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate."

RESULTS OF OPERATIONS

The table below sets out selected items on our combined income statements as a percentage of our revenue for the three years ended December 31, 2007:

	Year ended December 31,		
	2005	2006	2007
	% of Revenue	% of Revenue	% of Revenue
REVENUE	100.0%	100.0%	100.0%
Other income	20.4%	22.1%	22.7%
Purchases of and changes in inventories	(49.8)%	(49.5)%	(46.5)%
Employee expenses	(12.0)%	(14.5)%	(6.0)%
Depreciation and amortization	(10.0)%	(9.9)%	(8.2)%
Operating lease rental expenses	(10.3)%	(10.0)%	(8.2)%
Other operating expenses	(21.9)%	(19.6)%	(18.2)%
Other gains/(losses), net	0.4%	(1.4)%	5.4%
Operating profit	16.9%	17.2%(1)	41.0%
Finance costs	(3.5)%	(3.9)%	(6.3)%
Share of profits and losses of associates	0.4%	0.3%	0.2%
PROFIT BEFORE INCOME TAX	13.8%	13.6%	34.9%
Income tax	(1.0)%	(0.4)%	(6.6)%
PROFIT FOR THE YEAR	12.8%	13.2%	28.3%
Attributable to:			
Equity holders of the Company	14.9%	16.0%	26.6%
Minority interests	(2.1)%	(2.9)%	1.7%

1. Our operating profit for 2006 of RMB233,097,000 included (i) non-recurring termination benefits of RMB57.6 million and (ii) a loss on capital restructuring in the amount of RMB22.3 million as a result of Chengshang's restructuring. See "History and Structure — Substantial Acquisition and Investment — Chengshang" for more information.

Total Sales Proceeds

Total Sales Proceeds represent the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores. Total Sales Proceeds differ from revenue in that Total Sales Proceeds exclude rental income and account for the total sales proceeds from concessionaire sales as opposed to only the commission portion of concessionaire sales; Total Sales Proceeds also do not include any revenue from our other businesses, such as automobile sales. We believe that Total Sales Proceeds more accurately describe the sales in our department stores for the relevant periods. The following table sets forth a break-down of our Total Sales Proceeds for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
	RMB (millions)	RMB (millions)	RMB (millions)
Total sales proceeds from concessionaire sales	1,796.0	2,733.9	3,318.1
Revenue from direct sales	317.2	436.1	479.5
Total Sales Proceeds	2,113.2	3,170.0	3,797.6

Description of selected income statement line items

Revenue. Components of our revenue are as follows:

- We receive commission under concessionaire sales arrangements. Under such arrangements, we allow concessionaires to occupy designated areas of our stores and sell their merchandise in return for commissions at specified percentages of their total sales proceeds (as well as other fees that we include in other income).
- For direct sales, we purchase merchandise for sale in our stores, and all such sales proceeds are included in our revenue. In addition, we generate revenue through consignment arrangements under which we sell merchandise on behalf of our suppliers. The difference between our selling prices and the prices required by the relevant suppliers is included in our revenue from direct sales.
- Under store lease arrangements, we rent designated areas of our stores to third-party operators and receive rental income.
- We provide management services to the Maoye Chongqing Jiefangbei Store after it was transferred to the Controlling Shareholder Group in July 2007, and have received management fee income for such services. We also provide management services to the Maoye Wuxi Store and have received management fee income from it after it was opened in October 2007.
- In addition to our department store business, we also generate revenue from sales of automobiles. Please see “Business – Investment and Other Businesses” for a description of our other businesses.
- Our revenue also includes revenue from the businesses Chengshang has owned since the time of its acquisition by us, such as hotel operations and advertising.

See "Business – Sales and Supply Arrangements" for more information on concessionaire sales, direct sales, and store lease arrangements, and see "Relationship with the Controlling Shareholder and Connected Transactions – Connected Transactions – Master Management Agreements" for more information on the management agreements with respect to the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store. The following table sets out the breakdown of our revenue for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
	RMB (millions)	RMB (millions)	RMB (millions)
Commissions from concessionaire sales	373.5	557.9	680.5
Direct sales	317.2	436.1	479.5
Rental income from the leasing of shop premises	56.2	77.5	86.1
Management fee income from the operation of department stores	—	—	1.0
Sale of automobiles	166.9	280.5	311.5
Others	4.3	0.6	8.7
Total	918.1	1,352.6	1,567.3

Other income. Other income primarily consists of income from suppliers and concessionaires (including administration and management fee income, promotion income, and credit card handling fees), rental income from investment properties, and interest income on bank deposits. Administration and management fee income from suppliers and concessionaires are closely related to concessionaires' total sales proceeds and/or intended to compensate us for utility expenses or providing facilities as well as administrative and support services. Promotion income from suppliers and concessionaires includes amounts we charge suppliers and concessionaires for carrying out promotional activities in our stores or the portion of the costs of promotional activities to be borne by suppliers and concessionaires. We receive credit card handling fees from concessionaires to compensate for the credit card handling charges we pay to credit card companies. The following table sets forth a break-down of our other income for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
	RMB (millions)	RMB (millions)	RMB (millions)
Income from suppliers and concessionaires			
- Administration and management fee income	101.0	156.9	180.1
- Promotion income	49.2	67.8	84.1
- Credit card handling fees	14.3	22.8	41.1
Rental income from investment properties	13.7	34.2	32.2
Interest income	4.2	8.0	9.9
Others	4.5	9.4	8.2
	186.9	299.1	355.6

Purchases of and changes in inventories. Purchases of and changes in inventories primarily consist of merchandise that we purchase from our direct sales suppliers to sell in our department stores, and automobiles sold by the two car dealerships owned by Chengshang. For the years ended December 31, 2005, 2006 and 2007 purchases of and changes in inventories relating to both merchandise direct sales and automobile sales as a percentage of revenue from both direct sales and automobile sales was 94.4%, 93.5% and 92.0%, respectively.

Employee expenses. Employee expenses consist of wages, salaries and bonuses, retirement benefits contributions and other employee benefit costs. Our concessionaires and store tenants are responsible for all personnel costs relating to their employees who operate the sales counters in our department stores. Our employee expenses also include the one-time expense incurred by Chengshang as termination benefits, which amounted to RMB 57.6 million in 2006. See "History and Structure – Substantial Acquisition and Investment - Chengshang" for information regarding the one-time expense.

Depreciation and amortization. Depreciation and amortization primarily consists of the depreciation of our buildings and movable property, amortization of our land use rights and depreciation of capitalized renovation expenses.

Operating lease rental expenses. Operating lease rental expenses consist of operating lease rental expenses for our department stores and offices, and operating sublease rental expenses for premises we further lease to third parties.

Other operating expenses. Other operating expenses primarily consist of utility expenses, promotion and advertising expenses, repair and maintenance expenses, entertainment expenses, office expenses, other tax expenses (including primarily business tax, consumption tax, supplemental tax on value-added tax, and real estate tax), professional service charges, loss or gain on stock count, bad debt written off, auditors' remuneration, and bank charges.

Net other gains/(losses). Net other gains/(losses) primarily consist of gain on disposal of subsidiaries and associates, Chengshang's loss on capital restructuring as a result of its share reform, gain on disposal of equity investments at fair value through profit or loss, fair value gain on equity investments at fair value through profit or loss, and loss on disposals of property, plant and equipment.

Net other gains/(losses) include Chengshang's loss on capital restructuring as a result of its share reform in 2006 in the amount of RMB22.3 million. In addition, our employee expenses included the RMB57.6 million termination benefits incurred by Chengshang in 2006 in payments to its employees as compensation for pre-existing employee benefit obligations. We regard these items as non-recurring, resulting in the aggregate a loss of RMB79.9 million in 2006.

Finance costs. Finance costs primarily consist of interest expenses related to our borrowings.

Share of profits and losses of associates. Share of profits and losses of associates primarily consist of share of profit of Chengshang's associates, such as a local cable television network company in Yinchuan, Ningxia.

Income tax. Income tax expense primarily consists of income tax accrued. Our effective tax rate for 2005, 2006 and 2007 was 7.5%, 3.2% and 18.9%, respectively. For more information on our income tax expense, see Note 12 to "Appendix I —Accountants' Report."

Minority interests. Minority interests primarily represent interests in the results and net assets of Chengshang and its subsidiaries attributable to outside equity holders.

Year ended December 31, 2007 compared to year ended December 31, 2006

Total Sales Proceeds.

Total Sales Proceeds increased by 19.8% from RMB3,170.0 million in 2006 to RMB3,797.6 million in 2007 primarily due to the following factors:

- The increase in Total Sales Proceeds resulted primarily from the 21.4% increase in total sales proceeds from concessionaire sales from RMB2,733.9 million in 2006 to RMB3,318.1 million in 2007. On the other hand, revenue from direct sales increased 10.0% from RMB436.1 million in 2006 to RMB479.5 million in 2007.
- Various steps taken by Chengshang after our acquisition of Chengshang, as described under "—General Factors Affecting the Results of Our Operations – Improvement of Chengshang's operating and financial performance," have contributed to the increase in Chengshang's Total Sales Proceeds from 2006 to 2007, particularly those of the Chengshang Chengdu Yanshikou

Store, the Chengshang Chengdu Wuhou Store and the Chengshang Nanchong Store. In addition, in 2006, Chengshang underwent negotiation with its then existing employees for lump-sum payments to compensate them for pre-existing employee benefit obligations, which has permitted Chengshang to reduce its workforce afterwards but affected employee performance and adversely impacted Chengshang's business in 2006.

- The Total Sales Proceeds of the Maoye stores also increased as the performance of the Maoye stores, particularly the Maoye Shenzhen Huaqiangbei Store, continue to improve.

Revenue.

Revenue increased by 15.9% from RMB1,352.6 million in 2006 to RMB1,567.3 million in 2007, resulting primarily from the growth in the Total Sales Proceeds of our department stores, together with a slight increase in our average concession rate from 20.4% in 2006 to 20.5% in 2007. Revenue from automobile sales increased by 11.1% from RMB280.5 million in 2006 to RMB311.5 million in 2007, largely due to a one-time exclusive sales arrangement with the manufacturer to buy out its remaining inventories of two models of Nissan automobiles, as well as improved management and marketing efforts, partially offset by the effect of increased competition, particularly in the fourth quarter of 2007.

Other income.

Other income increased by 18.9% from RMB299.1 million in 2006 to RMB355.6 million in 2007. In particular, administration and management fee income from suppliers and concessionaires increased from RMB156.9 million in 2006 to RMB180.1 million in 2007. The growth in our administration and management fee income was substantially driven by the growth in total sales proceeds from concessionaire sales. Credit card handling fees from suppliers and concessionaires also increased from RMB22.8 million in 2006 to RMB41.1 million in 2007 as a result of the growth in our Total Sales Proceeds and the increased use of credit cards.

Purchases of and changes in inventories.

Purchases of and changes in inventories increased by 8.7% from RMB669.9 million in 2006 to RMB728.1 million in 2007, in line with the increase in our revenue from direct sales and automobile sales.

Employee expenses.

Employee expenses decreased by 52.5% from RMB196.8 million in 2006 to RMB93.4 million in 2007 primarily because Chengshang successfully negotiated lump-sum compensation payments to its employees for pre-existing employee benefit obligations in the second half of 2006, which resulted in a one-time termination benefits charge of RMB57.6 million in 2006, but has allowed Chengshang to reduce its workforce and employee expenses substantially.

Depreciation and amortization.

Depreciation and amortization decreased by 3.4% from RMB133.4 million in 2006 to RMB128.9 million in 2007 because we transferred the Maoye Chongqing Jiefangbei Store to our Controlling Shareholder Group in July 2007 and some of our assets (such as some assets of the Maoye Shenzhen Dongmen Store, the Maoye Zhuhai Store and some Chengshang stores) had been fully depreciated prior to 2007.

Operating lease rental expenses.

Operating lease rental expenses decreased by 5.2% from RMB135.6 million in 2006 to RMB128.5 million in 2007 primarily because we transferred the Maoye Chongqing Jiefangbei Store to our Controlling Shareholder Group in July 2007.

Other operating expenses.

Other operating expenses increased by 7.7% from RMB264.5 million in 2006 to RMB284.8 million in 2007. In particular, other tax expenses (including primarily business tax, consumption tax, supplemental tax on value-added tax, and real estate tax) also increased from RMB36.4 million to RMB45.6 million as a result of the growth in our Total Sales Proceeds, revenue and other income, including the increase in sales proceeds and revenue from jewelry sales. In addition, other operating expenses included RMB11.3 million in listing expenses in connection with the Global Offering.

Net other gains/(losses).

We had a net gain of RMB83.9 million in 2007 primarily attributable to the gain on the disposal in July 2007 of our interest in, and receivables due from, the Maoye Chongqing Jiefangbei Store and the Department Store Chain to the Controlling Shareholder Group as well as the gain on disposal by Chengshang of some of its subsidiaries conducting non-core businesses. In addition, our net gain in 2007 included a gain of RMB14.5 million on disposal of equity investment at fair value through profit and loss as a result of our investment in securities. We had a net loss of RMB18.5 million in 2006 primarily due to Chengshang's loss on capital restructuring as a result of its share reform.

Operating profit.

Operating profit increased by 175.9% from RMB233.1 million in 2006 to RMB643.2 million in 2007 because of our revenue growth, the reduction in our employee expenses, and the increase in our other gains, as well as the combined effect of other factors described above.

Finance costs.

Finance costs increased by 87.0% from RMB53.0 million in 2006 to RMB99.1 million in 2007 primarily because of the increase in our bank loans during 2007 largely in connection with our Reorganization. See "History and Structure — The reorganization — Settlement of amounts due to and from connected persons." In addition, the increases in benchmark interest rates by the People's Bank of China in 2006 and 2007 also contributed to the increase in our finance costs.

Share of profits and losses of associates.

Share of profits and losses of associates decreased by 6.1% from RMB3.8 million in 2006 to RMB3.6 million in 2007, partly because of the reduced after-tax profit of one of our associates, a department store in Yibin, Sichuan Province as a result of the expiration of its favorable tax treatment.

Profit before income tax.

Profit before income tax increased by 197.8% from RMB183.9 million in 2006 to RMB547.7 million in 2007, primarily attributable to the increase in our operating profit.

Income tax.

Our income tax expense was only RMB6.0 million in 2006 with an effective tax rate of 3.2% primarily because Maoye Oriental Times (which owns and operates the second phase of the Maoye Shenzhen Huaqiangbei Store) enjoyed a one-year tax holiday in 2006 and there was no income tax expense for Chengshang, which made a loss in 2006 that increased our deferred tax assets. Our income tax expense was RMB103.6 million in 2007 with an effective tax rate of 18.9% because (a) Maoye Oriental Times' one-year tax holiday expired at the end of 2006, (b) Chengshang made a profit in 2007, and (c) Chengshang reduced its deferred tax asset by RMB23.7 million.

Profit for the year.

Profit for the year increased by 149.6% from RMB177.9 million in 2006 to RMB444.1 million in 2007 primarily because of the increase in our profit before income tax.

Minority interests.

We had negative minority interests of RMB39.1 million in 2006 and positive minority interests of RMB27.1 million in 2007 because Chengshang made a loss in 2006 but made a profit in 2007.

Profit attributable to our shareholders.

Profit attributable to our shareholders increased by 92.1% from RMB217.1 million in 2006 to RMB417.0 million in 2007 primarily because of the increase in our profit for the year.

Year ended December 31, 2006 compared to year ended December 31, 2005

Total Sales Proceeds.

Total Sales Proceeds increased by 50.0% from RMB2,113.2 million in 2005 to RMB3,170.0 million in 2006 primarily due to the following factors:

- The increase in Total Sales Proceeds resulted primarily from the 52.2% increase in total sales proceeds from concessionaire sales from RMB1,796.0 million in 2005 to RMB2,733.9 million in 2006. On the other hand, revenue from direct sales increased 37.5% from RMB317.2 million in 2005 to RMB436.1 million in 2006.
- The performance of our Maoye stores continues to improve. In particular, the Total Sales Proceeds of the Maoye Shenzhen Huaqiangbei Store substantially increased in 2006 after we expanded the store in September 2005. The Total Sales Proceeds of our Maoye Chongqing Jiangbei Store also increased significantly in 2006, partly because the local government built a pedestrian shopping street next to the store in October 2005. In addition, we expanded the Maoye Zhuhai Store by leasing additional space on an adjacent floor in 2005, which contributed to the growth of the store in 2006.
- We acquired a majority interest in Chengshang in June 2005, as a result of which Chengshang has become a consolidated subsidiary of our Company. We closed the Chengshang Chengdu Yanshikou Store for renovation for several months after the acquisition, which was re-opened on January 1, 2006. As a result of these factors, the Chengshang stores only contributed to our Total Sales Proceeds for a portion of 2005 but for the entire year of 2006. In addition, as more fully described in "— General Factors Affecting the Results of Our Operations – Acquisition of Chengshang and improvement of its operating and financial performance," we have taken a number of steps to improve the performance of the Chengshang stores, which also contributed to the increase in our Total Sales Proceeds between 2005 and 2006.

Revenue.

Revenue increased by 47.3% from RMB918.1 million in 2005 to RMB1,352.6 million in 2006, in line with the growth in our Total Sales Proceeds. In addition, revenue from automobile sales also increased by 68.1% from RMB166.9 million in 2005 to RMB280.5 million in 2006 due to the increased sales of Nissan automobiles as a result of improved management and sales and marketing efforts.

Other income.

Other income increased by 60.1% from RMB186.9 million in 2005 to RMB299.1 million in 2006, which was consistent with the growth in our Total Sales Proceeds. In addition, Chengshang has adopted our merchandizing process after our acquisition, which has improved the terms of its arrangements with concessionaires. Moreover, as the market position of our stores strengthens, we have generally been able to increase the fees we charge our concessionaires and other merchandise vendors, which also contributed to the increase in our other income.

Purchases of and changes in inventories.

Purchases of and changes in inventories increased by 46.6% from RMB457.1 million in 2005 to RMB669.9 million in 2006 as a result of the increase in our merchandise direct sales and automobile sales.

Employee expenses.

Employee expenses increased by 78.9% from RMB110.0 million in 2005 to RMB196.8 million in 2006, primarily because of the one-time expense of RMB57.6 million incurred by Chengshang as termination benefits, as well as the inclusion of Chengshang's employee benefits for the full year of 2006 as compared to only for the six-month period after the completion of our acquisition of Chengshang in June 2005.

Depreciation and amortization.

Depreciation and amortization increased by 45.4% from RMB91.7 million in 2005 to RMB133.4 million in 2006 primarily due to the inclusion of Chengshang's depreciation and amortization for the full year of 2006 as compared to only for the six-month period after the completion of our acquisition of Chengshang in June 2005.

Operating lease rental expenses.

Operating lease rental expenses increased by 43.6% from RMB94.4 million in 2005 to RMB135.6 million in 2006 primarily because of the inclusion of Chengshang's rental expenses for the full year of 2006 as compared to only for the six-month period after the completion of our acquisition of Chengshang in June 2005.

Other operating expenses.

Other operating expenses increased by 31.8% from RMB200.7 million in 2005 to RMB264.5 million in 2006 primarily because of the inclusion of Chengshang's other operating expenses for the full year of 2006.

Net other gains/(losses).

We had a net other gain of RMB4.1 million in 2005 primarily due to gains on disposal of available for sales investments, property, plant and equipment. We had a net other loss of RMB18.5 million in 2006 because of Chengshang's RMB22.3 million loss on capital restructuring as a result of its share reform in 2006.

Operating profit.

Operating profit increased by 50.2% from RMB155.2 million in 2005 to RMB233.1 million in 2006 because of our revenue growth as well as the combined effect of other factors described above. On the other hand, our operating profit in 2006 was adversely affected by Chengshang's termination benefits of RMB57.6 million for compensation payments to its employees and Chengshang's RMB22.3 million loss on capital restructuring as a result of its share reform, which collectively contributed a loss of RMB79.9 million in 2006.

Finance costs.

Finance costs increased by 66.0% from RMB31.9 million in 2005 to RMB53.0 million in 2006 because of increase in bank loans.

Share of profits and losses of associates.

Share of profits and losses of associates increased by 15.2% from RMB3.3 million in 2005 to RMB3.8 million in 2006 primarily because of the increased profit of one of our of our associates, a department store in Yibin, Sichuan Province and the reduced loss of another associate, a hotel at E'mei Mountain, Sichuan Province.

Profit before income tax.

Profit before income tax increased by 45.3% from RMB126.6 million in 2005 to RMB183.9 million in 2006 primarily attributable to the increase in our operating profit.

Income tax.

Income tax decreased by 36.8% from RMB9.5 million in 2005 to RMB6.0 million in 2006 due to the decrease in our effective tax rate even though our profit before income tax increased in 2006. Our effective tax rate decreased from 7.5% in 2005 to 3.2% in 2006 primarily because Maoye Oriental Times (which owns and operates the second phase of the Maoye Shenzhen Huaqiangbei Store) enjoyed a one-year tax holiday in 2006 and there was no income tax expense for Chengshang which made a loss in 2006 that increased our deferred tax assets.

Profit for the year.

Profit for the year increased by 51.9% from RMB117.1 million in 2005 to RMB177.9 million in 2006 primarily because of the increase in our profit before income tax.

Minority interests.

Minority interests were a loss of RMB19.7 million in 2005 and a loss of RMB39.1 million in 2006 as Chengshang made losses in both 2005 and 2006, which were reflected in minority interests for the full year of 2006 but only for the period in 2005 after our acquisition of Chengshang.

Profit attributable to our shareholders.

Profit attributable to our shareholders increased by 58.7% from RMB136.8 million in 2005 to RMB217.1 million in 2006 primarily because of the increase in our profit for the year.

SEGMENT INFORMATION

We operate in the following business segments: (i) the operation of department stores, with revenue from commission on concessionaire sales, direct sales and store leases; (ii) the sales of automobiles; and (iii) others, including principally leasing of investment properties, operations of hotel and restaurant, and advertising. The following table sets forth the revenue and segment results of our business segments for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
	RMB (millions)	RMB (millions)	RMB (millions)
Segment revenue			
- Operation of department stores	913.8	1,335.5	1,568.1
- Sale of automobiles	167.8	281.9	312.9
- Others	19.2	26.3	34.5
Segment results			
- Operation of department stores	198.5	384.2	603.9
- Sale of automobiles	(1.1)	5.3	8.6
- Others	4.1	4.4	3.9
Segment results as a percentage of segment revenue[(1)]			
- Operation of department stores	21.7%	28.8%	38.5%
- Sale of automobiles	(0.6)%	1.9%	2.8%
- Others	21.5%	16.9%	11.4%

(1) Segment results as a percentage of segment revenue for any year is equal to segment results divided by segment revenue for the year.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have been cash generated from operations and borrowings, as well as equity contribution provided by our shareholders. Our primary uses of funds have been our operating expenses, expenditures incurred in connection with opening new stores, acquisition of or investment in other department stores, purchase of other fixed assets, acquisition of equity interests in our subsidiaries and associates, working capital and service of our debt.

Our liquidity will primarily depend on our ability to generate cash flow from operations and obtain external financing to meet our debt obligations as they become due as well as our future capital expenditures. Our operating cash flows may be adversely affected by numerous factors beyond our control. Our ability to obtain external financing also depends on numerous factors, including our financial performance and creditworthiness as well as our relationships with lenders.

Cash flow

The following table sets out selected cash flow data from our combined cash flow statements for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
	RMB (millions)	RMB (millions)	RMB (millions)
Net cash (outflow)/inflow from operating activities	416.7	468.8	583.3
Net cash (outflow)/inflow from investing activities	(124.8)	(507.1)	(19.2)
New cash (outflow)/inflow from financing activities	191.7	(250.5)	(462.2)
(Decrease)/increase in cash and cash equivalents	483.6	(288.8)	101.9

Cash flow from operating activities

Net cash inflow from operating activities increased to RMB583.3 million in 2007 from RMB468.8 million in 2006. In addition to our profit before tax of RMB547.7 million in 2007, our operating cash inflow of RMB583.3 million in 2007 primarily reflected (i) a RMB164.6 million increase in deposits received, accruals and other payables largely due to the increase in the balance of prepaid cash gift certificates sold by the Maoye-branded stores in Shenzhen and (ii) a RMB116.2 million increase in trade payables commensurate with the increase in our Total Sales Proceeds, partially offset by (a) a RMB180.7 million decrease in amounts due to related parties as a result of our repayment of amounts due to members of the Controlling Shareholder Group, (b) a RMB113.6 million increase in prepayments and other receivables primarily as a result of our rental prepayment to the Controlling Shareholder Group in preparation for the Global Offering, and (c) a RMB68.8 million tax payment due to our increased profit before income tax and higher effective tax rate in 2007.

We had net cash flow from operating activities of RMB468.8 million in 2006, as compared to a net cash flow from operating activities of RMB416.7 million in 2005. In addition to our profit before tax of RMB183.9 million in 2006, cash flow from operating activities primarily resulted from (a) a RMB70.1 million increase in amounts due to related parties, and (b) a RMB42.4 million decrease in prepayments and other receivables because the deposit for the tender offer of Chengshang shares as of December 31, 2006 was released after completion of the transaction, as we had to as of December 31, 2005.

Net cash from operating activities was RMB416.7 million in 2005. In addition to our profit before tax of RMB126.6 million in 2005, our net cash flow from operating activities primarily reflected a RMB147.6 million increase in deposits received, accruals and other payables and a RMB108.6 million increase in trade payables, both mainly resulting from our expanded business after the acquisition of Chengshang, partially offset by the RMB179.9 million increase in prepayments and other receivables due to our expanded business after the acquisition of Chengshang and the deposit required for the tender offer of Chengshang shares.

Cash flow from investing activities

Net cash outflow from investing activities decreased to RMB19.2 million in 2007 from RMB507.1 million in 2006. Our net cash outflow from investing activities of RMB19.2 million in 2007 resulted primarily from (i) purchases of property, plant and equipment totalling RMB96.3 million, including particularly Chengshang's purchase of the building and other fixture of the new Chengshang Mianyang Store and the property purchase in connection with the development project in the Jiuyanqiao area in Chengdu and (ii) land lease prepayments of RMB40.4 million largely related to the acquisition of land use right for the new Chengshang Mianyang Store partially offset by (a) a RMB81.4 million decrease in bank deposits with original maturity of over three months largely due to the decrease between December 31, 2006 and December 31, 2007 of our deposits in securities accounts in application for initial public offering securities in China, and (b) RMB22.6 million from disposal of some subsidiaries, including particularly some of Chengshang's subsidiaries conducting non-core businesses.

Net cash flow used in investing activities increased to RMB507.1 million in 2006 from RMB124.8 million in 2005. Our net cash flow used in investing activities in 2006 resulted primarily from (a) the RMB139.4 million remaining payment for the acquisition of Chengshang, (b) RMB146.0 million in purchases of properties under development, principally for the purchase of certain real estate in Chongqing, (c) a RMB108.5 million increase in our time deposits and restricted deposits for securing bank loans and (d) RMB65.2 million used to purchase fixed assets mainly in connection with the renovation of the Chengshang Nanchong Store and the Chengshang Chengdu Yanshikou Store and the purchase of land for a warehouse.

Our net cash flow used in investing activities in 2005 resulted primarily from (a) purchases of fixed assets for RMB106.0 million, principally in connection with the expansion of the Maoye Shenzhen Huaqiangbei Store and the renovation of the Chengshang Chengdu Yanshikou Store, and (b) net cash payment for the acquisition of Chengshang of RMB55.6 million, after taking into account the cash balance of Chengshang.

Cash flow from financing activities

Net cash outflow from financing activities increased to RMB462.2 million in 2007 from RMB250.5 million in 2006. Our net cash outflow from financing activities of RMB462.2 million in 2007 resulted primarily from (a) the payment of dividend totaling RMB854.4 million and (b) interest paid in the amount of RMB99.1 million, partially offset by (a) a net increase of bank loans of RMB161.1 million, (b) a RMB303.0 million decrease in amounts due from related parties and (c) a RMB27.3 million increase in amounts due to related parties.

We had net cash outflow from financing activities of RMB250.5 million in 2006, but had net cash inflow from financing activities of RMB191.7 million in 2005. Our net cash flow used in financing activities in 2006 resulted primarily from a RMB698.4 million increase in advance to related parties, partially offset by a net increase in bank loans of RMB541.6 million.

We had net cash inflow from financing activities of RMB191.7 million in 2005, primarily because of a RMB203.2 million decrease in advance to related parties and a RMB136.1 million increase in amounts due to related parties. On the other hand, we repaid RMB708.1 million in bank loans, in excess of the RMB592.4 million in new bank loans borrowed.

Inventory

The following table sets out our average inventory turnover days for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
Inventory turnover days	70.0	53.8	56.7

(1) Inventory turnover days is calculated as the balance of inventory as of the year, divided by purchases of and changes in inventories for the year, and multiplied by the 365 days.

Our inventory turnover days decreased from 2005 to 2006 as we increased the portion of popular fast-selling items in our offerings of direct sale merchandise in our department store business and as our automobile sales revenue increased without proportionate increases in inventory. Our inventory turnover days increased in 2007 primarily due to a one-time exclusive sales arrangement with the manufacturer to buy out its remaining inventories of two models of Nissan automobiles.

The subsequent sale of our inventory up to February 29, 2008 amounted to RMB110.5 million.

Trade receivables

We do not have any trade receivables in our department store business as substantially all of our sales are paid at the time of purchase by cash, debit cards or credit cards. We have trade receivables from our other businesses, which amounted to RMB3.8 million, RMB2.9 million and RMB3.9 million as of December 31, 2005, 2006 and 2007, respectively. Our cash in transit primarily are receivables from debit card and credit card transactions, which are generally settled in one day. As of December 31, 2005, 2006 and 2007, cash in transit was RMB8.6 million, RMB11.0 million and RMB34.8 million, respectively. See Note 25 to “Appendix I — Accountants’ Report” for further description of our trade receivables.

We estimate the provisions for impairment of trade receivables by assessing their recoverability based on credit history and prevailing market conditions, which requires the use of estimates and judgements. Provisions are applied to trade receivables 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 trade receivables and thus the impairment loss in the period in which such estimate is changed. We reassess the provisions at each balance sheet date.

Other receivables

The table below sets out our other receivables as of the dates indicated.

	As of December 31,		
	2005	2006	2007
Items	RMB'000	RMB'000	RMB'000
Zhuhai Jinshan Department Stores Development Co., Ltd.	5,621	5,128	—
Rental deposits	—	—	13,877
Deposit paid to Shanghai Securities Central Clearing and Registration Corporation	62,000	—	—
Hulunbeier Quanxin Chemical Engineering Company Limited	—	27,530	—
Staff advance, deposits received and other various items	5,177	3,304	7,027
Payment due from related parties of the former controlling shareholder of Chengshang	102,950	102,950	—
Account receivable due from Sichuan Juyi Real Estate Development Limited to Chengshang in relation to the joint venture of the Chengshang Chengdu Wuhou Store	31,311	25,731	22,321
Rental prepayment to Xin Long Da for the Maoye Chongqing Jiefangbei Store	52,957	45,746	—
Advertising and promotion fees prepayment for Dongfeng Nissan	2,057	2,349	3,223
Prepayment for demolition compensation	19,569	20,961	—
Settlement due from Zhongjia Real Estate Development Company (previously known as Sichuan Rixing Real Estate Development Company) which arose from our liability as guarantor of its borrowings	14,867	—	—
Others	35,393	34,592	51,863
TOTAL	331,902	268,291	98,311

As at December 31, 2005, 2006 and 2007, we had other receivables of RMB331.9 million, RMB268.3 million and RMB98.3 million, respectively. Our other receivables decreased to RMB268.3 million as at December 31, 2006 from RMB331.9 million as at December 31, 2005 mainly due to the full refund of our deposit paid to Shanghai Securities Central Clearing and Registration Corporation (上海證券中央登記結算公司) for our offer to acquire the outstanding shares of Chengshang in accordance with applicable PRC securities laws and regulations after completion of our offer. Our other receivables were further reduced to RMB98.3 million as at December 31, 2007 primarily due to our recovery of the RMB103.0 million due from related parties of the former controlling shareholder of Chengshang and the disposal of our rental prepayment to Xin Long Da in connection with our transfer of the Maoye Chongqing Jiefangbei Store to the Controlling Shareholder Group. See Note 28 to "Appendix I — Accountants' Report" for further description of our other receivables.

Trade and bills payables

The following table sets forth the turnover of our trade and bills payables for the three years ended December 31, 2007.

	Year ended December 31,		
	2005	2006	2007
Trade payables turnover days	141.1	95.8	91.1

(1) Trade and bills payable turnover days is calculated as the balance of trade and bills payable at year end, divided by the results of (a) purchases of and changes in inventories plus (b) total sales proceeds from concessionaire sales minus (c) commissions from concessionaire sales for the year, and multiplied by the 365 days.

Under concessionaire sales arrangements, our concessionaires typically grant us credit terms ranging from 10 to 45 days. Under direct sales arrangements, some suppliers require immediate payment while others grant us credit terms up to 45 days. We believe that the credit period granted by concessionaires and direct sales suppliers reflects a normal industry practice. Our trade payables turnover days decreased since 2005 partly because we made arrangements with our concessionaires and other merchandise vendors to shorten the repayment time, and this was enabled by the implementation of an online payment system which allowed more efficient settlement.

Other payables

The table below sets out our other payables as of the dates indicated.

	As of December 31,		
	2005	2006	2007
Items	RMB'000	RMB'000	RMB'000
Payments contracted but not yet paid	33,860	38,737	30,450
Deposits	15,189	24,278	5,777
Payment obligation incurred for change in employee benefit plans	120,330	—	—
Offer to acquire shares in Chengshang from other minority shareholders	49,440	—	—
Unpaid consideration for acquisition of Chengshang from Di Kang	110,000	—	—
Unpaid infrastructure construction funds	—	18,945	—
Others	51,970	42,670	51,914
TOTAL	380,789	124,630	88,141

As at December 31, 2005, 2006 and 2007, we had other payables of RMB380.8 million, RMB124.6 million and RMB88.1 million, respectively. Our other payables during the Track Record Period mainly comprised of payments contracted but not yet paid, deposits and other items. Payments contracted but not yet paid included interest payments, administrative expenses, telephone charges and payment to be made for fixed assets acquired. Deposits mainly represented the decoration deposit or other deposits received from concessionaires and other suppliers. Other items included payables incurred by our subsidiaries such as amounts payable for transfer of shareholding interests.

Our other payables decreased to RMB124.6 million as at December 31, 2006 from RMB380.8 million as at December 31, 2005 mainly because we discharged our payment obligation incurred for change in employee benefit plans, and paid for the acquisition of shares in Chengshang from Di Kang and other minority shareholders. Our other payables further decreased to RMB88.1 million as at December 31, 2007 partly as a result of a RMB18.9 million decrease in unpaid infrastructure construction funds due to the disposal of one of our subsidiaries.

Working capital

We had net current liabilities, or negative working capital, of RMB686.9 million, RMB224.3 million, RMB393.5 million and RMB301.4 million as of December 31, 2005, 2006 and 2007 and February 29, 2008, respectively. Under the concessionaire sales arrangement that applies to most of the merchandise sold at our stores, we collect sales proceeds on behalf our concessionaires and settle accounts with our concessionaires typically on a monthly basis after a credit period ranging from 10 to 45 days. The credit period starts from when the sales of the concessionaires occur in a particular month, which we normally settle in the following month on a pre-determined date as agreed between our Group and the concessionaires. We believe such terms of settlement are within normal industry practice. Such credit periods have allowed us to consistently maintain sizable balances of trade payables with respect to our concessionaires. We have in the past used some of these available funds for capital expenditures, which gave rise to working capital deficit. In particular, we made significant capital expenditures in expanding our store network during the Track Record Period, and in acquiring a controlling interest in Chengshang in 2005. Our negative working capital position as of February 29, 2008 was also partially attributable to dividend payment of RMB1,064.0 million declared in 2007 in connection with the corporate reorganization in anticipation of the Global Offering. Going forward, it will not be necessary for our Group to use trade payable to concessionaires for capital expenditures, as we expect to have sufficient financial resources to fund our capital expenditures after the Listing.

Our net current liabilities as of February 29, 2008 was RMB301.4 million, comprising the following:

	As of February 29, 2008
	RMB '000 (Unaudited)
Current Assets	
Inventories	96,011
Equity investments at fair value through profit or loss	18,628
Trade receivables	6,371
Prepayments and other receivables	253,763
Due from related parties	120,202
Cash and cash equivalents	1,028,744
Total current assets	1,523,719
Current Liabilities	
Trade payables	963,216
Deposits received, accruals and other payables	516,231
Interest-bearing bank loans	291,723
Due to related parties	819
Income tax payable	53,155
Total current liabilities	1,825,144
Net Current Liabilities	(301,425)

We take a centralized approach in managing our treasury activities with a view to ensure fund safety and adequate liquidity for our operations. We place extra cash in bank time deposits, and do not engage in any derivative transactions. As a listed company, Chengshang adopts a separate but similar approach in managing its treasury activities.

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (such as trade receivables) and projected cash flows from operations. We expect to fund our working capital requirements in the future from operating cash flows and borrowings as well as a portion of our net proceeds from the Global Offering. Our expected capital expenditures and other cash requirements relate primarily to our plan to open new stores or carry out potential investments or acquisitions. In particular, Chengshang is expected to incur significant capital expenditure for the expansion of the Chengshang Chengdu Yanshikou Store and its development of a department store and other real estate in the Jiuyanqiao area in Chengdu, Sichuan province. See "— Capital Expenditures" for further description of our expected capital expenditures and other cash requirements, and see "Business — Investment and other Businesses" for further description of Chengshang's plan to expand the Chengshang Chengdu Yanshikou Store and to develop a department store and other real estate in the Jiuyanqiao area in Chengdu. In addition, we plan to repay some of our bank loans with funds from our existing cash flow to reduce our finance costs.

Our directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account cash flows from our operations and the estimated net proceeds from the Global Offering. In particular, we plan to use a portion of the proceeds of the Global Offering as working capital, which we expect, together with our operating cash flow, to be adequate to support our cash outlays, including planned capital expenditures.

For further description of our working capital condition and liquidity risks, see Note 38 to “Appendix I — Accountants’ Report”.

Available-for-sale equity investments

Our available-for-sale equity investments amounted to RMB27.8 million, RMB26.6 million and RMB106.2 million as of December 31, 2005, 2006 and 2007, respectively. As of December 31, 2007, our available-for-sale equity investments consisted mainly of unlisted equity securities of 17.1% equity interest in Xining Cable TV Network Company (西寧新世紀有線電視網路公司), 0.7% equity interest in Equity Trust Corporation Ltd (衡平信託投資有限責任公司), 1.0% equity interest in Chengdu City Commercial Bank (成都市商業銀行股份有限公司), 5.9% equity interest in Guiyang Friendship Group (貴陽友誼(集團)股份有限公司) and 11.4% equity interest in Chongqing Medicines Co., Ltd. (重慶醫藥股份有限公司). Except for the equity interest in Guiyang Friendship Group and Chongqing Medicines Co., Ltd., all of these equity investments were made by Chengshang prior to our acquisition of Chengshang. Our equity interest in Chongqing Medicines Co., Ltd. was acquired in 2007 by settlement of certain receivables owed to Chengshang by affiliates of Chengshang’s former majority shareholder.

Chengshang’s equity investment in Xining Cable TV Network Company amounted to RMB8.7 million as at December 31, 2007. Xining Cable TV Network Company is principally engaged in operating cable television network in Xining, Qinghai Province. Chengshang’s equity investment in Chengdu City Commercial Bank amounted to RMB10.0 million as at December 31, 2007. Chengdu City Commercial Bank is principally engaged in commercial banking in Sichuan Province. For Chengshang’s equity investment in Equity Trust Corporation Ltd., valued at cost at RMB10.0 million as at December 31, 2007, we have made an impairment provision of RMB5.7 million as at December 31, 2007 due to significant losses incurred by Equity Trust Corporation Ltd. The amount of the impairment provision was determined based on our share of the difference between the cost of investment and the net asset value of Equity Trust Corporation Ltd. Equity Trust Corporation Ltd is a non-bank financial institution. Our equity investment in Chongqing Medicines Co., Ltd. amounted to RMB72.7 million as at December 31, 2007, and we have not made any provision for such investment. Chongqing Medicines Co., Ltd. is principally engaged in medicine sales and distribution in Chongqing. We consider the above investments non-core business, and intend to dispose such investments when suitable opportunities arise.

Our investment in Guiyang Friendship Group amounted to RMB6.9 million as at December 31, 2007. For a description of the business of Guiyang Friendship Group, see “Business—Investment and other businesses.” We made the strategic investment in Guiyang Friendship Group to further our department store business.

We assess at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. In making our assessments, we consider factors including financial performance of the company, recent arm’s length market transaction, current fair value of another investment that is substantially the same, the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics, the share of net book value of the unquoted equity investments held, and any other information that may have an impact on the company’s fair value.

INDEBTEDNESS

Our short-term and long-term borrowings are primarily in the form of bank loans. We finance a significant portion of our business operations and capital expenditures with borrowings obtained from commercial banks in China. In view of our creditworthiness and the current availability of funds in China, we believe that we are able to continue to obtain sufficient financing from PRC financial institutions. If, however, we are unable to roll over, extend or refinance in a timely manner a significant amount of our borrowings, we may be unable to meet our debt servicing, accounts payable and other obligations.

The table below sets forth our borrowings as of the balance sheet dates indicated.

	As of December 31,			As of February 29,
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current				
Bank loans – secured	650,700	707,350	354,300	200,300
Bank loans – unsecured	10,500	18,450	10,000	10,000
Current portion of long term bank loans – secured	5,800	48,000	246,081	81,423
	667,000	773,800	610,381	291,723
Non-current				
Long term bank loans – secured	21,968	456,726	786,712	771,343
	688,968	1,230,526	1,397,093	1,063,066

The following table sets forth a break-down of our borrowings by maturity dates as of the dates indicated.

	As of December 31,			As of February 29,
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Bank loans repayable:				
Within one year	667,000	773,800	610,381	291,723
In the second year	5,800	48,000	83,041	83,376
In the third year	5,800	75,000	85,114	85,475
In over three years	10,368	333,726	618,557	602,492
	688,968	1,230,526	1,397,093	1,063,066

As of December 31, 2007, our secured bank loans carried interest rates ranging from 4.51% to 8.75% per annum, and our unsecured bank loans carried interest rates ranging from 4.78% to 9.22% per annum. As of December 31, 2007, our bank loans were secured by certain of our land and buildings, investment properties and land use rights with net carrying amounts of approximately RMB396.7 million, RMB77.3 million and RMB224.5 million, respectively.

As of December 31, 2007, we had bank loans totaling RMB832.8 million guaranteed by Mr. Huang, Mrs. Huang and another member of the Controlling Shareholder Group, and bank loans totaling RMB283.0 million secured by properties owned by the Controlling Shareholder Group. As of December 31, 2007, we had outstanding guarantees of RMB545.0 million in bank loans in favour of the Controlling Shareholder Group. All security over properties owned by the Controlling Shareholder Group and guarantees provided by the Controlling Shareholder Group, in respect of bank loans of the Group, have been or will be fully released subsequent to December 31, 2007 but before or upon the Listing. All guarantees provided by the Group in respect of bank loans of the Controlling Shareholder Group will be released upon the Listing.

During the Track Record Period, there has been no delay or default in payment of bank borrowings by our Group. As of December 31, 2007, we had no unused banking facilities.

As of February 29, 2008, we had net current liabilities of RMB301.4 million. For the components of our net current liabilities as of February 29, 2008, see " — Working Capital."

CAPITAL EXPENDITURES

Our principal capital expenditures relate to our purchase of property, plant and equipment, and land use rights. We have funded our historical capital expenditures through internally generated cash and bank and other borrowings.

Our capital expenditures were RMB106.1 million, RMB65.3 million and RMB139.1 million in 2005, 2006 and 2007, respectively.

We plan to open 12 new stores within three to five years, including eight new stores in Shenzhen, Chongqing and Sichuan Province and four new stores in key cities in eastern and northeastern China, such as Changzhou and Wuxi in Jiangsu Province, and Shenyang in Liaoning Province. We expect to incur substantial capital expenditures in connection with these projects. We may also incur capital expenditures in acquiring interests in other department stores or properties at prime locations in our target cities if attractive opportunities arise. Moreover, Chengshang is expected to incur capital expenditures in connection with its development of two lots of real estate in Chengdu as described in "Business – Investment and Other Businesses".

However, our current plans with respect to future capital expenditures are subject to change based upon the evolution of our business plan, including potential acquisitions, market conditions and our outlook on future business conditions. Other than as required by law and the Hong Kong Listing Rules, we do not undertake any obligation to publish updates of our capital expenditures plans. See "Forward-looking Statements."

We expect to finance our capital expenditure in 2008 and 2009 through a combination of operating cash flows, our proceeds from the Global Offering and bank loans. Cash requirement relating to our expansion plan may vary significantly based on market opportunities. Our ability to satisfy our capital expenditure requirements may be affected by our financial condition and results of operations and the liquidity of the international and domestic financial markets. We cannot assure you that we will be able to complete our expansion plan on terms acceptable to us or at all or that we will have sufficient financial resources to complete our expansions.

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND OFF BALANCE SHEET TRANSACTIONS

We lease certain of our stores and office premises under non-cancellable operating leases. The leases primarily relate to our rental of premises for our department stores. Our future aggregate minimum lease payments under non-cancellable operating leases as of the balance sheet dates indicated are set out below.

	As of December 31,		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within one year	75,311	98,697	124,849
In the second to fifth years, inclusive	138,539	111,522	491,191
After five years	103,980	89,221	682,089
	317,830	299,440	1,298,129

In addition to the operating lease commitments set out above, we had the following capital commitments as of the dates indicated.

	As of December 31,		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
In respect of land and buildings	12,063	7,426	25,680

We expect to fund such capital commitments principally from the net proceeds of the Global Offering, bank loans and cash generated from our operations.

We have not entered into any financial instruments for hedging purposes.

We have not entered into any financial guarantees or similar commitments to guarantee the payment obligations of any parties other than our subsidiaries and a member of the Controlling Shareholder Group as described under "— Indebtedness" . Except as disclosed under "— Indebtedness", and except for our potential liabilities to transfer Chengshang Shares to Chengshang's public shareholders as described in "History — Substantial Acquisition and Investment — Chengshang" and intra-group liabilities, as of December 31, 2007, we did not have any outstanding loan capital (issued or agreed to be issued), bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, finance lease commitments, guarantees, indemnities or other material contingent liabilities or off-balance-sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

MARKET RISKS

We are exposed to various types of market risks in the normal course of our business, including the following:

Foreign exchange rate risk

All our sales and costs are denominated in Renminbi. Renminbi currently is not a freely convertible currency. Since 1994, the conversion of Renminbi into foreign currencies has been based on rates set by the PBOC. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, the PRC government announced that it would allow Renminbi to fluctuate more during each day's foreign exchange rate trading. Following July 21, 2005 to the Latest Practicable Date, the value of Renminbi has further appreciated by approximately 14% against the U.S. dollar.

Our financial results are expressed in Renminbi, whereas the dividends on our Shares, if any, will be paid in Hong Kong dollars. Therefore, any devaluation of Renminbi could adversely affect the value of our net assets, earnings and any cash dividends declared on our Shares in foreign currency terms. See "Risk factors — Fluctuations in the exchange rate of Renminbi may materially and adversely affect our operations and financial results."

We have not used any forward contracts, currency borrowings or other means to hedge our foreign currency exposure.

Interest rate risk

We are exposed to interest rate risk resulting from changes in interest rates on our short-term and long-term debts. All of our bank borrowings are denominated in Renminbi and borrowed from domestic commercial banks at interest rates that are determined by reference to the benchmark interest rates set by the PBOC. Interest rates on our bank loans are subject to adjustments by our lenders in accordance with changes in the PBOC benchmark rates. The PBOC has increased the benchmark interest rates on bank deposits and loans several times in recent periods. As of the Latest Practicable Date, the current benchmark interest rate on one-year loan published by the PBOC is 7.47%. Any increase in PBOC benchmark interest rates will increase the interest rates on our outstanding borrowings and the cost of new borrowings, and therefore may have a material adverse effect on our financial results. See Note 38 to the Accountants' Report set out in Appendix I to this prospectus for further description of the sensitivity of our financial results toward changes in interest rates. We have not used any interest rate swaps to hedge its exposure to interest rate risk.

Price risk

Equity price risk is the risk that the fair values of our investments in equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. We are exposed to equity securities price risk because of investments held by us and classified on our the combined balance sheet as available-for-sale equity investments and equity investments at fair value through profit or loss. In particular, our available-for-sale equity investments primarily included investments in unlisted equity securities made by Chengshang prior to our acquisition of Chengshang as well as our investment in Guiyang Friendship Group. We also invest some of our extra cash in securities markets in the PRC, which are recorded as equity investments at fair value through profit or loss on our balance sheet. Our listed equity investments are listed on the Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the balance sheet dates.

Subsequent to December 31, 2007, there has been significant price decline on many major stock markets, including the exchanges on which our investments in listed equity securities are traded. Further details of the market value of our investments in listed equity securities are included in Notes 24 and 38 to "Appendix I — Accountants' Report". The decline in the carrying amounts of our listed equity investments subsequent to December 31, 2007 has not been reflected in our financial statements as of December 31, 2007.

Credit risk

We have no significant concentrations of credit risk of trade receivables. We trade only with recognized and creditworthy third parties and do not require collateral from our counterparties. In addition, we monitor receivable balances on an ongoing basis, and our exposure to bad debts is not significant. Sales to retail customers are made in cash or via debit or credit cards. Our other financial assets, including cash and cash equivalents, available-for-sale equity investments, amounts due from associate and other receivables, have maximum exposure equal to the carrying amounts of these assets. For further quantitative data in respect of our exposure to credit risk arising from trade and other receivables, see Notes 25 and 26 to "Appendix I — Accountants' Report".

We are also exposed to credit risk as a result of the guarantees given to banks in connection with banking facilities granted to and utilized by a member of the Controlling Shareholder Group. For further details of such guarantees, see "— Indebtedness" above and Notes 35 and 36 of "Appendix I — Accountants' Report". All such guarantees will be released upon the Listing.

Inflation risk

In the past three years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the Track Record Period. According to the National Bureau of Statistics of China, the change in the Consumer Price Index was 1.8%, 1.5% and 4.8% for

2005, 2006 and 2007 respectively. More recently, however, the PRC economy has shown signs of increasing inflation.

RECENTLY ISSUED ACCOUNTING STANDARDS

There are a number of new and revised IFRSs that have been issued but are not yet effective and that we have not adopted, including *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 (amended) — 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,* and *IFRIC 14 — IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

We are assessing the impact of these new and revised IFRSs and IFRICs upon initial application. We anticipate that these new and revised IFRSs and IFRICs are unlikely to have a significant impact on our results of operations and financial position.

DIVIDEND AND DIVIDEND POLICY

In connection with the Reorganization, as described in "History and Structure – The Reorganization", Zhongzhao Investment Management, Maoye China, Maoye Shennan, Maoye Huaqiangbei, Maoye Oriental Times and Zhuhai Maoye declared dividends to their then equity holders in the total amount of RMB1,064.0 million. Such dividends were approved by the equity holders of Zhongzhao Investment Management, Maoye China, Maoye Shennan, Maoye Huaqiangbei, Maoye Oriental Times and Zhuhai Maoye during 2007. RMB854.4 million of such declared dividends was paid in 2007, and the remaining declared dividends of RMB209.6 million was paid after December 31, 2007. On March 22, 2008, the Company further declared a dividend of HK$80.0 million (equivalent to approximately RMB72.6 million assuming an exchange rate of HK$1.00 to RMB0.9076) to our then equity holder, which was fully settled on April 7, 2008. The sources of funding for payment of these dividends are our operating cash flow and repayment by the Controlling Shareholder Group of amounts due to our Group. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

After completion of the Global Offering, our shareholders will be entitled to receive dividends we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including (where required) the approval of shareholders. In addition, our Controlling Shareholder will be able to influence the approval by our shareholders in a general meeting for any payment of dividends.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

Subject to the factors above, we currently plan to declare a dividend of not less than 30% of our net profits attributable to equity holders for the year ending December 31, 2008. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our shareholders by any means which our Directors deem legal, fair and practicable.

DISTRIBUTABLE RESERVES

As of December 31, 2007, our Company did not have any reserves available for distribution to our shareholders as our Company had just been incorporated on August 8, 2007.

PROPERTY VALUATION

CB Richard Ellis Limited, an independent property valuer, has valued our property interests including land use rights as of February 29, 2008 at RMB4,879.1 million. The texts of its letter, summary of valuation and the valuation certificates are set out in Appendix IV to this prospectus.

A reconciliation of the net book value of the relevant property interests including land and buildings, investment properties and land use rights as of December 31, 2007 to their fair value as of February 29, 2008 as stated in Appendix IV to this prospectus is as follows:

	RMB in millions
Net book value of our property interests including land and buildings, investment properties and land use rights as of December 31, 2007 included in the Accountants' Report set out in Appendix I to this prospectus	963
Less: Amortization for the two months ended February 29, 2008 (unaudited)	2
Depreciation for the two months ended February 29, 2008 (unaudited)	12
Net book value as of February 29, 2008 (unaudited)	949
Valuation as of February 29, 2008	4,879
Net valuation surplus	3,930

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules are set out below to illustrate the effect of the Global Offering on our net tangible assets as of December 31, 2007 as if they had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as of December 31, 2007 or at any future date.

The unaudited pro forma adjusted net tangible assets is based on our audited combined net assets attributable to the equity holders of the Company as of December 31, 2007 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited net tangible assets attributable to equity holders of the Company as at December 31, 2007	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	RMB in millions (Note 1)	RMB in millions (Note 2)	RMB in millions	RMB (Note 3)	(HK$ equivalent) (Note 4)
Based on an Offer Price of HK$2.90 per Share	155.5	2,110.1	2,265.6	0.44	0.49
Based on an Offer Price of HK$3.80 per Share	155.5	2,781.2	2,936.7	0.57	0.64

Notes:

1. The net tangible assets attributable to equity holders of the Company as of December 31, 2007:

	RMB'000
Audited net assets of the Group as set out in Appendix I to this Prospectus	461,486
Less: Minority interests	(260,728)
Net assets attributable to equity holders of the Company	200,758
Less: Goodwill	(45,286)
Net tangible assets attributable to equity holders of the Company	155,472

2. The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$2.90 or HK$3.80 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.90, the prevailing rate quoted by the PBOC on March 31, 2008.

3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on 5,113,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue without taking into account any Shares that may be issued upon exercise of the Over-allotment Option.

4. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.90, the prevailing rate quoted by the PBOC on March 31, 2008.

5. Our property interests as at February 29, 2008 have been valued by CB Richard Ellis Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV "Property Valuation". The above unaudited pro forma adjusted net tangible assets do not take into account the surplus attributable to the Group arising from the revaluation of our property interests amounting to approximately RMB3,930 million. The revaluation surplus will not be incorporated in our financial statements for the year ended December 31, 2007. If the valuation surplus was recorded in our financial statements, additional depreciation/amortisation of approximately RMB88 million would be charged against the combined income statement for the six months ending June 30, 2008.

PROFIT FORECAST

We forecast that, on the bases set out in "Appendix III – Profit Forecast" to this prospectus, the combined profit attributable to equity holders of our Company (prepared in accordance with IFRSs) for the six months ending June 30, 2008 is unlikely to be less than RMB290.4 million (approximately HK$322.6 million).

On a fully diluted basis and on the assumption that we have been listed since January 1, 2008 and that a total of 5,113,000,000 shares were issued on January 1, 2008, our forecasted earnings per share for the six months ending June 30, 2008 is approximately RMB0.057 (or HK$0.063).

We have undertaken to the Hong Kong Stock Exchange that our interim results for the six months ending June 30, 2008 will be audited pursuant to Rule 11.18 of the Hong Kong Listing Rules.

NO MATERIAL ADVERSE CHANGE

We are not aware of any material adverse change in our financial position since December 31, 2007 (being the date as of which our latest audited combined financial information were prepared as set out in "Appendix I — Accountants' Report" to this prospectus).

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

We and the Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

FUTURE PLANS AND PROSPECTS

Please see the section headed "Our Business – Our Business Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$3.35 per Share, being the mid-point of the indicative range of the Offer Price of HK$2.90 to HK$3.80 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK$2,717.4 million. The Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately 35% to 40% (approximately HK$951.1 million to HK$1,087.0 million) for potential acquisitions of department stores and/or premises at prime locations for existing and new department stores
- approximately 30% to 35% (approximately HK$815.2 million to HK$951.1 million) for expansion of our retail network, including setting up of new stores in existing and new cities of operations
- approximately 15% (approximately HK$407.6 million) for renovation and upgrading of our existing department stores
- approximately 5% (approximately HK$135.9 million) for upgrading of our current IT system
- the balance in an amount of not more than 10% of the aggregate net proceeds (not more than HK$271.7 million) will be used for working capital and general corporate purposes.

As at the Latest Practicable Date, we have not identified any specific business, company or land to be acquired. In selecting suitable target for acquisition, we will take into account our development strategies, GDP and per capita disposable income of the region and volume of the retail market, competition, geographical location, brand of the stores that we may acquire and the viability of establishing three to five stores in the target region.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, we will receive additional net proceeds of approximately HK$372.8 million which will be allocated for potential acquisitions of department stores and/or premises at prime locations for existing and new department stores.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Global Offering will decrease by approximately HK$372.8 million. Under such circumstances, the amount of proceeds for each use set out above will be reduced on a pro-rata basis.

In the event that the Over-allotment Option is fully exercised (assuming an Offer Price of HK$3.35 per Share), we will receive additional net proceeds of approximately HK$416.3 million, which will be allocated for potential acquisitions of department stores and/or premises at prime locations for existing and new department stores.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may place part or all of the proceeds in short-term interest-bearing deposits with authorised financial institutions and/or licensed banks in Hong Kong and/or China.

We will issue an announcement in Hong Kong if there is any material change in the use of proceeds.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.

The Hongkong 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

First Shanghai Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering we are offering the Hong Kong Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, happen or come into force

(i) any change or development involving a prospective change in, or any event or series of events resulting in any change in local, national or international financial, political, economic, military, industry, fiscal, regulatory, market (including stock market) or currency conditions in Cayman Islands, Hong Kong, the PRC or the United States (collectively, the "Relevant Jurisdictions"); or

(ii) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or

(iii) any event or series of events of force majeure in or affecting any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, outbreak of diseases or epidemics (including, but not limited to, severe respiratory syndrome and avian bird flu), terrorism, strike or lock-out; or

(iv) any suspension or material limitation in trading in shares or securities generally on the New York Stock Exchange or the Hong Kong Stock Exchange, or a disruption has occurred in securities settlement or clearance services or procedures in the Relevant Jurisdictions; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary and/or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), or the other Relevant Jurisdictions; or

(vi) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions; or

(vii) any change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects or financial or trading position of our Company or any member of our Group; or

(viii) any change or development involving an executive director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or chief executive officer of our Company vacating his or her office; or

(x) any commencement by any regulatory or political body or organization of any action against any director or any announcement by any regulatory or political body or organization that it intends to take any such action; or

(xi) any outbreak or escalation of hostilities (whether or not war is or has been declared) involving any of the Relevant Jurisdictions or any escalation thereof, or the declaration by any of the Relevant Jurisdictions of a national emergency or war; or

(xii) any litigation or claim being threatened or instigated against any member of our Group or Mr. Huang; or

(xiii) any petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group,

and which, in each case, in the sole opinion of the Joint Bookrunners (on behalf of the Hong Kong Underwriters):

(A) is or will be, or is likely to have a material adverse effect on the business, financial or other conditions or prospects of our Group as a whole; or

(B) has or will have or is likely to have an adverse and material effect on the success of the Global Offering or the full subscription of the Offer Shares; or

(C) makes it impracticable, inadvisable or inexpedient to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(b) there comes to the notice of the Joint Bookrunners (on behalf of the Hong Kong Underwriters):

(i) any matter or event showing any of the representations, warranties and undertakings given in the Hong Kong Underwriting Agreement to be untrue, misleading or inaccurate when given or repeated in a respect which has a material adverse effect on the Global Offering; or

(ii) that there has been a breach of any of the obligations of our Company under the Hong Kong Underwriting Agreement which has a material adverse effect on the Global Offering; or

(iii) that there has been a contravention by our Company or any member of our Group of the Hong Kong Companies Ordinance or any of the Hong Kong Listing Rules; or

(iv) any statement contained in this prospectus and the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(v) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom or there has been a material noncompliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable law or regulation; or

(vi) that there shall have occurred any event, act or omission which gives rise or is likely to give rise to any material liability of our Company pursuant to the indemnities contained in the Hong Kong Underwriting Agreement; or

(vii) that a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or material part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group that is material in the context of the Global Offering; or

(viii) any material adverse change or prospective material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of our Group as a whole; or

(ix) the Company issues, publishes, distributes or makes publicly available any announcement, circular or document to update, correct, supplement or rectify this prospectus or the Application Forms (whether or not consent of the Hong Kong Underwriters has been obtained) and which, in the sole opinion of the Joint Bookrunners (on behalf of the Hong Kong Underwriters) (A) is or will be, or is likely to have a material adverse effect on the business, financial or other conditions or prospects of the Group as a whole; or (B) has or will have or is likely to have an adverse and material effect on the success of the Global Offering or the full subscription of the Offer Shares; or (C) makes it impracticable or inadvisable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Prospectus.

Undertakings to the Hong Kong Stock Exchange under the Hong Kong Listing Rules

By us

We have undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of shares or our securities will be completed within six months from the commencement of dealing) without the prior consent of the Hong Kong Stock Exchange, except:

(a) in the circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules; or

(b) pursuant to the Global Offering and the Over-allotment Option.

By Maoye Investment

Maoye Investment has undertaken to the Hong Kong Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not and shall procure that the relevant register holder shall not, without the prior written consent of the Hong Kong Stock Exchange:

(a) at any time during the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) at any time during the six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our controlling shareholder.

Maoye Investment has also undertaken to the Hong Kong Stock Exchange and us that, it will, within the period commencing on the Latest Practicable Date and ending on the date which is 12 months after the Listing Date, immediately inform us of:

(a) any pledges or charges of any of the Shares or securities of our Company beneficially owned by it in favor of any authorized institution as permitted under the Hong Kong Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication received by it, either verbal or written, from any pledgee or chargee of any of the Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by Maoye Investment and disclose such matters by way of a press notice which is published in the newspapers as soon as possible after being so informed by Maoye Investment.

Undertakings to the Underwriters

By us

We have undertaken to each of the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering and the Capitalization Issue (including pursuant to the Over-allotment Option) we will not, without the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of our share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

By the Controlling Shareholder and Maoye Investment

Each of the Controlling Shareholder and Maoye Investment , jointly and severally, has undertaken to the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option, (C) the Capitalization Issue or (D) the Stock Borrowing Agreement, none of the Controlling Shareholder and Maoye Investment will, without the prior written consent of the Joint Bookrunners, at any time commencing from the date of the Hong Kong Underwriting Agreement up to the end of the First Six-month Period:

(i) offer, pledge, charge (other than any pledge or charge in favour of an authorized institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan), sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by the Controlling Shareholder or Maoye Investment (including holding as a custodian) or with respect to which any of the Controlling Shareholder and Maoye Investment has beneficial ownership (collectively the "Lock-up Shares") (the foregoing restriction is expressly agreed to preclude the Controlling Shareholder and Maoye Investment from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholder or Maoye Investment, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, whether any such transaction described in (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

The lock-up will commence on the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date. Additionally, during the Second Six-month Period, neither the Controlling Shareholder nor Maoye Investment will enter into any of the foregoing transactions in clauses (i), (ii) or (iii) above or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholder or Maoye Investment will cease to be a "controlling shareholder" (as the term is defined in the Hong Kong Listing Rules) of our Company.

Until the expiry of the Second Six-month period, in the event that the Controlling Shareholder or Maoye Investment enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Commission and expenses

We will pay to the Joint Bookrunners (for itself and on behalf of the Hong Kong Underwriters) an underwriting commission at the rate of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which the Hong Kong Underwriters will pay all (if any) sub-underwriting commissions. The International Underwriters will receive an underwriting commission of 3.5% of the Offer Price of the International Offer Shares initially offered under the International Offering. In addition, the Company may, in its sole discretion, pay to the Joint Bookrunners an additional incentive fee of up to 0.5% of the Offer Price multiplied by the total number of Offer Shares which shall be determined by the Price Determination Date. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Indemnity

The Company, the Controlling Shareholder and Maoye Investment have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Underwriters' interest in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will, on or about April 24, 2008, shortly after determination of the Offer Price, enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters to be named therein would severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares. Potential investors shall be reminded that in the event that the International Underwriting agreement is not entered into, the Global Offering will not proceed.

Under the International Underwriting Agreement, our Company intends to grant to the International Underwriters the Over-allotment Option, exercisable by Goldman Sachs in consultation with the Joint Bookrunners on behalf of the International Underwriters at the sole and absolute discretion of Goldman Sachs for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 129,450,000 additional Shares representing, in aggregate, 15% of the maximum number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price and will be, among others, for the purpose of covering over-allocations in the International Offering, if any.

TOTAL COMMISSION AND EXPENSES

Assuming an Offer Price of HK$3.35 per Share (being the midpoint of the stated offer price range of HK$2.90 to HK$3.80 per Share), the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, HKSFC transaction levy of 0.004%, Hong Kong Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$173.6 million in total. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs, HSBC and UBS are the Joint Global Coordinators and Joint Sponsors of the Global Offering. Goldman Sachs, HSBC, UBS and JPMorgan are the Joint Bookrunners and Joint Lead Managers of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 86,300,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "– The Hong Kong Public Offering"; and
- the International Offering of 776,700,000 Shares (subject to adjustment and over-allocation as mentioned below) in the United States to QIBs in reliance on Rule 144A or another exemption under the U.S. Securities Act.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in "Structure of the Global Offering – Pricing and Allocation".

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around April 24, 2008 and in any event, no later than May 2, 2008.

The Offer Price will be not more than HK$3.80 per Offer Share and is expected to be not less than HK$2.90 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters and with our consent) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on April 24, 2008, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range.

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, but will be made strictly on a pro-rata basis, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The net proceeds from the issue of new Shares are estimated to be approximately HK$2,717.4 million. The estimated net proceeds from the issue of new Shares are calculated assuming an Offer Price of HK$3.35 per Share (being the midpoint of the stated offer price range of HK$2.90 to HK$3.80 per Share) and after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on May 2, 2008 through a variety of channels as described in the manner set out in "How To Apply For Hong Kong Offer Shares – Publication of Results".

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the granting by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any Shares which may be sold pursuant to the exercise of the Over-allotment Option);

(b) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(c) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on May 5, 2008.

If for any reason, the Offer Price is not agreed by May 2, 2008 between the Joint Bookrunners (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a Notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

THE HONG KONG PUBLIC OFFERING

We are initially offering 86,300,000 new Shares at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent approximately 1.7% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allotted Offer Shares in the International Offering.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK$3.80 and is expected to be not less than HK$2.90. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum offer price of HK$3.80 per Share plus 1.0% brokerage fee, 0.004% HKSFC transaction levy, and 0.005% Stock Exchange trading fee. This means that, for every board lot of 1,000 Offer Shares, you must pay HK$3,838.34 at the time of your application. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$3.80, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the HKSFC transaction levy, and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares".

For allocation purposes only, the 86,300,000 Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools: Pool A comprising 43,150,000 Hong Kong Offer Shares and Pool B comprising 43,150,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, HKSFC transaction levy, and the Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for

Hong Kong Offer Shares with a total amount (excluding brokerage, HKSFC transaction levy, and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 86,300,000 Shares initially comprised in the Hong Kong Public Offering (that is, 43,150,000 Hong Kong Offer Shares) are liable to be rejected.

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offering, the total number of Shares available under the Hong Kong Public Offering will be increased to 258,900,000, 345,200,000 and 431,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Shares will be allocated to Pool A and Pool B. In addition, the Joint Bookrunners may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of Shares to be initially offered for subscription or sale under the International Offering will consist of 776,700,000 new Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by Goldman Sachs in consultation with the Joint Bookrunners on behalf of the International Underwriters within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. An announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, Goldman Sachs will have the right to require the Company to allot and issue up to an aggregate of 129,450,000 additional Shares representing in aggregate 15% of the initial Offer Shares, at the Offer Price. See "Information About this Prospectus and the Global Offering – Over-Allocation and Stabilization".

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on May 5, 2008, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on May 5, 2008.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about April 24, 2008, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting”.

There are two ways to make an application for the Hong Kong Offer Shares. You may either use a **white** or **yellow** Application Form or you may **electronically** instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC.

I. APPLYING BY USING AN APPLICATION FORM

Which Application Form to Use

Use a **white** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Use a **yellow** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

You may apply for the Hong Kong Offer Shares available for subscription by the public on a white or yellow Application Form if you or any person(s) for whose benefit you are applying are an individual and:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States.

Instead of using a yellow Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, the Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them (as "associate" is defined in the Hong Kong Listing Rules) or United States persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

Where to Collect the Application Forms

You can collect a **white** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, April 21, 2008 until 12:00 noon on Thursday, April 24, 2008 from:

Any of the following addresses of the Hong Kong Underwriters:

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15, HSBC Main Building
1 Queen's Road Central
Hong Kong

UBS AG
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
Chater House, 28/F
8 Connaught Road Central
Hong Kong

BNP Paribas Capital (Asia Pacific) Limited
63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited
26/F Bank of China Tower
1 Garden Road
Central
Hong Kong

China Everbright Securities (HK) Limited
36/F Far East Finance Centre
16 Harcourt Road
Hong Kong

First Shanghai Securities Limited
19/F Wing On House
71 Des Voeux Road Central
Hong Kong

or any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

Hong Kong Island	Hong Kong Office	1 Queen's Road Central, HK
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central, HK
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point, HK
	Cityplaza Branch	Unit 065, Cityplaza I, Taikoo Shing, HK
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, KLN
	Telford Gardens Branch	Shop Unit P16, Blk G, Telford Plaza I, Kowloon Bay, KLN
	Whampoa Garden Branch	Shop No. G6 & 6A, G/F, Site 4, Whampoa Garden, KLN
	Tin On Building Branch	777-779 Cheung Sha Wan Road
New Territories	TuenMun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun, NT
	Yuen Long Branch	G/F, HSBC Building Yuen Long, 150-160 Castle Peak Rd, Yuen Long, NT

or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

Hong Kong Island	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Hennessy Road Branch	Shop 2A, G/F & Basement, Cameron Commercial Centre, 468 Hennessy Road, Causeway Bay
	Quarry Bay Branch	G/F, 1036-1040 King's Road, Quarry Bay
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Shamshuipo Branch	G/F., 290 Lai Chi Kok Road, Shamshuipo
	Yaumatei Branch	542 Nathan Road, Yaumatei
New Territories	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung
	Tai Po Branch	9 Kwong Fuk Road, Tai Po

or any of the following branches of The Bank of East Asia, Limited:

Hong Kong Island	Main Branch	10 Des Voeux Road Central, HK
	Central Branch	31 Des Voeux Road Central, HK
	399 Hennessy Road Branch	G/F, Eastern Commercial Centre, 399 Hennessy Road, Wanchai
Kowloon	Mongkok Branch	638 - 640 Nathan Road
	Prince Edward Branch	G/F, Hanley House, 776-778 Nathan Road
New Territories	East Point City Branch	Shop 217B, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O.
	Shatin Plaza Branch	Shop 3 - 4, Level 1, Shatin Plaza
	Tsuen Wan Branch	239-243 Sha Tsui Road

Prospectus and Application Forms will be available for collection at the above places during the following times:

Monday, April 21, 2008 — 9:00 a.m. to 4:30 p.m.
Tuesday, April 22, 2008 — 9:00 a.m. to 4:30 p.m.
Wednesday, April 23, 2008 — 9:00 a.m. to 4:30 p.m.
Thursday, April 24, 2008 — 9:00 a.m. to 12:00 noon

You can collect a **yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, April 21, 2008 until 12:00 noon on Thursday, April 24, 2008 from:

(1) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, or

(2) Your stockbrokers, who may have such application forms and this prospectus available.

How to Complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by signing on the Application Form:

(a) you **instruct** and **authorize** the Company and/or the Joint Bookrunners (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in the name of HKSCC Nominees as required by the Articles (including the registration of the Hong Kong Offer Shares allocated to you in the name of HKSCC Nominees on the Company's branch register of members in Hong Kong) and otherwise to give effect to the arrangements described in this prospectus;

(b) you **undertake** to sign all documents and to do all things necessary to enable HKSCC Nominees to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles;

(c) you **agree** that any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

(d) you **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Hong Kong Offer Shares allocated to you registered in the name of HKSCC Nominees or not to accept such allocated Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your (or if you are a joint applicant, to the first-named applicant's) name at your own risk and costs; (3) to cause such allocated Hong Kong Offer Shares to be registered in your (or if you are a joint applicant, to the first-named applicant's) name and in such a case, to post the certificate(s) for such allocated Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

(e) you **agree** that each of HKSCC and HKSCC Nominees may adjust the number of Hong Kong Offer Shares allocated to you and issued in the name of HKSCC Nominees;

(f) you **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not contained in this Prospectus and the Application Forms;

(g) you **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way;

(h) you **represent**, **warrant** and **undertake** that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you and any person for whose account or benefit you are acquiring the Hong Kong Offer Shares are outside the United States when completing the Application Form, and are not a United States person (within the meaning of Regulation S);

(i) you **confirm** that you have received a copy of the prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;

(j) you **agree** that the Company, the Directors, and any person who has authorised this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;

(k) you **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation or other than as provided in this prospectus;

(l) (if the application is made for your own benefit) you **warrant** that this is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instruction**s to HKSCC via CCASS;

(m) (if you are an agent for another person) you **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instruction**s to HKSCC via CCASS, and that you are duly authorized to sign the Application Form (where relevant) as that other person's agent;

(n) you **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) will not apply for or take up or indicate an interest in any Offer Shares under the International Offering;

(o) you **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(p) you **warrant** the truth and accuracy of the information contained in the Application Forms;

(q) you **agree** to disclose to the Company, and/or its registrar, receiving bankers, the Joint Bookrunners, the Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

(r) you **agree** with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application, including applications made by HKSCC Nominees, to have agreed, for itself and on behalf of each Shareholder, with each applicant including each CCASS Participant giving **electronic application instructions**), to observe and comply with the Companies Ordinance and the Articles;

(s) you **agree** with the Company and each Shareholder that the Shares are freely transferable by the holders thereof;

(t) you **authorize** the Company to enter into a contract on your behalf with each Director and officer of the Company whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders as stipulated in the Articles; and

(u) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus.

In order for the **yellow** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- If you are applying through a designated CCASS participant (other than a CCASS investor participant):
  - the designated CCASS participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- If you are applying as an individual CCASS investor participant:
  - the form must contain your NAME and Hong Kong I.D. Card number.
  - your participant I.D. must be inserted in the appropriate box.
- If you are applying as a joint individual CCASS investor participant:
  - the form must contain all joint investor participants' NAMES and the Hong Kong I.D. Card number of all joint investor participants.
  - your participant I.D. must be inserted in the appropriate box.

- If you are applying as a corporate CCASS investor participant:
  - the form must contain your company NAME and Hong Kong Business Registration number.
  - your participant I.D. and your company chop (bearing your company name) must be inserted in the appropriate box.

Incorrect, omission or incomplete details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Joint Bookrunners as our agent may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners in the capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Members of the Public – Time for Applying for the Hong Kong Offer Shares

Completed **white** or **yellow** Application Forms, with payment attached, must be lodged by 12:00 noon on Thursday, April 24, 2008, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited and The Bank of East Asia, Limited listed under the section headed "– Where to Collect the Application Forms" above at the following times:

Monday, April 21, 2008 – 9:00 a.m. to 4:30 p.m.
Tuesday, April 22, 2008 – 9:00 a.m. to 4:30 p.m.
Wednesday, April 23, 2008 – 9:00 a.m. to 4:30 p.m.
Thursday, April 24, 2008 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, April 24, 2008.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allotment of any of the Hong Kong Offer Shares will be made later than May 21, 2008.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on Thursday, April 24, 2008. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Thursday, April 24, 2008 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. An announcement will be made in such event.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Publication of Results

We expect to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications of the Hong Kong Public Offering, the results of applications and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering no later than 9:00 a.m. on Friday, May 2, 2008 and in the manner specified below:

- on the website of the Stock Exchange (www.hkex.com.hk); and
- on the website of the Company for at least five consecutive days (www.maoye.cn/investor_relation.html).

A notification announcement under Rule 2.17A of the Hong Kong Listing Rules which also includes the Offer Price, an indication of the level of interest in the International Offering, the level of applications of the Public Offering and the basis of allocation of the Hong Kong Offer Shares will be published by us on Friday, May 2, 2008 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

In addition, we expect to announce the results of applications and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering at the times and dates and in the manner specified below:

- Results of allocations of the Hong Kong Public Offering will be available from our designated results of allocations website at www.tricor.com.hk/ipo on a 24-hour basis from 8:00 a.m. on Friday, May 2, 2008 to 23:59 p.m. on Thursday, May 8, 2008. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result.
- Results of allocations of the Hong Kong Public Offering will be available from the Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 2980 1833 between 9:00 a.m. and 6:00 p.m. from Friday, May 2, 2008 to Tuesday, May 6, 2008 (excluding Sunday, May 4, 2008).
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Friday, May 2, 2008 to Monday, May 5, 2008 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for the Hong Kong Offer Shares — Where to Collect the Application Forms".

Dispatch/Collection of Share Certificates and Refund Cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage, HKSFC transaction levy, and Hong Kong Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, HKSFC transaction levy, and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application. Subject as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **yellow** Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including related brokerage at the rate of 1%, HKSFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005% but without interest.

Part of your Hong Kong Identity Card number/passport number or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/ passport number before encashment of your refund check. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **white** Application Forms are expected to be posted on or before Friday, May 2, 2008. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply using a white Application Form:

If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **white** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) from our Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, May 2, 2008. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) and share certificate(s) within the time period specified for collection, they will be dispatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parts thereof, together with the related brokerage, Hong Kong Stock Exchange trading fee, and HKSFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Friday, May 2, 2008 by ordinary post and at your own risk.

Applicants will receive one share certificate each for all the Hong Kong Offer Shares allocated to the applicants.

If you apply using a yellow Application Form:

If you apply for the Hong Kong Offer Shares using a **yellow** Application Form and your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Friday, May 2, 2008, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for the Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "How to Apply for Hong Kong offer shares – Publication of Results" on Friday, May 2, 2008. You should check the announcement to be released by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, May 2, 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees. You can also check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **white** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application forms that you will collect your refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund check(s) (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, Hong Kong Stock Exchange trading fee, HKSFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Friday, May 2, 2008 by ordinary post and at your own risk.

II. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our registrar.

Giving Electronic Application Instructions to HKSCC to apply for the Hong Kong Shares by HKSCC Nominees on Your Behalf

Where a **white** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **white** Application Form or this prospectus;

(b) HKSCC Nominees does the following things on behalf of each such person:

  (i) agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;

  (ii) undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

  (iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Offering;

  (iv) (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

  (v) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

  (vi) understands that the above declaration will be relied upon by us, our Directors and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

(vii) authorizes us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

(viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

(ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, our Directors, the Joint Bookrunners, the Underwriters, or any of the parties involved in the Global Offering will have any liability for any such other information or representation;

(x) agrees that our Company, the Directors and any person who has authorized the prospectus, are liable only for the information and representations contained in this prospectus and any supplement thereto;

(xi) agrees to disclose that person's personal data to our Company, our registrar, receiving banker, the Joint Bookrunners, the Underwriters and any of their respective advisors and agents and any information which they may require about that person for whose benefit the application is made;

(xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

(xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before May 21, 2008, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before April 24, 2008 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before May 21, 2008 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering to be released by our Company;

(xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and

(xvi) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, and the related brokerage, the HKSFC transaction levy, and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage, the HKSFC transaction levy, and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account;
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **white** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Minimum Application Amount and Permitted Multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the number of shares in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, April 21, 2008 – 9:00 a.m. to 8:30 p.m.(1)
Tuesday, April 22, 2008 – 8:00 a.m. to 8:30 p.m.(1)
Wednesday, April 23, 2008 – 8:00 a.m. to 8:30 p.m.(1)
Thursday, April 24, 2008 – 8:00 a.m.(1) to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, April 21, 2008 until 12:00 noon on Thursday, April 24, 2008 (24 hours daily, except the last application day).

Effect of Bad Weather on the Last Application Day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, April 24, 2008, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on Thursday, April 24, 2008, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offering do not open and close on Thursday, April 24, 2008 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. An announcement will be made in such event.

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Friday, May 2, 2008 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, if supplied) and your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) in the manner described in "How to apply for Hong Kong offer shares – Publication of Results" on Friday, May 2, 2008. You should check the announcement to be released by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, May 2, 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, May 2, 2008. Immediately following the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS

Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application, in each case including the related brokerage of 1%, HKSFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, May 2, 2008. No interest will be paid thereon.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by us, our registrar, receiving banker, the Joint Bookrunners, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Joint Bookrunners and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **white** or **yellow** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, April 24, 2008.

III. HOW MANY APPLICATIONS MAY YOU MAKE

You may make more than one application for the Hong Kong Offer Shares only if you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form or **electronic application instruction** is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirm that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorized to sign the Application Form or give **electronic application instruction** as that other person's agent.

All of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC; or
- both apply (whether individually or jointly) on one **white** Application Form and one **yellow** Application Form or on one **white** or **yellow** Application Form and give **electronic application instructions** to HKSCC; or
- apply on one **white** or **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC for more than 50% of the Hong Kong Offer Shares initially being offered for sale under the Hong Kong Public Offering as more particularly described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering"; or
- have indicated an interest for or have been or will be placed Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company; or
- control more than one-half of the voting power of the company; or
- hold more than one-half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

IV. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting an **electronic application instruction** to HKSCC you agree that your application or the application made by HKSCC Nominees on your behalf may not be revoked before May 21, 2008. Such agreement to take effect as a collateral contract with us and to become binding when you lodge your application form or submit your electronic application instruction to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. However, your application or the application made by HKSCC Nominees on your behalf may be revoked on or before May 21, 2008 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before April 24, 2008 except by means of one of the procedures referred to in this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) Full discretion of our Company, the Joint Bookrunners or our or their respective agents to reject or accept:

We, the Joint Bookrunners or our or their respective agents have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **yellow** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

(d) You will not receive any allotment if:

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering. By filling in any of the Application Forms or submitting electronic application instructions, you agree not to apply for or indicate an interest for Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- your payment is not made correctly;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- your Application Form is not filled in correctly in accordance with the instruction as stated in the Application Form (if you apply by an Application Form);
- the Underwriting Agreements do not become unconditional;
- either of the Underwriting Agreements is terminated in accordance with its respective terms;
- your application is for more than 100% of the Hong Kong Offer Shares initially available for public subscription in either pool A or pool B;
- the Company believes that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdictions in which your application is completed and signed; or
- your application for Offer Shares is not in one of the numbers set out in the table in the Application Form.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

V. HOW MUCH THE HONG KONG OFFER SHARES ARE

The maximum offer price is HK$3.80 per Hong Kong Offer Share. You must also pay brokerage of 1%, HKSFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 Hong Kong Offer Shares, you will pay HK$3,838.34. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for.

You must pay the maximum offer price and related brokerage, HKSFC transaction levy, and the Hong Kong Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares by a check or a banker's cashier order in accordance with the terms set out in the Application Form or this prospectus.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, the HKSFC transaction levy, and Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the HKSFC transaction levy collected by the Stock Exchange on behalf of the HKSFC).

VI. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including related brokerage of 1%, HKSFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage of 1%, HKSFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Hong Kong Offer Share (excluding brokerage, HKSFC transaction levy, and Hong Kong Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application monies, together with the related brokerage of 1%, HKSFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund checks will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Joint Bookrunners, checks for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Friday, May 2, 2008 in accordance with the various arrangements as described above.

VII. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, May 5, 2008.

The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 848.

VIII. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered and Available for Inspection" in Appendix VII, a copy of the accountants' report is available for inspection.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

21 April 2008

The Board of Directors
Maoye International Holdings Limited
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
J.P Morgan Securities (Asia Pacific) Limited
UBS AG

Dear Sirs,

We set out below our report on the financial information of Maoye International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2005, 2006 and 2007 (the "Relevant Periods"), prepared on the basis set out in Section 2 below for inclusion in the prospectus of the Company dated 21 April 2008 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, for the purpose of acting as a holding company of the subsidiaries now comprising the Group set out below pursuant to a group reorganisation (the "Reorganisation") as further described in the paragraph headed "The Reorganisation" in the section "History and Structure" to the Prospectus.

The Group is principally engaged in the operation of department stores in the People's Republic of China (the "PRC"). The Company and its subsidiaries have adopted 31 December as their financial year end date.

Particulars of the principal companies comprising the Group and its principal associate at the date of this report are set out below:

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Subsidiaries:					
Maoye Department Store Holdings Limited (茂業百貨控股有限公司)(1)	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)(2)	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)(3)	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)(4)	PRC 28 October 1997	RMB50,000,000	—	100	Investment holding
Shenzhen Maoye Shangsha Co., Ltd. ("Maoye Shangsha") (深圳茂業商厦有限公司)(5) *	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)(6)	PRC 20 April 2000	RMB1,000,000	—	100	Operation of a department store
Shenzhen Heping Maoye Department Store Co., Ltd. ("Heping Maoye") (深圳市和平茂業百貨有限公司)(7)	PRC 20 April 2000	RMB1,000,000	—	100	Operation of a department store
Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. ("Maoye Huaqiangbei") (深圳市茂業百貨華强北有限公司)(8)	PRC 31 March 2003	RMB1,000,000	—	100	Operation of a department store
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)(9)	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)(10)	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)(11)	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)(12) *	PRC 31 December 1993	RMB203,148,000	—	69.23	Investment holding and operation of department stores

Company name	Place and date of incorporation/ registration and operation	Nominal value of registered paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Chengdu Renmin Automobiles Co., Ltd. (成都人民車業有限責任公司)(13)	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)(14)	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)(15)	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)(16)	PRC 20 November 2001	RMB20,000,000	—	69.23	Operation of a department store
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)(17)	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") (峨眉山成商鳳凰湖有限公司)(18)	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)(19)	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)(20) @	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 32(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.

As at the date of this report, no audited financial statements have been prepared for the Company since the date of its incorporation as the Company has not been involved in any significant business transactions other than the Reorganisation and other events described in the paragraph headed "The Reorganisation" in the section "History and Structure" to the Prospectus. We have, however, performed our own independent audit of all relevant transactions of the Company since the date of its incorporation.

Notes:

(1) No audited financial statements have been issued since its date of incorporation as it has not carried on any business, other than the Reorganisation and other events described in the paragraph headed "The Reorganisation" in the section "History and Structure" to the Prospectus, and was incorporated in the British Virgin Islands where there is no statutory audit requirement.

(2) The financial statements for the three years ended 31 December 2005, 2006 and 2007 were audited by Cathy Lai, John Tsang & Co., certified public accountants registered in Hong Kong.

(3) The financial statements for the year ended 31 December 2005 were audited by Shenzhen Guo Tai Certified Public Accountants Co., Ltd. (深圳國泰會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(4) The financial statements for the two years ended 31 December 2005 and 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(5) The financial statements for the year ended 31 December 2005 were audited by Shenzhen Guo Xin Tai Certified Public Accountants Co., Ltd. (深圳國信泰會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(6) The financial statements for the year ended 31 December 2005 were audited by Shenzhen Guo Xin Tai Certified Public Accountants Co., Ltd. (深圳國信泰會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(7) The financial statements for the two years ended 31 December 2005 and 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(8) The financial statements for the year ended 31 December 2005 were audited by Shenzhen Guo Xin Tai Certified Public Accountants Co., Ltd. (深圳國信泰會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(9) The financial statements for the year ended 31 December 2005 were audited by Shenzhen Guo Xin Tai Certified Public Accountants Co., Ltd. (深圳國信泰會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(10) The financial statements for the year ended 31 December 2005 were audited by Shenzhen Guo Xin Tai Certified Public Accountants Co., Ltd. (深圳國信泰會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Zheng Yi Certified Public Accountants Co., Ltd. (深圳正一會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2007 were audited by Shenzhen Hong Xing Certified Public Accountants Co., Ltd. (深圳泓興會計師事務所), certified public accountants registered in the PRC.

(11) The financial statements for the three years ended 31 December 2005, 2006 and 2007 were audited by Chongqing Wu Lian Certified Public Accountants Co., Ltd. (重慶五聯會計師事務所有限公司), certified public accountants registered in the PRC.

(12) The financial statements for the year ended 31 December 2005 were audited by Sichuan Hua Xin (Group) Certified Public Accountants Co., Ltd. (四川華信(集團)會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Peng Cheng Certified Public Accountants Co., Ltd. (深圳鵬城會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.

(13) The financial statements for the year ended 31 December 2005 were audited by Sichuan Hua Xin (Group) Certified Public Accountants Co., Ltd. (四川華信(集團)會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Peng Cheng Certified Public Accountants Co., Ltd. (深圳鵬城會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.

(14) The financial statements for the year ended 31 December 2005 were audited by Sichuan Hua Xin (Group) Certified Public Accountants Co., Ltd. (四川華信(集團)會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Peng Cheng Certified Public Accountants Co., Ltd. (深圳鵬城會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.

(15) The financial statements for the year ended 31 December 2005 were audited by Sichuan Hua Xin (Group) Certified Public Accountants Co., Ltd. (四川華信(集團)會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Peng Cheng Certified Public Accountants Co., Ltd. (深圳鵬城會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.
(16) The financial statements for the year ended 31 December 2005 were audited by Sichuan Hua Xin (Group) Certified Public Accountants Co., Ltd. (四川華信(集團)會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Peng Cheng Certified Public Accountants Co., Ltd. (深圳鵬城會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.
(17) The financial statements for the year ended 31 December 2005 were audited by Luzhou Kai Yuan Certified Public Accountants Co., Ltd. (瀘州開元會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Shenzhen Peng Cheng Certified Public Accountants Co., Ltd. (深圳鵬城會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.
(18) The financial statements for the year ended 31 December 2005 were audited by Leshan She Xin Certified Public Accountants Co., Ltd. (樂山設信會計師事務所), certified public accountants registered in the PRC. The financial statements for the year ended 31 December 2006 were audited by Sichuan Jian Hua Certified Public Accountants Co., Ltd. (四川建華會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.
(19) No audited financial statements for the period ended 31 December 2007 have been issued.
(20) The financial statements for the two years ended 31 December 2005 and 2006 were audited by Yinchuan Xi Xia Certified Public Accountants Co., Ltd. (銀川西夏聯合會計師事務所), certified public accountants registered in the PRC. No audited financial statements for the year ended 31 December 2007 have been issued.

The English names of the subsidiaries, associate and auditors registered in the PRC represent the best effort made by management of the Company to translate their Chinese names as those subsidiaries, associate and auditors do not have official English names.

The above table lists the subsidiaries and associate of the Group which, in the opinion of the directors of the Company (the "Directors"), principally affected the results of the Group for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the Directors, result in particulars of excessive length.

The combined income statements, combined cash flow statements and combined statements of changes in equity of the Group for the Relevant Periods and the combined balance sheets of the Group as at 31 December 2005, 2006 and 2007 together with the notes thereto (the "Financial Information") have been prepared based on the audited financial statements, or where appropriate, the unaudited management accounts of the companies comprising the Group, after making such adjustments as are appropriate to comply with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and have been prepared on the basis set out in Section 2 below.

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. The directors of the respective companies of the Group are responsible for the preparation and true and fair presentation of the respective financial statements in accordance with the relevant accounting principles and financial regulations applicable to these companies. It is our responsibility to form an independent opinion on such information in respect of the Relevant Periods and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation set out in Section 2 below gives, for the purpose of this report, a true and fair view of the combined results and combined cash flows of the Group for each of the Relevant Periods and of the combined state of affairs of the Group as at 31 December 2005, 2006 and 2007.

1. FINANCIAL INFORMATION

Combined income statements

	Sections	Year ended 31 December 2005	2006	2007
		RMB'000	RMB'000	RMB'000
REVENUE	5	918,140	1,352,600	1,567,301
Other income	6	186,867	299,102	355,638
Purchases of and changes in inventories		(457,078)	(669,911)	(728,055)
Employee expenses	7	(110,000)	(196,750)	(93,395)
Depreciation and amortisation		(91,721)	(133,397)	(128,898)
Operating lease rental expenses	8	(94,383)	(135,558)	(128,513)
Other operating expenses	9	(200,706)	(264,507)	(284,802)
Other gains/(losses), net	10	4,122	(18,482)	83,946
Operating profit		155,241	233,097	643,222
Finance costs	11	(31,937)	(53,005)	(99,140)
Share of profits and losses of associates	19	3,274	3,804	3,573
PROFIT BEFORE INCOME TAX		126,578	183,896	547,655
Income tax	12	(9,476)	(5,964)	(103,567)
PROFIT FOR THE YEAR		117,102	177,932	444,088
Attributable to:				
Equity holders of the Company		136,759	217,059	416,999
Minority interests		(19,657)	(39,127)	27,089
		117,102	177,932	444,088
DIVIDENDS	13	—	—	1,063,950
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Basic	14	RMB0.03	RMB0.05	RMB0.10

Combined balance sheets

	Sections	31 December 2005	31 December 2006	31 December 2007
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	875,200	833,782	825,382
Investment properties	16	352,309	334,778	318,332
Land lease prepayments	17	362,147	347,000	369,935
Goodwill	18	38,134	45,114	45,286
Investments in associates	19	39,124	78,412	30,509
Available-for-sale equity investments	20	27,818	26,606	106,195
Properties under development	21	—	145,983	—
Prepayments	26	3,629	3,956	4,543
Deferred tax assets	22	79,849	119,406	51,591
Total non-current assets		1,778,210	1,935,037	1,751,773
CURRENT ASSETS				
Inventories	23	87,614	98,654	113,131
Equity investments at fair value through profit or loss	24	—	4,895	11,573
Trade receivables	25	3,794	2,929	3,938
Prepayments and other receivables	26	450,470	391,011	224,151
Due from related parties	36	698,574	1,399,120	1,101,015
Cash and cash equivalents	27	553,537	372,665	391,577
Total current assets		1,793,989	2,269,274	1,845,385
CURRENT LIABILITIES				
Trade payables	28	726,452	747,188	840,254
Deposits received, accruals and other payables	29	677,070	501,462	483,929
Interest-bearing bank loans	30	667,000	773,800	610,381
Due to related parties	36	384,405	416,305	58,636
Income tax payable		25,929	54,828	36,171
Dividends payable		—	—	209,547
Total current liabilities		2,480,856	2,493,583	2,238,918
NET CURRENT LIABILITIES		(686,867)	(224,309)	(393,533)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,091,343	1,710,728	1,358,240

	Sections	31 December 2005	2006	2007
		RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,091,343	1,710,728	1,358,240
NON-CURRENT LIABILITIES				
Deferred tax liability	22	125,796	117,919	110,042
Interest-bearing bank loans	30	21,968	456,726	786,712
Total non-current liabilities		147,764	574,645	896,754
Net assets		943,579	1,136,083	461,486
EQUITY				
Equity attributable to equity holders of the Company				
Paid-in capital/issued share capital	31	51,135	51,135	75
Reserves		632,685	849,171	200,683
		683,820	900,306	200,758
Minority interests		259,759	235,777	260,728
Total equity		943,579	1,136,083	461,486

Combined statements of changes in equity

	Attributable to equity holders of the Company								
	Paid-in capital/ issued share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000 Note (a)	RMB'000 Note (b)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	51,135	2	51,766	36,543	356	407,337	547,139	6,000	553,139
Profit for the year	—	—	—	—	—	136,759	136,759	(19,657)	117,102
Profit appropriation to reserves	—	—	5,760	22,855	—	(28,615)	—	—	—
Acquisition of a subsidiary (Section 32(a))	—	—	—	—	—	—	—	274,062	274,062
Acquisition of an additional interest in a subsidiary	—	—	—	—	—	—	—	(646)	(646)
Exchange realignment	—	—	—	—	(78)	—	(78)	—	(78)
At 31 December 2005 and 1 January 2006	51,135	2	57,526	59,398	278	515,481	683,820	259,759	943,579
Transfer from statutory public welfare fund	—	—	59,398	(59,398)	—	—	—	—	—
Profit for the year	—	—	—	—	—	217,059	217,059	(39,127)	177,932
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	(7,179)	(7,179)
Disposal of interest in a subsidiary	—	—	—	—	—	—	—	22,324	22,324
Profit appropriation to reserves	—	—	13,723	—	—	(13,723)	—	—	—
Exchange realignment	—	—	—	—	(573)	—	(573)	—	(573)
At 31 December 2006	51,135	2	130,647	—	(295)	718,817	900,306	235,777	1,136,083

	Attributable to equity holders of the Company								
	Paid-in capital/ issued share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000 Note (a)	RMB'000 Note (b)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2006 and 1 January 2007	51,135	2	130,647	—	(295)	718,817	900,306	235,777	1,136,083
Profit for the year	—	—	—	—	—	416,999	416,999	27,089	444,088
Acquisition of subsidiaries (Section 32(a))	—	—	—	—	—	—	—	6,601	6,601
Reversal of paid-in capital of subsidiaries due to the Reorganisation	(51,060)	—	—	—	—	—	(51,060)	—	(51,060)
Acquisition of an additional interest in a subsidiary	—	—	—	—	—	—	—	(2,739)	(2,739)
Profit appropriation to reserves	—	—	17,125	—	—	(17,125)	—	—	—
Dividends declared (Section 13)	—	—	—	—	—	(1,063,950)	(1,063,950)	—	(1,063,950)
Disposal of subsidiaries (Section 32(b))	—	—	(31,363)	—	—	31,363	—	(6,000)	(6,000)
Exchange realignment	—	—	—	—	(1,537)	—	(1,537)	—	(1,537)
At 31 December 2007	75	2	116,409	—	(1,832)	86,104	200,758	260,728	461,486

Notes:

(a) In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries registered in the PRC (the "PRC Subsidiaries"), the PRC Subsidiaries are required to appropriate 10% of their annual statutory net profit after tax (after offsetting any prior year's losses) to the statutory surplus reserve until such reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve can be capitalised as paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) In accordance with the Company Law of the PRC prior to 1 January 2006 and the respective articles of association of the PRC Subsidiaries, the PRC Subsidiaries were required to appropriate 5% to 10% of the annual statutory net profit after tax (after offsetting any prior year's losses) to the statutory public welfare fund which was a non-distributable reserve other than in the event of liquidation of the PRC Subsidiaries. The statutory public welfare fund was used for capital expenditure on staff welfare facilities and these facilities remained the properties of the PRC Subsidiaries.

According to the revised Company Law of the PRC effective 1 January 2006, the PRC subsidiaries were no longer required to make appropriation to the statutory public welfare fund since 1 January 2006. The balance of the statutory public welfare fund was then transferred to the statutory surplus reserve.

Combined cash flow statements

	Sections	Year ended 31 December 2005 RMB'000	2006 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax		126,578	183,896	547,655
Adjustments for:				
Share of profits and losses of associates		(3,274)	(3,804)	(3,573)
Interest income	6	(4,239)	(8,022)	(9,943)
Depreciation and amortisation		91,721	133,397	128,898
Impairment of items of property, plant and equipment	9	838	—	—
Impairment of goodwill	9	—	—	200
Impairment of trade receivables	9	796	2,231	2,351
Impairment of inventories	9	273	—	2,068
Impairment/(reversal of impairment) of other receivables	9	2,664	(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	2,075	1,014	4,574
Gain on disposal of subsidiaries	10	—	—	(64,448)
Gain on disposal of associates	10	—	—	(585)
Gain on disposal of available-for-sale equity investments	10	(4,613)	—	—
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	31,937	53,005	99,140
Cash flows from operating activities		244,756	380,258	687,620
Decrease/(increase) in inventories		12,562	(11,040)	(21,224)
Decrease/(increase) in trade receivables		3,770	(1,366)	(2,901)
Decrease/(increase) in prepayments and other receivables		(179,906)	42,414	(113,607)
Increase in amounts due from related parties		—	—	(7,840)
Increase in trade payables		108,645	20,736	116,213
Increase/(decrease) in deposits received, accruals and other payables		147,640	(15,878)	164,571
Increase/(decrease) in amounts due to related parties		103,650	70,143	(180,696)
Cash generated from operations		441,117	485,267	642,136
Interest received	6	4,239	8,022	9,943
PRC tax paid		(28,623)	(24,499)	(68,813)
Net cash inflow from operating activities		416,733	468,790	583,266

	Sections	Year ended 31 December 2005	2006	2007
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from associates		30	1,762	2,315
Purchase of items of property, plant and equipment		(106,029)	(65,246)	(96,292)
Proceeds from disposal of items of property, plant and equipment		5,687	4,975	14,716
Purchase of investment properties		(38)	(44)	(2,470)
Purchase of land lease prepayments		—	—	(40,366)
Disposal of land lease prepayments		—	—	5,900
Acquisition of associates		(600)	(40,000)	—
Purchase of available-for-sale equity investments		—	—	(6,864)
Proceeds from disposal of available-for-sale equity investments		16,250	—	—
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)	(55,576)	(139,440)	(12,332)
Acquisition of an additional interest in a subsidiary		(656)	(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	16,123	(108,520)	81,420
Net cash outflow from investing activities		(124,809)	(507,082)	(19,187)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		592,400	1,317,300	1,672,800
Repayments of bank loans		(708,062)	(775,742)	(1,511,733)
Decrease/(increase) in amounts due from related parties		203,180	(698,419)	302,957
Increase/(decrease) in amounts due to related parties		136,134	(40,661)	27,309
Interest paid		(31,937)	(53,005)	(99,140)
Dividends paid		—	—	(854,403)
Net cash inflow/(outflow) from financing activities		191,715	(250,527)	(462,210)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		483,639	(288,819)	101,869
Exchange realignment		(78)	(573)	(1,537)
Cash and cash equivalents at beginning of year		68,076	551,637	262,245
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	551,637	262,245	362,577

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 Relevant Periods 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 Relevant Periods, 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 Relevant Periods, 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 Relevant Periods:

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 unrealised 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, initially 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 are 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 are 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 requires 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 Relevant Periods.

	Operation of department stores	Sale of automobiles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2005				
Segment revenue:				
Sales to external customers	746,863	166,856	4,421	918,140
Other income	166,952	910	14,766	182,628
Total	913,815	167,766	19,187	1,100,768
Segment results	198,529	(1,053)	4,126	201,602
Other income and unallocated gains				10,457
Corporate and other unallocated expenses				(56,818)
Finance costs				(31,937)
Share of profits and losses of associates	214	—	3,060	3,274
Profit before income tax				126,578
Income tax				(9,476)
Profit for the year				117,102
Assets and liabilities				
Segment assets	3,170,046	82,761	164,177	3,416,984
Investments in associates	13,194	—	25,930	39,124
Corporate and other unallocated assets				116,091
Total assets				3,572,199
Segment liabilities	1,570,270	65,635	152,023	1,787,928
Corporate and other unallocated liabilities				840,692
Total liabilities				2,628,620
Other segment information:				
Depreciation and amortisation	76,077	973	11,090	88,140
Corporate and other unallocated amounts				3,581
				91,721
Capital expenditure	105,363	504	200	106,067
Impairment of items of property, plant and equipment	838	—	—	838
Impairment of trade receivables	—	—	796	796
Impairment of inventories	273	—	—	273
Impairment of other receivables	2,664	—	—	2,664

	Operation of department stores	Sale of automobiles	Others	Total
	RMB'000	RMB'000	RMB'000	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	Sale of automobiles	Others	Total
	RMB'000	RMB'000	RMB'000	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Commissions from concessionaire sales	373,464	557,863	680,491
Direct sales	317,230	436,083	479,482
Sale of automobiles	166,856	280,537	311,548
Rental income from the leasing of shop premises	56,169	77,460	86,148
Management fee income from the operation of department stores	—	—	1,035
Others	4,421	657	8,597
	918,140	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	1,796,036	2,733,889	3,318,096
Commissions from concessionaire sales	373,464	557,863	680,491

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

Rental income	29,138	37,475	42,010
Sublease rental income	26,377	38,125	40,302
Contingent rental income	654	1,860	3,836
	56,169	77,460	86,148

6. OTHER INCOME

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Income from suppliers and concessionaires			
– Administration and management fee income	100,874	156,856	180,051
– Promotion income	49,218	67,832	84,115
– Credit card handling fees	14,318	22,759	41,143
Rental income from investment properties	13,679	34,217	32,181
Interest income	4,239	8,022	9,943
Others	4,539	9,416	8,205
	186,867	299,102	355,638

7. EMPLOYEE EXPENSES

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Wages and salaries	95,567	123,062	81,279
Retirement benefits	8,624	9,863	6,232
Termination benefits *	—	57,580	—
Other employee benefits	5,809	6,245	5,884
	110,000	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 which are set out in the paragraph headed "Employee benefits" in Section 3 above.

Details of directors' remuneration are as follows:

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Fees	—	—	150
Other emoluments:			
Salaries and allowances	630	702	1,758
Bonuses	500	600	600
Retirement benefits	16	18	35
	1,146	1,320	2,393
	1,146	1,320	2,543

(a) Independent non-executive directors

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

	Year ended 31 December		
	2005	2006	2007
	RMB'000	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 Relevant Periods.

(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 2005					
Executive directors:					
Mr. Huang Mao Ru	—	—	—	—	—
Mr. Zou Minggui	—	360	350	8	718
Mr. Wang Guisheng	—	270	150	8	428
	—	630	500	16	1,146
Non-executive director:					
Mrs. Huang Jingzhang	—	—	—	—	—
Year ended 31 December 2006					
Executive directors:					
Mr. Huang Mao Ru	—	—	—	—	—
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 Mao Ru	—	—	—	—	—
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 director:					
Mrs. Huang Jingzhang	—	641	—	11	652
Mr. Zhong Pengyi	—	—	—	—	—
	—	641	—	11	652

Mr. Huang Mao Ru, the controlling shareholder of the Group, received no remuneration during the Relevant Periods.

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

(c) Five highest paid employees

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Directors	1,146	1,248	2,100
Non-director employees	1,389	1,717	806
	2,535	2,965	2,906

The five highest paid individuals in the Group included two Directors during each of the two years ended 31 December 2005 and 2006 and three Directors during the year ended 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 Relevant Periods are as follows:

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Salaries and allowances	616	881	780
Bonuses	750	810	—
Retirement benefits	23	26	26
	1,389	1,717	806

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

During the Relevant Periods, 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Operating lease rental	90,355	131,080	121,268
Operating sublease rental	4,028	4,478	7,245
	94,383	135,558	128,513

9. OTHER OPERATING EXPENSES

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Utility expenses	65,524	81,891	82,271
Promotion and advertising	27,627	27,303	28,041
Repair and maintenance expenses	22,457	24,753	24,359
Entertainment expenses	3,621	11,004	11,423
Office expenses	24,137	24,628	25,662
Other tax expenses	27,115	36,393	45,609
Professional service fees	6,699	12,489	10,167
Auditors' remuneration	415	890	580
Bank charges	9,409	18,199	20,327
Impairment of items of property, plant and equipment (Section 15)	838	—	—
Impairment of goodwill (Section 18)	—	—	200
Impairment of inventories	273	—	2,068
Impairment of trade receivables (Section 25)	796	2,231	2,351
Impairment/(reversal of impairment) of other receivables (Section 26)	2,664	(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	9,131	25,253	17,305
	200,706	264,507	284,802

10. OTHER GAINS/(LOSSES), NET

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Loss on disposal of items of property, plant and equipment	(2,075)	(1,014)	(4,574)
Foreign exchange gains, net	955	1,413	865
Gain on disposal of available-for-sale equity investments	4,613	—	—
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	629	187	795
	4,122	(18,482)	83,946

11. FINANCE COSTS

	Year ended 31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Interest expenses	31,937	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 Relevant Periods.

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 two years ended 31 December 2005 and 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 for the Relevant Periods are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	**RMB'000**	**RMB'000**
Current – PRC			
Charge for the year	43,567	53,398	51,825
Deferred (Section 22)	(34,091)	(47,434)	51,742
	9,476	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					
	2005		**2006**		**2007**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Profit from operating activities before income tax and minority interests	126,578		183,896		547,655	
Tax at the statutory tax rate	41,771	33	60,686	33	180,726	33
Tax effect of:						
Lower tax rates for specific provinces or local authority	(37,873)	(30)	(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	(851)	(1)	(1,401)	(1)	—	—
Income not subject to tax*	—	—	(74)	—	(39,461)	(7)
Expenses not deductible for tax	6,528	5	11,625	6	16,273	3
Tax losses not recognised	5,706	5	20,612	11	15,597	3
Tax effect of fair value adjustment	(4,949)	(4)	(7,877)	(4)	(7,877)	(2)
Others	(856)	(1)	7,157	4	3,065	1
Income tax	9,476	7	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 became 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		
	2005	2006	2007
	RMB'000	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 were 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 Relevant Periods, 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 this Prospectus but excluding any shares to be issued pursuant to the public offering, had been in issue throughout the Relevant Periods.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2005							
At 1 January 2005:							
Cost	410,290	171,579	7,803	94,992	83,363	—	768,027
Accumulated depreciation	(62,970)	(97,168)	(3,678)	(38,904)	(10,915)	—	(213,635)
Net carrying amount	347,320	74,411	4,125	56,088	72,448	—	554,392
At 1 January 2005, net of accumulated depreciation	347,320	74,411	4,125	56,088	72,448	—	554,392
Additions	5,609	5,077	694	19,315	7,045	68,289	106,029
Impairment (Section 9)	—	—	(838)	—	—	—	(838)
Disposals	(207)	(1,471)	(911)	(5,115)	(58)	—	(7,762)
Acquisition of a subsidiary (Section 32(a))	209,431	13,000	6,862	22,776	32,385	11,300	295,754
Transfers	779	—	—	155	34,634	(35,568)	—
Depreciation provided during the year	(22,770)	(11,460)	(1,308)	(15,102)	(21,735)	—	(72,375)
At 31 December 2005, net of accumulated depreciation and impairment	540,162	79,557	8,624	78,117	124,719	44,021	875,200
At 31 December 2005:							
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
31 December 2006							
At 31 December 2005 and 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

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation	—	352,309	334,778
Acquisition of subsidiaries (Section 32(a))	361,073	—	—
Additions	38	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	(8,802)	(17,575)	(17,427)
At 31 December	352,309	334,778	318,332
At 31 December:			
Cost	420,044	420,088	392,336
Accumulated depreciation	(67,735)	(85,310)	(74,004)
Net carrying amount	352,309	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	—	362,147	347,000
Acquisition of a subsidiary (Section 32(a))	372,691	—	5,517
Additions	—	—	40,366
Disposals	—	—	(5,900)
Transfer to investment properties (Section 16)	—	—	(1,362)
Amortisation provided during the year	(10,544)	(15,147)	(15,686)
Carrying amount at 31 December	362,147	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 the process of obtaining the relevant land use right certificate.

18. GOODWILL

	31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
At 1 January, net of accumulated impairment	—	38,134	45,114
Acquisition of a subsidiary (Section 32(a))	38,124	—	174
Acquisition of an additional interest in a subsidiary	10	6,980	198
Impairment during the year (Section 9)	—	—	(200)
At 31 December	38,134	45,114	45,286
At 31 December:			
Cost	38,903	45,883	46,255
Accumulated impairment	(769)	(769)	(969)
Net carrying amount	38,134	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 2005	35,711	17	2,406	38,134
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 2005 and 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 2005	31 December 2006	31 December 2007
	RMB'000	RMB'000	RMB'000
Share of net assets	39,124	78,412	30,509

The Group's balances with its associates as at 31 December 2005, 2006 and 2007 are disclosed in Section 36.

Particulars of the Group's principal associate as at the date of this report are set out on page I-3 above.

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	Liabilities	Revenue	Profit/(loss)
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2005				
E'mei Shan Chengshang	17,750	8,210	2,545	(389)
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)	8,296	4,642	31,566	603
Yinchuan New Century	15,589	2,507	3,915	2,426
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)	6,690	4,521	2,034	12
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)	6,696	2,353	1,691	28
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)	9,860	4,124	2,660	594
Chengdu Chongde Investment Co., Ltd. ("Chengdu Chongde Investment") (成都崇德投資有限公司)	600	—	—	—
	65,481	26,357	44,411	3,274
Year ended 31 December 2006				
E'mei Shan Chengshang	17,055	8,261	2,435	(746)
Yibin Daguan Building	8,294	4,616	33,119	2,376
Yinchuan New Century	16,251	2,782	3,686	1,935
Guangyuan New Century	7,122	4,944	2,095	10
Leshan Shawan New Century	6,355	2,031	1,536	188
Ya'an New Century	10,796	4,842	2,721	626
Chengdu Chongde Investment	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	33,553	32,341	111,930
Provision for impairment	(5,735)	(5,735)	(5,735)
	27,818	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Land costs	—	145,983	—

Movements in the properties under development are as follows:

	31 December		
	2005	2006	2007
	RMB'000	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 2005	3,109	14,304	—	—	17,413
Acquisition of a subsidiary (Section 32(a))	—	—	17,158	16,136	33,294
Deferred tax credited to the combined income statement during the year (Section 12)	2,320	12,760	1,598	12,464	29,142
At 31 December 2005 and 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 2005	—
Acquisition of a subsidiary (Section 32(a))	130,745
Deferred tax credited to the combined income statement during the year (Section 12)	(4,949)
At 31 December 2005 and 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 RMB20,176,000, RMB22,089,000 and RMB12,875,000 as at 31 December 2005, 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Merchandise for resale	87,614	98,654	113,131

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Listed equity investments	—	4,895	11,573

The market value of the Group's listed equity 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within 60 days	1,177	2,345	3,438
61 to 90 days	179	775	1,161
91 to 180 days	1,555	1,044	3,944
181 to 270 days	—	114	322
271 to 360 days	—	—	95
Over 360 days	4,404	4,403	2,794
	7,315	8,681	11,754
Impairment of trade receivables	(3,521)	(5,752)	(7,816)
	3,794	2,929	3,938

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

	31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
At 1 January	—	3,521	5,752
Acquisition of a subsidiary	2,725	—	—
Impairment losses recognised during the year (Section 9)	796	2,231	2,351
Amount written off during the year	—	—	(287)
At 31 December	3,521	5,752	7,816

Included in the above provision for impairment of trade receivables as at 31 December 2005, 2006 and 2007 is a provision for individually impaired trade receivables of approximately RMB3,521,000, RMB5,752,000 and RMB7,816,000 with carrying amount of approximately RMB3,521,000, 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 2005	3,794	1,177	179	1,555	—	—	883
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 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Non-current assets			
Prepayments	3,629	3,956	4,543
Current assets			
Prepayments	118,568	122,720	125,840
Other receivables	367,074	302,936	134,094
	485,642	425,656	259,934
Impairment of other receivables	(35,172)	(34,645)	(35,783)
	450,470	391,011	224,151

Included in the prepayments 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
At 1 January	—	35,172	34,645
Acquisition of a subsidiary	32,508	—	3,406
Impairment losses recognised/(reversed) during the year (Section 9)	2,664	(527)	(760)
Amount written off during the year	—	—	(1,508)
At 31 December	35,172	34,645	35,783

Included in the above provision for impairment of other receivables as at 31 December 2005, 2006 and 2007 is a provision for individually impaired other receivables of approximately RMB35,172,000, RMB34,645,000 and RM35,783,000 with carrying amount of approximately RMB35,172,000, 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 related to other debtors for whom there was no recent history of default.

27. CASH AND CASH EQUIVALENTS

	31 December		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Cash in transit	8,571	11,019	34,766
Cash and bank balances	544,966	361,646	356,811
Cash and cash equivalents in the combined balance sheets	553,537	372,665	391,577
Less: Bank deposits with original maturity of over three months when acquired	(1,900)	(110,420)	(29,000)
Cash and cash equivalents in the combined cash flow statements	551,637	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
RMB	552,967	372,336	376,228
Hong Kong dollar	516	274	14,829
United States dollar	54	55	520
	553,537	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within 90 days	537,348	570,581	683,714
91 to 180 days	129,129	101,107	60,655
181 to 360 days	28,193	32,433	26,558
Over 360 days	31,782	43,067	69,327
	726,452	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Deferred income	61,443	90,686	181,764
Deposits received	65,057	76,286	83,474
Accrued operating lease rental expenses	86,655	95,431	69,294
Accrued utilities	15,002	15,308	7,369
Accrued liabilities	3,720	3,320	10,434
Accrued staff costs	23,372	27,635	17,073
Provision for coupon liabilities	2,402	967	4,136
Value-added tax and other tax payables	38,630	67,199	22,244
Other payables	380,789	124,630	88,141
	677,070	501,462	483,929

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

30. INTEREST-BEARING BANK LOANS

	Effective floating interest rates	Maturity	31 December 2005	2006	2007
			RMB'000	RMB'000	RMB'000
Current					
Bank loans – secured	4.514% - 8.75%	2006 - 2008	650,700	707,350	354,300
Bank loans – unsecured	4.78% - 9.22%	2006 - 2008	10,500	18,450	10,000
Current portion of long- term bank loans – secured	6.39% - 7.83%	2006 - 2008	5,800	48,000	246,081
			667,000	773,800	610,381
Non-current					
Long-term bank loans – secured	6.39% - 7.83%	2007 - 2017	21,968	456,726	786,712
			688,968	1,230,526	1,397,093
Repayable:					
Within one year			667,000	773,800	610,381
In the second year			5,800	48,000	83,041
In the third year			5,800	75,000	85,114
Over three years			10,368	333,726	618,557
			688,968	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 RMB209,773,000, RMB342,955,000 and RMB396,686,000 as at 31 December 2005, 2006 and 2007, respectively (Section 15);

(ii) certain investment properties of the Group with a net carrying amount of approximately RMB39,599,000, RMB80,026,000 and RMB77,255,000 as at 31 December 2005, 2006 and 2007, respectively (Section 16);

(iii) certain land lease prepayment of the Group with a net carrying amount of approximately RMB281,796,000, RMB267,345,000 and RMB224,482,000 as at 31 December 2005, 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 2005	2006	2007
	RMB'000	RMB'000	RMB'000
Floating rate – expiring within one year	22,000	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 2005 and 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

(i) On 29 June 2005, Maoye Shangsha acquired a 74.25% equity interest in Chengshang from Sichuan Di Kang Property Holding Group Co., Ltd. (四川迪康產業控股集團股份有限公司), an independent third party, for a consideration of approximately RMB429,440,000 as agreed between both parties. The financial results of Chengshang are included in the Financial Information from the date of acquisition.

Had the aforesaid acquisition of Chengshang taken place at the beginning of 2005, the Group's profit attributable to equity holders of the Company would have been RMB76,299,000 and the Group's revenue would have been RMB1,361,999,000 for the year ended 31 December 2005.

Details of the financial information of Chengshang and its subsidiaries prior to the date of acquisition are set out in Section 39 below.

(ii) 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 29 June 2005	Carrying amount as at 29 June 2005	Fair value recognised on 31 January 2007	Carrying amount as at 31 January 2007
		RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	15	295,754	324,717	33,552	25,465
Investment properties	16	361,073	139,921	—	—
Land lease prepayments	17	372,691	60,645	5,517	5,517
Goodwill	18	8,413	8,413	—	—
Investments in associates		35,254	35,254	—	—
Available-for-sale equity investments		41,205	41,205	—	—
Deferred tax assets	22	33,294	33,294	—	—
Cash and cash equivalents		234,424	234,424	185	185
Trade receivables		8,400	8,400	458	458
Prepayments, deposits and other receivables		260,597	260,597	1,495	1,495
Due from related parties		104,972	104,972	—	—
Inventories		68,689	68,689	374	374
Interest-bearing bank loans		(531,630)	(531,630)	(5,500)	(5,500)
Trade payables		(223,312)	(223,312)	(58)	(58)
Deposits received, accruals and other payables		(248,574)	(248,574)	(3,206)	(3,206)
Income tax payable		(5,358)	(5,358)	—	—
Due to related parties		(11,356)	(11,356)	—	—
Deferred tax liability	22	(130,745)	—	—	—
Minority interests		(274,062)	(19,566)	(6,601)	—
		399,729	280,735	26,216	24,730
Goodwill on acquisition	18	29,711		174	
		429,440		26,390	
Satisfied by:					
Cash		429,440		12,517	
Other receivables		—		5,264	
Investments in associates		—		8,609	
		429,440		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	
	2005	2007
	RMB'000	RMB'000
Cash consideration	429,440	12,517
Less: Cash consideration not yet paid	(139,440)	—
Cash consideration paid	290,000	12,517
Cash and cash equivalents acquired	(234,424)	(185)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	55,576	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	
	2005	2007
	RMB'000	RMB'000
Revenue	338,454	5,114
Loss for the year	65,714	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 independent 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 Shenzhen Jia Jia Chinese Products Company Limited ("Jia Jia Store") (深圳市家家國貨有限公司), an investment holding company and a 60% equity interest in Shenzhen Heping Shangsha Co., Ltd. ("Heping Shangsha") (深圳茂業和平商廈有限公司), 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 Jia Jia Store 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 Ms. 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 among the 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 Trading 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 Mr. 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. 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 Sichuan 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Revenue	12,732	7,225	4,410
Loss for the year	44,455	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 Holdings 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within one year	84,975	74,254	78,669
In the second to fifth years, inclusive	183,108	113,506	95,337
After five years	13,308	8,656	9,613
	281,391	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Within one year	75,311	98,697	124,849
In the second to fifth years, inclusive	138,539	111,522	491,191
After five years	103,980	89,221	682,089
	317,830	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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for, in respect of land and buildings	12,063	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 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 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Shenzhen Maoye (Group) Co., Ltd. (深圳茂業(集團)股份有限公司)	220,000	220,000	545,000

The Directors confirm that the above guarantees will be released upon the listing of the Company's shares 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
(a) Recurring transactions			
Operating lease rental expenses charged by:			
Shenzhen Maoye (Group) Co., Ltd. (i) & (iii)	10,972	10,972	19,736
Zhong Zhao Investment (Groups) Limited ("Zhongzhao Investment Groups") (中兆投資（集團）有限公司) (i) & (iii)	3,616	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)	29,136	46,577	54,689
Shenzhen Chongde Real Estate Co., Ltd. (深圳市崇德地產有限公司) (i) & (iii)	736	736	424
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (iii)	6,833	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	16,159
	67,452	87,609	104,563
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	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 an associate:			
Chengdu People's Department Store Huanghe Commercial City Co., Ltd. ("Chengsheng Huanghe") (成都人民商場黃河商業城有限責任公司) (vi)	12,459	12,934	25,751
(b) Non-recurring transactions			
Bank loans secured by the properties of:			
Shenzhen Maoye (Group) Co., Ltd. (i) & (vii)	66,768	107,500	—
Maoye (Shenzhen) Real Estate Development Co., Ltd. (茂業(深圳)房地產開發有限公司) (i) & (vii)	11,000	—	17,500
Shenzhen Chongde Real Estate Co., Ltd. (i) & (vii)	31,000	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
	108,768	354,226	282,970
Bank loans guaranteed by:			
Shenzhen Maoye (Group) Co., Ltd. (i) & (vii)	50,000	—	—
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 Mao Ru and Mrs. Huang Jingzhang jointly and severally (ii) & (vii)	50,000	300,000	667,823
Mr. Huang Mao Ru (ii) & (vii)	27,768	—	—
	127,768	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	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 Groups, a fellow subsidiary of the Company, entered into a debt assignment agreement under which Zhuhai Maoye has transferred to Zhongzhao Investment Groups 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 Groups. 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 Relevant Periods. 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Due from related parties			
Due from associates	6,186	69,271	125,093
Due from fellow subsidiaries	677,020	1,329,849	979,792
Due from minority shareholders of subsidiaries	15,368	—	—
	698,574	1,399,120	1,104,885
Impairment of amounts due from associates	—	—	(3,870)
	698,574	1,399,120	1,101,015
Due to related parties			
Due to associates	12,060	1,875	1,905
Due to a director — Mr. Huang Mao Ru	12,533	67,678	—
Due to fellow subsidiaries	359,672	346,612	56,731
Due to minority shareholders of subsidiaries	140	140	—
	384,405	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, 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 Mao Ru, MOY International Holdings Limited and Maoye Department Store Investment Limited, which are ultimately controlled by Mr. Huang Mao Ru, 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		
	2005	2006	2007
	RMB'000	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 2005 and 2006 are aggregate amounts of approximately RMB109,800,000 and RMB180,696,000, respectively, 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 balances with related parties that were neither past due nor impaired related to related parties for whom there was no recent history of default.

An aggregate amount of approximately RMB979,792,000 due from the fellow subsidiaries of the Company and an aggregate amount of approximately 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		
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Salaries and allowances	942	1,446	2,411
Bonuses	1,000	1,260	600
Retirement benefits	35	44	70
	1,977	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) were paid subsequent to 31 December 2007.

(2) The Company declared a dividend 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 approximately RMB979,792,000 due from the fellow subsidiaries of the Company and an amount of approximately 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 RMB650,000,000, 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 Relevant Periods. There was no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before income tax
		RMB'000
31 December 2005		
RMB	-100	4,924
RMB	+100	(4,924)
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 Relevant Periods 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 associates, other receivables, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in 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 2005, 2006 and 2007 based on the contracted undiscounted payments, was as follows:

	31 December 2005			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	667,000	21,968	688,968
Trade payables	—	726,452	—	726,452
Other payables	—	380,789	—	380,789
Due to related parties	384,405	—	—	384,405
	384,405	1,774,241	21,968	2,180,614

	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 Relevant Periods.

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. Capital represents equity attributable to equity holders of the Company. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at 31 December 2005, 2006 and 2007 are as follows:

	31 December		
	2005	**2006**	**2007**
	RMB'000	**RMB'000**	**RMB'000**
Interest-bearing bank loans	688,968	1,230,526	1,397,093
Less: Cash and cash equivalents	(553,537)	(372,665)	(391,577)
Net debt	135,431	857,861	1,005,516
Capital	683,820	900,306	200,758
Capital and net debt	819,251	1,758,167	1,206,274
Gearing ratio	17%	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 Relevant Periods were as follows:

	31 December 2005	**High/low 2005**	**31 December 2006**	**High/low 2006**	**31 December 2007**	**High/low 2007**
Shenzhen – A Share Index	279	333/ 237	569	569/ 294	1,520	1,629/ 572
Shanghai – A Share Index	1221	1384/ 1062	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 2005, 2006 and 2007.

	Carrying amount of listed equity investments	Increase/ decrease in profit before income tax
	RMB'000	RMB'000
31 December 2005		
Equity investments listed in:		
Shenzhen	—	—
Shanghai	—	—
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

39. FINANCIAL INFORMATION OF CHENGSHANG AND ITS SUBSIDIARIES

The financial information of Chengshang and its subsidiaries (collectively referred to as "Chengshang Group") for the period from 1 January 2005 to 29 June 2005 is set out as follows:

(a) Consolidated income statement of Chengshang Group

	Notes	Period ended 29 June 2005
		RMB'000
REVENUE	(i)	443,859
Other income	(ii)	37,311
Purchases of and changes in inventories		(376,787)
Employee expenses	(iii)	(47,858)
Depreciation and amortisation		(21,392)
Operating lease rental expenses		(25,153)
Other operating expenses	(iv)	(106,590)
Other gains, net		86
Operating loss		(96,524)
Finance costs	(v)	(20,328)
Share of profits and losses of associates		314
LOSS BEFORE INCOME TAX		(116,538)
Income tax	(vi)	17,158
LOSS FOR THE PERIOD		(99,380)
Attributable to:		
Equity holders of Chengshang		(81,428)
Minority interests		(17,952)
		(99,380)

(b) Consolidated balance sheet of Chengshang Group

	Notes	29 June 2005
		RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	(vii)	324,717
Investment properties	(viii)	139,921
Land lease prepayments		60,645
Goodwill		8,413
Investments in associates		35,254
Available-for-sale equity investments		41,205
Prepayments		4,821
Deferred tax assets	(ix)	33,294
Total non-current assets		648,270
CURRENT ASSETS		
Inventories	(x)	68,689
Trade receivables	(xi)	8,400
Prepayments and other receivables	(xii)	255,776
Due from related parties	(xiii)	104,972
Cash and cash equivalents	(xiv)	234,424
Total current assets		672,261
CURRENT LIABILITIES		
Trade payables	(xv)	223,312
Deposits received, accruals and other payables	(xvi)	248,574
Interest-bearing bank loans	(xvii)	531,630
Due to related parties	(xiii)	11,356
Income tax payable		5,358
Total current liabilities		1,020,230
NET CURRENT LIABILITIES		(347,969)
TOTAL ASSETS LESS CURRENT LIABILITIES		300,301
Net assets		300,301
EQUITY		
Equity attributable to equity holders of Chengshang		
Paid-in capital		203,148
Reserves		77,587
		280,735
Minority interests		19,566
Total equity		300,301

(c) Consolidated statement of changes in equity of Chengshang Group

	Attributable to equity holders of Chengshang							
	Paid-in capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Accumulated losses	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	203,148	153,155	48,646	15,630	(58,416)	362,163	37,708	399,871
Loss for the period	—	—	—	—	(81,428)	(81,428)	(17,952)	(99,380)
Dividend paid to minority shareholders	—	—	—	—	—	—	(190)	(190)
At 29 June 2005	203,148	153,155	48,646	15,630	(139,844)	280,735	19,566	300,301

(d) Consolidated cash flow statement of Chengshang Group

	Sections	Period ended 29 June 2005
		RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax		(116,538)
Adjustments for:		
Share of profits and losses of associates		(314)
Finance costs	(v)	20,328
Interest income		(4,794)
Depreciation and amortisation		21,392
Loss on disposal of items of property, plant and equipment		(5,899)
Impairment of items of property, plant and equipment		43,255
Reversal of impairment of trade receivables		(1,175)
Impairment of other receivables		549
Impairment of available-for-sale equity investments		5,735
Cash flows from operating activities		(37,461)
Decrease in inventories		21,651
Decrease in trade receivables		5,610
Increase in prepayments and other receivables		(655)
Decrease in amounts due from related parties		154,151
Increase in trade payables		27,514
Decrease in deposits received, accruals and other payables		(27,979)
Increase in amounts due to related parties		9,880
Cash generated from operations		152,711
Interest received		4,794
PRC tax paid		(10,402)
Net cash inflow from operating activities		147,103
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment		(6,679)
Proceeds from disposal of items of property, plant and equipment		5,009
Proceeds from disposal of investment properties		500
Proceeds from disposal of available-for-sale equity investments		2,150
Dividends received from associates		2,691
Dividends paid to minority shareholders		(190)
Net cash inflow from investing activities		3,481
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans		171,100
Repayment of bank loans		(244,530)
Interest paid	(v)	(20,328)
Net cash outflow from financing activities		(93,758)
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,826
Cash and cash equivalents at beginning of period		177,598
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(xiv)	234,424

(e) Notes to the financial information of Chengshang Group

(i) REVENUE

	Period ended 29 June 2005
	RMB'000
Commissions from concessionaire sales	50,417
Direct sales	267,020
Sale of automobiles	119,610
Rental income from leasing of shop premises	6,158
Others	654
	443,859

(ii) OTHER INCOME

	Period ended 29 June 2005
	RMB'000
Income from suppliers and concessionaires	
— Administration and management fee income	6,827
— Promotion income	6,464
Rental income from investment properties	14,427
Bank interest income	4,794
Others	4,799
	37,311

(iii) EMPLOYEE EXPENSES

	Period ended 29 June 2005
	RMB'000
Wages and salaries	43,018
Retirement benefits contributions and other employee benefits	4,840
	47,858

(iv) OTHER OPERATING EXPENSES

	Period ended 29 June 2005
	RMB'000
Utility expenses	12,514
Promotion and advertising	8,884
Repair and maintenance expenses	3,986
Entertainment expenses	1,434
Office expenses	20,445
Other tax expenses	3,127
Professional service charges	3,566
Impairment of items of property, plant and equipment	43,255
Reversal of impairment of trade receivables	(1,175)
Impairment of other receivables	549
Impairment of available-for-sale equity investments	5,735
Auditors' remuneration	380
Others	3,890
	106,590

(v) FINANCE COSTS

	Period ended 29 June 2005
	RMB'000
Interest expense	20,328

(vi) INCOME TAX

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

In accordance with the relevant PRC income tax rules and regulations, the PRC subsidiaries of Chengshang Group are subject to CIT at a statutory rate of 33% on their respective taxable income.

The major components of Chengshang Group's income tax expense for the period ended 29 June 2005 are as follows:

	Period ended 29 June 2005
	RMB'000
Current	
Income tax in the PRC	
Charge for the period	4,039
Deferred (note ix)	(21,197)
	(17,158)

A reconciliation of the income tax and loss before income tax multiplied by the applicable statutory tax rate is as follows:

	Period ended 29 June 2005	
	RMB'000	%
Loss before income tax	(116,538)	
Tax at the statutory tax rate	(38,458)	33
Tax effect of:		
Income not subject to tax	(2,789)	2
Expenses not deductible for tax	1,978	(2)
Tax losses not recognised	22,111	(19)
Income tax	(17,158)	14

(vii) PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
29 June 2005							
At 1 January 2005:							
Cost	323,271	28,123	21,609	53,548	97,945	9,443	533,939
Accumulated depreciation	(78,373)	(12,536)	(13,018)	(26,850)	(14,206)	—	(144,983)
Impairment	—	—	(22)	(2,845)	—	(6,597)	(9,464)
Net carrying amount	244,898	15,587	8,569	23,853	83,739	2,846	379,492
At 1 January 2005, net of accumulated depreciation and impairment	244,898	15,587	8,569	23,853	83,739	2,846	379,492
Additions	350	289	437	3,147	2,088	368	6,679
Transfers	357	—	—	—	—	(357)	—
Reversal of impairment/ (impairment)	—	—	(7)	234	(43,472)	(10)	(43,255)
Disposals	(673)	—	(220)	(257)	(46)	—	(1,196)
Depreciation provided during the period	(4,809)	(1,116)	(980)	(2,899)	(7,199)	—	(17,003)
At 29 June 2005, net of accumulated depreciation and impairment	240,123	14,760	7,799	24,078	35,110	2,847	324,717
At 29 June 2005:							
Cost	323,057	28,384	21,306	54,350	99,987	9,454	536,538
Accumulated depreciation	(82,934)	(13,624)	(13,478)	(27,661)	(21,405)	—	(159,102)
Impairment	—	—	(29)	(2,611)	(43,472)	(6,607)	(52,719)
Net carrying amount	240,123	14,760	7,799	24,078	35,110	2,847	324,717

(viii) INVESTMENT PROPERTIES

	29 June 2005
	RMB'000
Cost, net of accumulated depreciation	143,476
Disposals	(500)
Depreciation provided during the period	(3,055)
	139,921
Cost	198,854
Accumulated depreciation	(58,933)
Net carrying amount	139,921

(ix) DEFERRED TAX

Movements in deferred tax assets are as follows:

	Provisions and accruals	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2005	12,097	—	12,097
Deferred tax credited to the consolidated income statement of Chengshang Group during the period (note vi)	5,061	16,136	21,197
At 29 June 2005	17,158	16,136	33,294

(x) INVENTORIES

	29 June 2005
	RMB'000
Merchandise for resale	68,689

(xi) TRADE RECEIVABLES

Chengshang 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 Chengshang Group's other businesses are generally two months.

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

	29 June 2005
	RMB'000
Within 60 days	5,046
61 to 90 days	2,182
91 to 180 days	10
181 to 360 days	27
Over 360 days	3,860
	11,125
Impairment of trade receivables	(2,725)
	8,400

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

	29 June 2005
	RMB'000
At 1 January	3,900
Impairment losses reversed during the period	(1,175)
At 29 June 2005	2,725

The carrying amount of the trade receivables approximate to its fair value.

(xii) PREPAYMENTS AND OTHER RECEIVABLES

	29 June 2005
	RMB'000
Prepayments	53,936
Other receivables	234,348
	288,284
Impairment of other receivables	(32,508)
	255,776

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

	29 June 2005
	RMB'000
At 1 January	31,959
Impairment losses recognised during the period	549
At 29 June 2005	32,508

The carrying amount of the prepayments and other receivables approximate to its fair value.

(xiii) BALANCES WITH RELATED PARTIES

Chengshang Group had the following balances with related parties:

	29 June 2005
	RMB'000
Due from related parties	
Due from associates	20,022
Due from fellow subsidiaries	84,950
	104,972
Due to related parties	
Due to associates	1,356
Due to fellow subsidiaries	10,000
	11,356

(xiv) CASH AND CASH EQUIVALENTS

	29 June 2005
	RMB'000
Cash in transit	1,166
Cash and bank balances	233,258
	234,424

(xv) TRADE PAYABLES

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

	29 June 2005
	RMB'000
Within 90 days	173,027
91 to 180 days	50,285
	223,312

(xvi) DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	29 June 2005
	RMB'000
Deposits received	22,626
Accrued staff costs	13,765
Value-added tax and other tax payables	2,139
Accrued liabilities	3,308
Other payables	206,736
	248,574

(xvii) INTEREST-BEARING BANK LOANS

	Effective floating interest rates	Maturity	29 June 2005
			RMB'000
Current			
Bank loans – secured	4.79% - 9.00%	2006	520,130
Bank loans – unsecured	4.78% - 8.90%	2006	11,500
			531,630
Repayable:			
Within one year			531,630

(f) SEGMENT INFORMATION

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for Chengshang Group's business segments for the period from 1 January 2005 to 29 June 2005.

	Operation of department stores	Sale of automobiles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Period ended 29 June 2005				
Segment revenue:				
Sales to external customers	323,595	119,610	654	443,859
Other income	23,500	737	8,280	32,517
Total	347,095	120,347	8,934	476,376
Segment results	(85,786)	2,584	(987)	(84,189)
Other income and unallocated gains				4,880
Corporate and other unallocated expense				(17,215)
Finance costs				(20,328)
Share of profits and losses of associates	123	—	191	314
Loss before income tax				(116,538)
Income tax				17,158
Loss for the period				(99,380)
At 29 June 2005				
Assets and liabilities				
Segment assets	1,029,198	100,287	72,881	1,202,366
Investments in associates	12,980	—	22,274	35,254
Corporate and other unallocated assets				82,911
Total assets				1,320,531
Segment liabilities	343,700	58,786	80,756	483,242
Corporate and other unallocated liabilities				536,988
Total liabilities				1,020,230
Other segment information:				
Depreciation and amortisation	11,738	2,224	1,361	15,323
Corporate and other unallocated amounts				6,069
				21,392
Capital expenditure	5,316	1,248	115	6,679
Impairment of items of property, plant and equipment	43,255	—	—	43,255
Reversal of impairment of trade receivables	(820)	(355)	—	(1,175)
Impairment of other receivables	549	—	—	549
Impairment of available-for-sale equity investments	5,735	—	—	5,735

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2007.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected (i) the net tangible assets of the Group after the completion of the Global Offering; and (ii) the forecast earnings per Share of the Group for the six months ending 30 June 2008 as if the Global Offering had taken place on 1 January 2008.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2007. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

	Audited net tangible assets attributable to equity holders of the Company as at 31 December 2007	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	RMB in millions (Note 1)	RMB in millions (Note 2)	RMB in millions	RMB (Note 3)	(HK$ equivalent) (Note 4)
Based on an Offer Price of HK$2.90 per Share	155.5	2,110.1	2,265.6	0.44	0.49
Based on an Offer Price of HK$3.80 per Share	155.5	2,781.2	2,936.7	0.57	0.64

Notes:

1. The net tangible assets attributable to equity holders of the Company as at 31 December 2007:

	RMB'000
Audited net assets of the Group as set out in Appendix I to this prospectus	461,486
Less: Minority interests	(260,728)
Net assets attributable to equity holders of the Company	200,758
Less: Goodwill	(45,286)
Net tangible assets attributable to equity holders of the Company	155,472

2. The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$2.90 or HK$3.80 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.90, the prevailing rate quoted by the PBOC on 31 March 2008.

3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on 5,113,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.

4. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.90, the prevailing rate quoted by the PBOC on 31 March 2008.

5. The Group's property interests as at 29 February 2008 have been valued by CB Richard Ellis Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV "Property Valuation". The above unaudited pro forma adjusted net tangible assets do not take into account the surplus attributable to the Group arising from the revaluation of the Group's property interests amounting to approximately RMB3,930 million. The revaluation surplus will not be incorporated in the Group's financial statements for the six months ending 30 June 2008. If the valuation surplus was recorded in the Group's financial statements, additional depreciation/amortisation of approximately RMB88 million would be charged against the combined income statement for the six months ending 30 June 2008.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share of the Group for the six months ending 30 June 2008 has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2008. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial results of the Group.

Forecast combined profit attributable to equity holders of the Company for the six months ending 30 June 2008 (Note 1)	not less than RMB290.4 million
Unaudited pro forma forecast earnings per Share for the six months ending 30 June 2008 (Note 2)	not less than RMB0.057 (equivalent to HK$0.063)

Notes:

1. The forecast combined profit attributable to equity holders of the Company for the six months ending 30 June 2008 is extracted from the paragraph headed "Profit Forecast" in the section headed "Financial Information". The bases and assumptions on which the above Profit Forecast for the six months ending 30 June 2008 has been prepared are summarised in Appendix III to this prospectus.

2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast combined profit attributable to equity holders of the Company for the six months ending 30 June 2008 and on the assumptions that the Company had been listed since 1 January 2008, a total of 5,113,000,000 Shares were in issue during the six months ending 30 June 2008 and the Over-allotment Option would not be exercised. The unaudited pro forma forecast earnings per Share for the six months ending 30 June 2008 is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.90, the prevailing rate quoted by the PBOC on 31 March 2008.

C. LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this Prospectus, in respect of the Group's unaudited pro forma financial information.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

21 April 2008

The Board of Directors
Maoye International Holdings Limited
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
J.P. Morgan Securities (Asia Pacific) Limited
UBS AG

Dear Sirs,

We report on the unaudited pro forma adjusted net tangible assets and unaudited pro forma forecasted earnings per share (the "Unaudited Pro Forma Financial Information") of Maoye International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the global offering of 863,000,000 shares of HK$0.1 each of the Company might have affected the relevant financial information of the Group presented, for inclusion in sections A and B of Appendix II, respectively, to the prospectus dated 21 April 2008 (the "Prospectus") issued by the Company.

Respective Responsibilities of the Directors of the Company and the Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with these standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2007 or any future date; or
- the earnings per share of the Group for the six months ending 30 June 2008 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2008

The forecast of the Group's combined profit attributable to equity holders of the Company for the six months ending 30 June 2008 is set out in the paragraph headed "Profit Forecast" in the section headed "Financial Information".

BASES AND ASSUMPTIONS

The Directors have prepared the forecast of the Group's combined profit attributable to equity holders of the Company for the six months ending 30 June 2008 based on the unaudited combined results of the Group for the two months ended 29 February 2008 and a forecast of the combined results of the Group for the remaining four months ending 30 June 2008. The forecast for the six months ending 30 June 2008 has been prepared on bases consistent in all material respects with the accounting policies adopted by the Group and its associates as set out in the Accountants' Report in Appendix I to the Prospectus and is based on the following principal assumptions:

(1) There will be no material changes in the existing political, legal, fiscal or economic conditions in the PRC in which the Group operates.

(2) The inflation rate, exchange rates and interest rates will not differ materially from those currently prevailing.

(3) There will be no material changes in the bases or rates of taxation in the PRC in which the Group operates, except as otherwise disclosed in the Prospectus.

(4) The Group's operations will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

(5) There will be no material changes in the Group's fixed operating items, such as operating lease rental expenses and depreciation and amortisation, while other variable operating items such as the net amount of commission from concessionaire retained by the Group and promotion and advertising expenses are forecasted according to the forecasted total sales proceeds from concessionaire sales and other marketing activities, respectively.

(6) The PRC Government will continue to adopt the macroeconomic and monetary policies similar to those of 2007, in order to maintain a consistent rate of economic growth.

(7) There are no significant changes in the critical accounting estimates and judgements.

LETTERS

The following is the text of a letter, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this Prospectus, in connection with the forecast of the Group's combined profit attributable to equity holders of the Company for the six months ending 30 June 2008.

(i) Letter from Ernst & Young

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

21 April 2008

The Board of Directors
Maoye International Holdings Limited
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
J.P. Morgan Securities (Asia Pacific) Limited
UBS AG

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the combined net profit of Maoye International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") attributable to equity holders of the Company for the six months ending 30 June 2008 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast" in the section headed "Financial Information" in the prospectus of the Company dated 21 April 2008 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 on "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, has been prepared by the directors of the Company based on the unaudited combined results of the Group for the two months ended 29 February 2008 and a forecast of the combined results of the Group for the remaining four months ending 30 June 2008.

In our opinion, the Profit Forecast, so far as calculations and the accounting policies are concerned, has been properly compiled on the bases and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus and is presented on bases consistent in all material respects with the accounting policies currently adopted by the Group and its associates as set out in the Accountants' Report dated 21 April 2008 in Appendix I to the Prospectus.

This letter is being issued in connection with the listing of the securities on The Stock Exchange of Hong Kong Limited and is not to be used in connection with the offering pursuant to Rule 144A of the Securities Act of 1933 (as amended) in the United States of America.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

(ii) Letter from the Joint Sponsors

Goldman Sachs HSBC UBS Investment Bank

April 21, 2008

The Directors
Maoye International Holdings Limited
4003, World Finance Centre
Shennan East Road, Shenzhen
People's Republic of China

Dear Sirs,

We refer to the forecast of the combined net profit of Maoye International Holdings Limited (the "Company") and its subsidiaries (together the "Group") attributable to equity holders of the Company for the six months ending June 30, 2008 (the "Profit Forecast") as set out in the prospectus issued by the Company dated April 21, 2008 (the "Prospectus").

The Profit Forecast, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared based on the unaudited combined results of the Group for the two months ended February 29, 2008 and a forecast of the combined results of the Group for the remaining four months ending June 30, 2008.

We have discussed with you the bases and assumptions, as set forth in part (A) of Appendix III to the Prospectus, upon which the Profit Forecast has been made. We have also considered the letter dated April 21, 2008 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing, the bases made by you and the accounting policies and calculations adopted by you reviewed by Ernst & Young, we have formed the opinion that the Profit Forecast, for which you are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Goldman Sachs (Asia) L.L.C.
Henry Chen
Managing Director

Yours faithfully,
For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited
Lei Bob Yang
Managing Director

Yours faithfully,
For and on behalf of
UBS AG
Heidi Yang
Managing Director
Johnson Ngie
Executive Director

The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the prospectus, in connection with their valuation as at 29 February 2008 of all the property interests of the Group.

CBRE
CB RICHARD ELLIS
世邦魏理仕

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Wanchai, Hong Kong
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中環廣場三十四樓
電話852 2820 2800 傳真 852 2810 0830
www.cbre.com.hk

21 April 2008

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

Dear Sirs,

In accordance with the instructions from Maoye International Holdings Limited (hereinafter referred to as the "Company") for us to value the property interests held by the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 29 February 2008 (the "Date of Valuation").

Our valuation is our opinion of Market Value which 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."

Our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Unless otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interests in Group I, which are properties held by the Group in the PRC, unless otherwise stated, we have valued each of these property interests by the direct comparison method assuming sale of each of these property interests in their existing states with the benefit of vacant possession and making references to comparable sales transactions as available in the relevant markets.

For the hotel in Group I, we have valued each of these property interests by the income approach that involves the capitalization of the existing and reversionary income potential to arrive at the capital value. This approach is considered to be of greatest merit in terms of investment income producing properties and is typically applied through the application of capitalization rates.

For the property interests in Group II and III, which are properties rented by the Group in the PRC and Hong Kong respectively, we have considered the properties to have no commercial value primarily due to the prohibitions against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

The property interests contracted to be acquired by the Group in the PRC after the Date of Valuation are stated in Group IV in this report.

In the course of our valuation of the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, King & Wood PRC Lawyers (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, planning approvals, dates of completion, title documents, tenures, statutory notices, easements, tenancies, floor plans, floor areas (including Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material fact has been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defect. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defect. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

We have not carried out investigations on site to determine the suitability of soil conditions and the availability of services etc. for existing/future development. Our report is prepared on the assumption that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage. We have not undertaken archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period, due to these, or to archaeological or ecological matters.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrance, restriction and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB").

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Kam Hung YU
BSc (Hons) FHKIS FRICS RPS(GP) FHIREA
Senior Managing Director
Valuation & Advisory Services

Note: *Mr. Yu is the President of the Hong Kong Institute of Surveyors. He is a Registered Professional Surveyor (General Practice), a fellow of Royal Institution of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a fellow of the Hong Kong Institute of Real Estate Administration. He has over 25 years' valuation experience in Hong Kong, the PRC and Asia Pacific Region.*

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS HELD BY THE GROUP IN THE PRC

Property Interests	Capital Value in existing state as at 29 February 2008 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 29 February 2008 (RMB)
Department Stores			
1. Maoye Shenzhen Dongmen Store, No. 2047 Central Dongmen Road, Luohu District, Shenzhen City, the PRC	2,231,000,000	100%	2,231,000,000
2. Chengshang Chengdu Yanshikou Store, No. 19 Dongyu Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	2,106,000,000	69.23%	1,457,983,800
3. Chengshang Chengdu Beizhan Store, No. 2 Gongjiao Road, Jinniu District, Chengdu City, Sichuan Province, the PRC	183,000,000	69.23%	126,690,900
4. Chengshang Nanchong Store, Level B1 to Level 9 of Block 1, Level 1 to Level 5 of Block 2, Nos. 1 and 3 Renmin Middle Road, Portion of Level 1, the whole of Level 2 to Level 4, Nos. 7-15 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	322,300,000	69.23%	223,128,290
5. Chengshang Mianyang Store, East Linyuan Road, Fucheng District, Mianyang City, Sichuan Province, the PRC			No commercial value
Warehouses			
6. No. 38 Balizhuang Road, Chenghua District, Chengdu City, Sichuan Province, the PRC	16,000,000	69.23%	11,076,800
7. No. 8 Shengli Road, Baohe Village, Chenghua District, Chengdu City, Sichuan Province, the PRC	3,400,000	69.23%	2,353,820
8. No. 8 Shiyouhou Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	1,300,000	69.23%	899,990
Hotels			
9. No.6 Section 2 of 2nd Ring Road North, Jinniu District, Chengdu City, Sichuan Province, the PRC	47,300,000	69.23%	32,745,790

	Property Interests	Capital Value in existing state as at 29 February 2008 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 29 February 2008 (RMB)
10.	Chengshang Phoenix Lake Hotel, Baoguo Village, Huangwan County, Emeishan City, Sichuan Province, the PRC	28,000,000	55.38%	15,506,400
Other Properties				
11.	No. 12 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, the PRC	812,000,000	69.23%	562,147,600
12.	No. 6 Upper Dongda Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	211,000,000	69.23%	146,075,300
13.	Two commercial buildings, No. 49 Hongji Middle Road, Jinjiang District, Chengdu City, Sichuan Province, the PRC	35,400,000	69.23%	24,507,420
14.	Two retail shops at Level 1 and 2, No.68 Zouma Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	610,000	69.23%	422,303
15.	No. 2 Citang Street, Qingyang District, Chengdu City, Sichuan Province, the PRC			No commercial value
16.	Various residential units, retail shops and the kindergarten, No. 29 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC			No commercial value
17.	A commercial building, Binlong Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC			No commercial value
18.	A retail shop unit, Level 2, No.388 Section 3 of 2nd Ring Road North, Jinniu District, Chengdu City, Sichuan Province, the PRC			No commercial value
19.	Two retail shop units at Level 1, No. 16 Jinhuaguan, Jinjiang District, Chengdu City,Sichuan Province, the PRC			No commercial value
20.	Level 1, No. 68 Shaoling Bystreet, Wuhou District, Chengdu City, Sichuan Province, the PRC			No commercial value

	Property Interests	Capital Value in existing state as at 29 February 2008 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 29 February 2008 (RMB)
21.	No. 38 Jiaotong Road, Jinjiang District, Chengdu City, Sichuan Province, the PRC			No commercial value
22.	No. 19 Dawan South Road, Dawan Town, Qingbaijiang District, Chengdu City, Sichuan Province, the PRC	14,800,000	69.23%	10,246,040
23.	A commercial building and an industrial building, Jindu Village, Baijia Town, Shuangliu County, Chengdu City, Sichuan Province, the PRC	13,000,000	69.23%	8,999,900
24.	Various residential and non-residential units on Level 3 through Level 8, Nos. 42-50 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	740,000	69.23%	512,302
25.	Two retail shop units at Level 1 and Level 2, Nos.102-104 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	14,600,000	69.23%	10,107,580
26.	Level 1, No.171 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	1,620,000	69.23%	1,121,526
27.	Unit 201, Level 2, No. 100 Mofan Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	950,000	69.23%	657,685
28.	Level 2, No. 103 Mofan Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	620,000	69.23%	429,226
29.	Level 1, No. 104 Mofan Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	180,000	69.23%	124,614
30.	A retail shop unit at Level 1 and an apartment unit at Level 2 of Block 1, No. 161 Changzheng Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	270,000	69.23%	186,921

	Property Interests	Capital Value in existing state as at 29 February 2008 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 29 February 2008 (RMB)
31.	Level 1, Nos. 332-336 Yan'an Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	100,000	69.23%	69,230
32.	Shop Nos. 309 and 352 at Level 3, Wangjiao Shopping Plaza, Central Dongmen Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	700,000	100%	700,000
33.	A parcel of land, Liuhe Island, Shipan Town, Jianyang City, Sichuan Province, the PRC	15,000,000	69.23%	10,384,500
34.	Units 1-3, Level 3, Block 2, Qiushui Terrace, Qiuyuan Community, Xishi District, Kunming City, Yunnan Province, the PRC	1,500,000	69.23%	1,038,450
			Group I Sub-total:	**4,879,116,387**

GROUP II – PROPERTY INTERESTS RENTED BY THE GROUP IN THE PRC

	Property Interests	Capital Value in existing state as at 29 February 2008 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 29 February 2008 (RMB)
35.	Level 5 to Level 7, Wangjiao Shopping Plaza, Central Dongmen Road, Luohu District, Shenzhen City, Guangdong Province, the PRC			No commercial value
36.	Maoye Shenzhen Heping Store, No. 3009 Heping Road, Luohu District, Shenzhen City, Guangdong Province, the PRC			No commercial value
37.	Maoye Shenzhen Shennan Store, No. 1018 Central Shennan Road, Futian District, Shenzhen City, Guangdong Province, the PRC			No commercial value
38.	Maoye Shenzhen Huaqiangbei Store, Nos. 2005-2006 North Huaqiang Road, Futian District, Shenzhen City, Guangdong Province, the PRC			No commercial value
39.	Maoye Zhuhai Store, No.301 Zijing Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC			No commercial value
40.	Maoye Chongqing Jiangbei Store, No. 16 North Jianxin Road, Jiangbei District, Chongqing City, the PRC			No commercial value
41.	Chengshang Chengdu Wenjiang Store, Block 4, Fanhuashidai Retail Park, Wenjiang District, Chengdu City, Sichuan Province, the PRC			No commercial value
42.	Chengshang Chengdu Wuhou Store, No. 34 Section 4 of First Ring Road South, Wuhou District, Chengdu City, Sichuan Province, the PRC			No commercial value
43.	Chengshang Luzhou Store, No. 2 Yinghui Road, Luzhou City, Sichuan Province, the PRC			No commercial value

Property Interests	Capital Value in existing state as at 29 February 2008 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 29 February 2008 (RMB)
44. Level 37, Block A, World Finance Centre, No. 4003 Central Shennan Road, Luohu District, Shenzhen City, Guangdong Province, the PRC			No commercial value
45. Basement Level 1, Yongcui Huafu, Taibai Road, Luohu District, Shenzhen City, Guangdong Province, the PRC			No commercial value
46. Nos. 16-18 Balizhuang Road, Chenghua District, Chengdu City, Sichuan Province, the PRC			No commercial value
47. Units 20-23, 29, 30, Level 2, Zone 1, Hehuachi Market, Jinniu District, Chengdu City, Sichuan Province, the PRC			No commercial value
	Group II Sub-total:		**No commercial value**

GROUP III – PROPERTY INTERESTS RENTED BY THE GROUP IN HONG KONG

48. Room 1810 on 18/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong			No commercial value
	Group III Sub-total:		**No commercial value**

GROUP IV – PROPERTY INTERESTS TO BE ACQUIRED BY THE GROUP AFTER THE DATE OF VALUATION

49. Research Land Parcel, Haide Second Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC			No commercial value
	Group IV Sub-total:		**No commercial value**
	Grand total:		**4,879,116,387**

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS HELD BY THE GROUP IN THE PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
1.	Maoye Shenzhen Dongmen Store, No. 2047 Central Dongmen Road, Luohu District, Shenzhen City, the PRC	The property comprises a 14-storey commercial building with total gross floor area of approximately 43,726 sq.m. erected on a site with area of approximately 4,499 sq.m. (the "Site") The property was completed in 1991. The Site is held for a land use term with the expiry date on 7 March 2040.	The property is currently occupied by the Group as a department store.	2,231,000,000 (100% interests attributable to the Group: RMB2,231,000,000)

Notes

1. Pursuant to the following Realty Title Certificates, the property with total gross floor area and site area of approximately 43,726.45 sq.m. and 4,498.8 sq.m. respectively is held by the Group for a land use term expiring on 7 March 2040.

Realty Title Certificate Number	Issue Date	Gross Floor Area (sq.m.)	Use
Shen Fang Di Zi Di 2000026202	9 December 1998	485.00	Commercial
Shen Fang Di Zi Di 2000026205	9 December 1998	485.00	Commercial
Shen Fang Di Zi Di 2000026207	9 December 1998	485.00	Commercial
Shen Fang Di Zi Di 2000026208	9 December 1998	601.44	Commercial
Shen Fang Di Zi Di 2000026210	9 December 1998	1,517.11	Commercial
Shen Fang Di Zi Di 2000026212	9 December 1998	1,517.11	Commercial
Shen Fang Di Zi Di 2000026214	9 December 1998	1,588.98	Commercial
Shen Fang Di Zi Di 2000026215	9 December 1998	1,588.98	Commercial
Shen Fang Di Zi Di 2000026217	9 December 1998	1,588.98	Commercial
Shen Fang Di Zi Di 2000026219	9 December 1998	1,597.69	Commercial
Shen Fang Di Zi Di 2000026221	9 December 1998	1,597.69	Commercial
Shen Fang Di Zi Di 2000026222	9 December 1998	1,598.69	Commercial
Shen Fang Di Zi Di 2000026224	9 December 1998	1,597.69	Commercial
Shen Fang Di Zi Di 2000026225	9 December 1998	1,590.22	Commercial
Shen Fang Di Zi Di 2000026226	9 December 1998	1,711.60	Commercial
Shen Fang Di Zi Di 2000026227	9 December 1998	485.00	Commercial
Shen Fang Di Zi Di 2000026228	9 December 1998	1,517.11	Commercial
Shen Fang Di Zi Di 2000026229	9 December 1998	480.00	Commercial
Shen Fang Di Zi Di 2000026230	9 December 1998	1,517.11	Commercial
Shen Fang Di Zi Di 2000026231	9 December 1998	1,711.60	Commercial
Shen Fang Di Zi Di 2000026232	9 December 1998	480.00	Commercial
Shen Fang Di Zi Di 2000026233	9 December 1998	480.00	Commercial
Shen Fang Di Zi Di 2000026234	9 December 1998	480.00	Commercial
Shen Fang Di Zi Di 2000026235	9 December 1998	480.00	Commercial
Shen Fang Di Zi Di 2000026236	9 December 1998	1,469.63	Commercial
Shen Fang Di Zi Di 2000026237	9 December 1998	1,517.11	Commercial
Shen Fang Di Zi Di 2000026238	9 December 1998	1,517.11	Commercial
Shen Fang Di Zi Di 2000026239	9 December 1998	1,590.22	Commercial
Shen Fang Di Zi Di 2000026240	9 December 1998	449.97	Commercial
Shen Fang Di Zi Di 2000026241	9 December 1998	1,469.63	Commercial
Shen Fang Di Zi Di 2000026242	9 December 1998	485.00	Commercial
Shen Fang Di Zi Di 2000026243	9 December 1998	1,588.98	Commercial
Shen Fang Di Zi Di 2000041288	10 November 1999	2,969.10	Carpark
Shen Fang Di Zi Di 2000041289	10 November 1999	3,487.70	Carpark
	Total:	43,726.45	

2. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the rights to freely transfer, lease out or mortgage the property save and except those parts subject to mortgage stated in b) below.

   b) The following parts of the property are subject to mortgages:

Corresponding State-owned Land Use Rights Certificates Number	Encumbrance Number	Date of Instrument	Creditor
Shen Fang Di Zi Di 2000026208 Shen Fang Di Zi Di 2000026210 Shen Fang Di Zi Di 2000026212 Shen Fang Di Zi Di 2000026217 Shen Fang Di Zi Di 2000026226 Shen Fang Di Zi Di 2000026227 Shen Fang Di Zi Di 2000026228 Shen Fang Di Zi Di 2000026230 Shen Fang Di Zi Di 2000026231 Shen Fang Di Zi Di 2000026232 Shen Fang Di Zi Di 2000026233 Shen Fang Di Zi Di 2000026234 Shen Fang Di Zi Di 2000026235 Shen Fang Di Zi Di 2000026239 Shen Fang Di Zi Di 2000026240	Shen Fang Di Ya Zi Di 1D07012253	24 April 2007	Luohu Sub-branch of Agricultural Bank of China and Shenzhen Branch of The Bank of East Asia (China) Limited
Shen Fang Di Zi Di 2000026202 Shen Fang Di Zi Di 2000026205 Shen Fang Di Zi Di 2000026207 Shen Fang Di Zi Di 2000026214 Shen Fang Di Zi Di 2000026215 Shen Fang Di Zi Di 2000026219 Shen Fang Di Zi Di 2000026221 Shen Fang Di Zi Di 2000026222 Shen Fang Di Zi Di 2000026224 Shen Fang Di Zi Di 2000026225 Shen Fang Di Zi Di 2000026229 Shen Fang Di Zi Di 2000026236 Shen Fang Di Zi Di 2000026237 Shen Fang Di Zi Di 2000026238 Shen Fang Di Zi Di 2000026241 Shen Fang Di Zi Di 2000026242 Shen Fang Di Zi Di 2000026243	Shen Fang Di Ya Zi Di 1D07026664	24 April 2007	Luohu Sub-branch of Agricultural Bank of China and Shenzhen Branch of The Bank of East Asia (China) Limited

   c) Maoye Shangsha, the owner of the property in which the Group has 100% equity interests, is a limited liability company established in accordance with the laws of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
2.	Chengshang Chengdu Yanshikou Store, No. 19 Dongyu Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC.	The property comprises a 6-storey commercial building above a single storey basement with total gross floor area of approximately 53,873 sq.m. erected on a site with area of approximately 19,560 sq.m. (the 'Site'). The property was completed in 1992. The Site is held under a land use term for commercial use with the expiry date on 12 November 2040.	Portions of the property with gross floor area of approximately 3,536 sq.m. is tenanted at a total monthly base rent of RMB459,480 for various terms with the last expiry date on 13 May 2009. The remaining portion of the property is currently occupied by the Group as a department store and its office.	2,106,000,000 (69.23% interests attributable to the Group: RMB1,457,983,800)

Notes

1. According to the State-owned Land Use Rights Certificate No. Cheng Guo Yong (2000) Zi Di 1063 issued by Chengdu City Land Bureau dated 13 November 2000, the land use rights of the Site with an area of approximately 19,560.41 sq.m. is held by the Group for commercial use for a land use term expiring on 12 November 2040.
2. Pursuant to the following Building Ownership Certificate dated 8 April 2008, the property with gross floor area of approximately 53,873 sq.m. is held by the Group.

Building Ownership Certificate Number		Gross Floor Area (sq.m.)	Use
Cheng Fang Quan Zheng Jian Zheng Zi Di 1667333		8,508.40	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1667335		4,509.17	Office
Cheng Fang Quan Zheng Jian Zheng Zi Di 1667339		6,357.84	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1667346		8,634.00	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1667349		8,733.73	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1667353		8,884.31	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1667354		8,245.80	Commercial
	Total:	53,873.25	

3. As advised, 38 ancillary single-storey buildings with gross floor area of approximately 2,343.5 sq.m. were erected behind the 6-storey commercial building. The Group has no intention to obtain the Building Ownership Certificates of the ancillary buildings and will probably demolish those buildings in near future. In our valuation, we have attributed no commercial value to those ancillary buildings. The ancillary buildings were tenanted to various tenants for a total monthly rent of RMB558,671 for various tenants with the last expiry date on 13 May 2009.
4. As advised, the Group is now applying for an addition works with gross floor area of approximately 170,000 sq.m. In our valuation, we have not taken into account the development potential of such works. Should the Group obtain all the planning approvals and settle all the land premium of such works, the capital value of the property in its existing state as at 29 February 2008 would be increased by RMB3,268,000,000 (69.23% interests attributable to the Group: RMB2,262,436,400).
5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the part of the property as stated in note 1 and 2 above, and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) The building ownership of the property is subject to mortgage in favour of Chengdu Yanshikou Sub-Branch of Industrial and Commercial Bank of China from 27 June 2003 to 26 June 2013.
   c) According to Encumbrance Certificate No. Cheng Ta Xiang (2007) Di 318, the land use rights of the property is subject to mortgage in favour of Beizhan Sub-branch of Agricultural Bank of China from 24 July 2007 to 23 July 2010.
   d) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
3.	Chengshang Chengdu Beizhan Store, No. 2 Gongjiao Road, Jinniu District, Chengdu City, Sichuan Province, the PRC	The property comprises a 3-storey commercial building with total gross floor area of approximately 7,204 sq.m. erected on a site with area of approximately 3,041 sq.m. (the 'Site'). The property was completed in 1984. The Site was held under a land use term for commercial use with the expiry date on 14 May 2040.	Part of the property with gross floor area of approximately 232 sq.m. was tenanted to a third party for a monthly base rent of RMB50,000 or a turnover rent of 9% of sales revenue, whichever is the higher, for a term of 5 years expiring on 19 June 2011. The whole level one of the property with gross floor area of approximately 2,353 sq.m. is currently occupied by the Group as a supermarket. The remaining parts of the property are currently vacant.	183,000,000 (69.23% interests attributable to the Group: RMB126,690,900)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the Site with an area of approximately 3,041.20 sq.m. is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Cheng Guo Yong (2005) Di 1105	14 September 2005	3,041.20	14 May 2040

2. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 7,204 sq.m. is held by the Group for the use as a department store.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Cheng Fang Quan Zheng Jian Zheng Zi Di 1247712	26 September 2005	7,204	Department Store

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights, save the part mentioned in b) below.
   b) According to the mortgage agreements dated 24 November 2005 and 25 November 2005, the property is subject to mortgage in favour of Chengdu Beizhan Sub-branch of Agricultural Bank of China from 24 November 2005 to 23 November 2009.
   c) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
4.	Chengshang Nanchong Store, Level B1 to Level 9 of Block 1, Level 1 to Level 5 of Block 2, Nos. 1 and 3 Renmin Middle Road, Portion of Level 1, the whole of Level 2 to Level 4, Nos. 7-15 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property with total gross floor area of approximately 25,994 sq.m. comprises the whole of Block 1 from Basement Level 1 to Level 9, the whole of Level 1 to Level 5 of Block 2 of Nos. 1 and 3 Renmin Middle Road, and a portion at Level 1, the whole of Level 2 to 4 of Nos. 7-15 Renmin Middle Road. The property was completed in 1987. The property is held for non-residential use with the expiry date on 25 March 2042.	Portions of the property with gross floor area of approximately 1,145 sq.m. are tenanted to various third parties for a total annual rent of RMB158,622 for various terms with the last expiry date on 31 December 2008. Another portion of the property with gross floor area of approximately 21,865 sq.m. is occupied by the Group as department store. The remaining portion of the property is currently vacant.	322,300,000 (69.23% interests attributable to the Group: RMB223,128,290)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property is held by the Group for commercial use.

Stated-owned Land Use Rights Certificate Number	Use	Date of Expiry
Nan Chong Guo Yong (2002) 0000014033	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015478	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015479	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015480	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015481	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015482	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015483	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015484	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015485	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015486	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015488	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015489	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015490	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015491	Commercial	25 March 2042
Nan Chong Guo Yong (2005) 015492	Commercial	25 March 2042

2. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 25,993.89 sq.m. is held by the Group for non-residential use.

Building Ownership Certificate Number	Gross Floor Area (sq.m.)	Use
Nan Fang Quan Zheng Nan Jian Zi Di 00124570	1,242.59	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124571	1,242.59	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124573	1,242.59	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124575	2,486.85	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124577	886.73	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124579	1,566.98	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124580	809.73	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124582	1,646.30	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124583	2,074.72	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124586	811.29	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124587	2,475.38	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124589	2,463.33	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124591	886.73	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124592	2,663.25	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124594	125.15	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124595	886.73	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00124596	1,629.24	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00170269	853.71	Non-residential
Total:	25,993.89	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights, save the part mentioned in b) below.

b) The following parts of the property are subject to mortgages:

Certificate Number	Encumbrance No.	Date of Instrument	Creditor
Nan Fang Quan Zheng Nan Jian Zi Di 00124570 Nan Fang Quan Zheng Nan Jian Zi Di 00124571 Nan Fang Quan Zheng Nan Jian Zi Di 00124573 Nan Fang Quan Zheng Nan Jian Zi Di 00124579 Nan Fang Quan Zheng Nan Jian Zi Di 00124580 Nan Fang Quan Zheng Nan Jian Zi Di 00124583 Nan Fang Quan Zheng Nan Jian Zi Di 00124591	Nan Fang Nan Jian Ta Zi Di 20021316	8 November 2001	Nanchong Shunqing Sub-branch of Industrial and Commercial Bank of China Limited
Nan Fang Quan Zheng Nan Jian Zi Di 00124575 with Nan Chong Guo Yong (2005) 015482 Nan Fang Quan Zheng Nan Jian Zi Di 00124577 with Nan Chong Guo Yong (2005) 015490 Nan Fang Quan Zheng Nan Jian Zi Di 00124582 with Nan Chong Guo Yong (2005) 015485 Nan Fang Quan Zheng Nan Jian Zi Di 00124592 with Nan Chong Guo Yong (2005) 015481	Nan Fang Shun Ta Zi Di 20074260	20 July 2007	Nanchong Branch of Bank of China Limited
Nan Fang Quan Zheng Nan Jian Zi Di 00124586	NA	NA	China Merchants Bank
Nan Fang Quan Zheng Nan Jian Zi Di 00124587	NA	20 July 2007	Nanchong Branch of Bank of China Limited
Nan Fang Quan Zheng Nan Jian Zi Di 00124589	NA	8 November 2002	Nanchong Branch of Industrial and Commercial Bank Limited
Nan Fang Quan Zheng Nan Jian Zi Di 00124595 with Nan Chong Guo Yong (2005) 015489	Nan Fang Jian Ta Zi Di 20051796	7 June 2005	Nanchong Branch of Bank of China Limited

c) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
5.	Chengshang Mianyang Store, East Linyuan Road, Fucheng District, Mianyang City, Sichuan Province, the PRC	The property with gross floor area of approximately 21,731 sq.m. comprises the whole of basement level 1 through level 3 of a 10-storey commercial building and the vacant land in front of it for car parking use. The property was completed approximately in 2004.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. According to the judgment of People's Court in Mianyang City, the Group has acquired the property with gross floor area of approximately 21,730.65 sq.m. for a consideration of RMB69,310,000.
2. As advised, the Group is currently applying for the title certificates of the property. In our valuation, we have ascribed "no commercial value" to the property. Should the company obtain all the title documents on the Date of Valuation, the capital value of the property in its existing state as at 29 February 2008 was in the sum of RMB163,000,000 (69.23% interests attributable to the Group: RMB112,844,900).
3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) After obtaining all the title documents, the Group shall have the rights to occupy, use and transfer the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
6.	No. 38 Balizhuang Road, Chenghua District, Chengdu City, Sichuan Province, the PRC	The property with total gross floor area of approximately 15,405 sq.m. comprises a 5-storey industrial building and other 3 ancillary single storey structures erected on a site with area of approximately 7,845 sq.m. (the 'Site'). The property was completed in 1991. The Site is held under a land use term for storage use with the expiry date on 28 June 2040.	Portions of the property with gross floor area of approximately 5,736 sq.m. are tenanted to various parties for a total monthly rent of RMB45,922 for various terms with the last expiry date on 7 January 2010. The remaining portions of the property is occupied by the Group as warehouse.	16,000,000 (69.23% interests attributable to the Group: RMB11,076,800)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with an area of approximately 7,844.7 sq.m. is held by the Group for storage use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Cheng Guo Yong (2000) Zi Di 525	29 June 2000	7,844.70	28 June 2040

2. Pursuant to the following Building Ownership Certificates, the property with total gross floor area of approximately 15,405.38 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 0676633	21 November 2001	15,200.00	Warehouse
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 0676635	21 November 2001	205.38	Other
	Total:	15,405.38	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights, save the part mentioned in b) below.
   b) According to the mortgage agreement dated 24 July 2007 and Certificate No. Cheng Fang Ta Quan Ta Zi Di 312322, the property is subject to mortgage in favour of Chengdu Beizhan sub-branch of Agricultural Bank of China from 24 July 2007 to 23 July 2010.
   c) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
7.	No. 8 Shengli Road, Baohe Village, Chenghua District, Chengdu City, Sichuan Province, the PRC	The property with total gross floor area of approximately 6,217 sq.m. comprises 8 warehouse buildings, a canteen building and an office building erected on a site with area of approximately 11,763 sq.m. (the 'Site'). The property was completed in 1965. The Site is held under a land use term for storage use with expiry date on 1 April 2051.	Portions of the property with total gross floor area of approximately 2,305 sq.m. are tenanted to third parties for a total monthly rent of RMB12,665 for various terms with the last expiry date on 31 December 2008. The remaining portion of the property is currently occupied by the Group.	3,400,000 (69.23% interests attributable to the Group: RMB2,353,820)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with area of approximately 11,762.76 sq.m. is held by the Group for storage use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Cheng Guo Yong 2001 Zi No. 329	2 April 2001	11,762.76	1 April 2051

2. Pursuant to the following Building Ownership Certificates, part of the property with gross floor area of approximately 5,957 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Cheng Fang Jian Zheng Zi Di No. 0107821	28 November 1997	169	Office
Cheng Fang Jian Zheng Zi Di No. 0107835	28 November 1997	5,588	Warehouse
Cheng Fang Jian Zheng Zi Di No. 0107850	28 November 1997	200	Other
	Total:	5,957	

3. As advised, one of the warehouse building with gross floor area of approximately 260 sq.m. is not suitable to occupy. The Group does not possess any Building Ownership Certificate of such building. In our valuation, we have not taken into account of the market value of that building.
4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights, except the part mentioned in Note 3 above.

   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
8.	No. 8 Shiyouhou Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises 3 single storey warehouse buildings with total gross floor area of approximately 2,599 sq.m. erected on a site with area of approximately 5,689 sq.m. ("the Site"). The property was completed approximately in 1995. The Site is held under a land use term for residential and storage uses with the expiry date on 25 March 2052.	The property is occupied by the Group as warehouses.	1,300,000 (69.23% interests attributable to the Group: RMB899,990)

Notes

1. According to the State-owned Land Use Rights Certificate No. Nanchong Shi Guo Yong (2002) Zi 0000014032 issued by Nanchong Land Bureau dated 11 November 2002, the Site with area of approximately 5,688.70 sq.m. is held by the Group for residential and storage uses expiring on 25 March 2052.
2. Pursuant to the following Building Ownership Certificates issued by Nanchong Real Estate Management Bureau dated 8 November 2002, the property with total gross floor area of approximately 1,498.63 sq.m. is held by the Group for non-residential use.

Building Ownership Certificate Number		Gross Floor Area (sq.m.)
Nan Fang Quan Zheng Nan Jian Zi 00124576		162.40
Nan Fang Quan Zheng Nan Jian Zi 00124578		1,336.23
	Total:	1,498.63

3. As advised by the Company, the Group does not possess the title documents of one of the buildings with gross floor area of approximately 1,100 sq.m. In our valuation, we have ascribed "no commercial value" to that building. Should the group obtain all the title documents of that building, the capital value of the property at its existing state as at 29 February 2008 was in the sum of RMB1,500,000 (69.23% interests attributable to the Group: RMB1,038,450).
4. We have been provided with a legal opinion on the property prepared by the Group's legal advisors, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights, save the part mentioned in b) below.
   b) The following parts of the property are subject to mortgages:

Building Ownership Certificate Number	Encumbrance	Date of Instrument	Creditor
Nan Fang Quan Zheng Nan Jian Zi Di 00124576 Nan Fang Quan Zheng Nan Jian Zi Di 00124578	Nan Fang Nan Jian Ta Zi Di 20021316	8 November 2001	Nanchong Shunqing Sub-branch of Industrial and Commercial Bank of China Limited

   c) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
9.	No.6 Section 2 of 2nd Ring Road North, Jinniu District, Chengdu City, Sichuan Province, the PRC	The property with gross floor area of approximately 7,733 sq.m. comprises a 6-storey hotel building with 90 rooms erected on a site with area of approximately 4,092 sq.m. (the 'Site'). The property was completed in 1987. The Site is held under a land use term for commercial use with the expiry date on 14 May 2040.	Portions of the property with total gross floor area of approximately 1,560 sq.m. are tenanted to various third parties as retail shops for a total monthly rent of RMB148,806 for various terms with the last one expiring on 31 July 2012. The remaining portion of the property is currently occupied by the Group as a hotel.	47,300,000 (69.23% interests attributable to the Group: RMB32,745,790)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with area of approximately 4,091.5 sq.m. is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Cheng Guo Yong (2005) Di 1104	14 September 2005	4,091.5	14 May 2040

2. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 7,733 sq.m. is held by the Group for hospitality use.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Cheng Fang Quan Zheng Jian Zheng Zi Di 1243085	13 September 2005	7,733	Commercial, office and Other
	Total:	7,733	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.

   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
10.	Chengshang Phoenix Lake Hotel, Baoguo Village, Huangwan County, Emeishan City, Sichuan Province, the PRC	The property comprises a 5-storey hotel with 151 guest rooms, restaurants and other ancillary facilities therein. The property occupying a site with area of approximately 5,380 sq.m. (the “Site”) has been developed into a hotel with total gross floor area of approximately 9,768 sq.m.. The property was completed in 1999. The Site is held under land use rights for hospitality use for a term expiring on 25 November, 2042.	The property is currently occupied by the Group as a hotel.	28,000,000 (55.38% interests attributable to the Group: RMB15,506,400)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with area of approximately 5,380.17 sq.m. is held by the Group for hospitality use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
E Mei Guo Yong (2003) Zi Di 6984	25 March 2003	5,380.17	25 November 2042

2. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 9,767.96 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
E Mei Shan Fang Quan Zheng E Fang Zi Di 0038399	2 June 2003	9,145.17	Hospitality, Entrainment & Switch Room
E Mei Shan Fang Quan Zheng E Fang Zi Di 0038400	2 June 2003	622.79	Boiler Room & Corridor
	Total:	9,767.96	

3. We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the ultimate owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
11.	No. 12 Zongfu Road, Jingjiang District, Chengdu City, Sichuan Province, the PRC	The property comprises a 16-storey building including a 2-storey basement with total gross floor area of approximately 29,866 sq.m.. erected on a site with area of approximately 4,462 sq.m. (the 'Site'). The property was completed in 1993. The Site is held under a land use term for commercial use with the expiry date on 1 April 2041.	Various portions of property with total gross floor area of approximately 11,105 sq.m. are currently tenanted to various parties for a total monthly rent of RMB202,466 for various terms with the longest one expiring on 31 December 2014. Another portion of the property with gross floor area of approximately 14,526 sq.m. is operated as a department store under a joint venture agreement. The remaining portions of the property are currently vacant.	812,000,000 (69.23% interests attributable to the Group: RMB562,147,600)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with area of approximately 4,462.05 sq.m. is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Cheng Guo Yong 2001 Zi No. 324	2 January 2001	4,462.05	1 April 2041

2. Pursuant to the following Building Ownership Certificates dated 22 November 2007, the property with total gross floor area of approximately 29,865.59 sq.m. is held by the Group.

Building Ownership Certificate Number	Gross Floor Area (sq.m)	Use
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610697	1,807.07	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610703	1,807.07	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610705	1,231.38	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610706	2,538.98	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610707	1,239.05	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610708	1,796.41	Other
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610710	1,239.05	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610711	1,910.48	Other
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610712	1,239.05	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610714	2,937.44	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610715	320.98	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610716	3,194.24	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610718	3,213.33	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610719	222.89	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610720	2,591.85	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi No. 1610723	2,576.32	Commercial
Total:	**29,865.59**	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights, save the part mentioned in b) below.
   b) The property is subject to a mortgage in favour of Beizhan Sub-branch of Agricultural Bank of China dated 26 November 2007.
   c) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
12.	No. 6 Upper Dongda Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	The property comprises a 8-storey retail building with total gross floor area of approximately 8,188 sq.m., erected on a site with area of approximately 1,638 sq.m. (the 'Site'). The property was completed in 1982. The Site is held under a land use term for commercial use with expiry date on 5 June 2040.	Portions of the property with gross floor area of approximately 7,502 sq.m. are tenanted to various third parties for a monthly rent of RMB352,004 for various terms with the last expiry date on 31 December 2013. The remaining portions of the property are currently vacant.	211,000,000 (69.23% interests attributable to the Group: RMB146,075,300)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with area of approximately 1,638.46 sq.m. is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Cheng Guo Yong (2006) Di 166	1 March 2006	1,638.46	5 June 2040

2. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 8,188.40 sq.m. is held by the Group.

Building Ownership Certificate Number	Gross Floor Area (sq.m.)	Use
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 1538263	1,105.94	Commercial
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 1538264	1,176.29	Commercial
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 1538260	1,176.29	Commercial
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 1538257	1,176.29	Commercial
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 1538259	1,045.16	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434734	210.48	Other
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434733	279.20	Commercial & Other
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434735	300.40	Commercial & Other
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434739	221.52	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434743	298.63	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434730	298.63	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434742	298.63	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434737	300.42	Commercial
Cheng Fang Quan Zheng Jian Zheng Zi Di 1434727	300.42	Commercial
Total:	8,188.40	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
13.	Two commercial buildings, No. 49 Hongji Middle Road, Jinjiang District, Chengdu City, Sichuan Province, the PRC	The property with total gross floor area of approximately 5,998 sq.m. comprises 2 commercial buildings erected on a site with area of approximately 7,894 sq.m. (the 'Site'). The property was completed in 1997. The Site is held under a land use term for commercial use with the expiry date on 20 February 2038.	Portions of the property with total gross floor area of approximately 274 sq.m. are tenanted to various third parties for a total annual rent of RMB6,640 for various terms with the last expiry date on 10 January 2009. The remaining portion of the property is currently vacant.	35,400,000 (69.23% interests attributable to the Group: RMB24,507,420)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with area of approximately 7,894.29 sq.m. is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Cheng Guo Yong (2001) Zi Di 1188	22 October 2001	7,868.96	20 February 2038
Cheng Guo Yong (2001) Zi Di 1189	22 October 2001	25.33	20 February 2038
	Total:	7,894.29	

2. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 5,998 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 0333327	16 April 1999	1,150	Office
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 0333326	16 April 1999	4,848	Commercial
	Total:	5,998	

3. A single-storey structure with gross floor area of approximately 7,000 sq.m. was erected on the Site connecting the two buildings. As advised, the Group has no intention to obtain the Building Ownership Certificate for it, we have, therefore, attributed no commercial to the structure. The structure is currently tenanted to a third party for a monthly rent of RMB204,167 for a term expiring on 30 June 2008.

4. As advised by the Group, the Group would redevelop the property with the land adjacent to it into a commercial and residential development with total gross floor area of approximately 119,550 sq.m. Should the Group have obtained all the approvals for the development scheme, settle all the land premium and obtain the land certificate, the capital value of the site of such development as at 29 February 2008 was in the sum of RMB884,600,000. (69.23% interests attributable to the Group: RMB612,408,580).

5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.

   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
14.	Two retail shops at Level 1 and 2, No. 68 Zouma Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	The property comprises two retail shop units in a 21-storey commercial building with total gross floor area of approximately 58 sq.m.. The property was completed in 1997. The property is held under a land use term for commercial use with the expiry date on 10 April 2045.	The property is tenanted to a third party for an annual rent of RMB39,053 for terms with the last expiry date on 31 October 2012.	610,000 (69.23% interests attributable to the Group: RMB422,303)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property is held by the Group.

State-owned Land Use Rights Certificate Number	Date of Issuance	Date of Expiry
Jin Guo Yong (2003) Zi Di 751	29 July 2003	10 April 2045
Jin Guo Yong (2003) Zi Di 752	29 July 2003	10 April 2045

2. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 57.6 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 0489856	20 June 2000	28.8	Commercial
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di 0489862	20 June 2000	28.8	Commercial
	Total:	57.6	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.

   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
15.	No. 2 Citang Street, Qingyang District, Chengdu City, Sichuan Province, the PRC	The property comprises a 2-storey commercial building with total gross floor area of approximately 98 sq.m. The property was completed in 1997.	The property is tenanted to third parties for a total annual rent of RMB42,672 for terms with the last expiry date on 21 September 2008.	No commercial value

Notes

1. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 97.65 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Cheng Fang Quan Zheng Jian Zheng Zi No. 1467377	13 February 2007	97.65	Commercial

2. We have ascribed "no commercial value" to the property as the Group has not obtained the State-owned Land Use Rights Certificate. Should the Group obtain all the valid Land Use Rights Certificate, the capital value of the property in its existing state as at 29 February 2008 was in the sum of RMB680,000 (69.23% interests attributable to the Group: RMB470,764).
3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The legal advisor cannot justify whether the Group has the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
16.	Various residential units, retail shops and the kindergarten, No. 29 Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC	The property with gross floor area of approximately 1,068 sq.m. comprises various residential units, 4 retail shops and a kindergarten in a residential development. The property was completed in 1990s.	The kindergarten with gross floor area of approximately 447 sq.m. is currently tenanted to a third party for a monthly rent of RMB4,500 for a term expiring on 14 October 2010. The remaining portions of the property are vacant.	No commercial value

Notes

1. Pursuant to the following Building Ownership Certificates, the property with total gross floor area of approximately 1,262.72 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Cheng Fang Quan Jian Zheng Zi Di No. 1467368	13 February 2007	71.52	Commercial
Cheng Fang Quan Jian Zheng Zi Di No. 1467372	13 February 2007	71.52	Commercial
Cheng Fang Quan Jian Zheng Zi Di No. 1467373	13 February 2007	71.52	Commercial
Cheng Fang Quan Jian Zheng Zi Di No. 1449586	30 December 2006	26.82	Commercial
Cheng Fang Quan Jian Zheng Zi Di No. 1449441	30 December 2006	447.00	Kindergarten
Cheng Fang Quan Jian Zheng Zi Di No. 1449446	30 December 2006	574.34	Residential
	Total:	1,262.72	

2. As advised, various residential units with gross floor area of approximately 194.79 sq.m. has been sold to other third parties.
3. We have ascribed "no commercial value" to the property as the Group has not obtained the State-owned Land Use Rights Certificate of the property. Should the Group obtain all the valid land use rights certificate of the property, the capital value of the property in its existing state as at 29 February 2008 was in the sum of RMB7,500,000 (69.23% interests attributable to the Group: RMB5,192,250).
4. As advised, 3 retail shops with gross floor area of approximately 214.56 sq.m. has been disposed of after the Date of Valuation.
5. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The legal advisor cannot justify whether the Group has the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
17.	The commercial building, Binlong Street, Jinjiang District, Chengdu City, Sichuan Province, the PRC	The property comprises a 5-storey commercial building above a single-storey basement with total gross floor area of approximately 3,899 sq.m.. The property was completed in 1994.	Portions of the property with total gross floor area of approximately 908 sq.m. are tenanted to third parties for a total monthly rent of RMB99,961 for various terms with the last expiry date on 31 March 2009. The remaining portions of the property are currently vacant.	No commercial value

Notes

1. According to the Building Ownership Certificate No. Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi 0718532 issued by Chengdu Real Estate Management Bureau dated 29 March 2002, the property with total gross floor area of approximately 3,898.6 sq.m. is held by the Group for commercial and other uses.
2. We have been provided with legal opinion on the property prepared by the Group's legal advisors, which contains, inter alia, the following information:

   a) The property is subject to a relocation and closure order from 31 August 2007 to 13 August 2008.
   b) The legal advisor cannot justify whether the Group has the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
18.	A retail shop unit, Level 2, No.388 Section 3 of 2nd Ring Road North, Jinniu District, Chengdu City, Sichuan Province, the PRC	The property with gross floor area of approximately 149 sq.m. comprises a retail shop at level 2 of a 6-storey building. The property was completed in 1996.	The property is current tenanted to a third party for a monthly rent of RMB7,083 for a term with the expiry date on 31 August 2008.	No commercial value

Notes

1. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 148.52 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Rong Fong Quan Zheng Cheng Fong Jian Zheng Zi No. 0655041	26 September, 2001	148.52	Commercial

2. We have ascribed "no commercial value" to the property as the Group has not obtained the State-owned Land Use Rights Certificate of the property. Should the Group obtain all the valid land use rights certificate of the property, the capital value of the property in its existing state as at 29 February 2008 was in the sum of RMB3,500,000 (69.23% interests attributable to the Group: RMB2,423,050).
3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) According to the judgment of the court in Chenghua District of Chengdu, the property is subject to a sealed order from 28 May 2007 to 28 May 2009.
   b) The legal advisor cannot justify whether the Group has the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
19.	Two retail shop units at Level 1, No. 16 Jinhuaguan, Jinjiang District, Chengdu City, Sichuan Province, the PRC	The property with total gross floor area of approximately 33 sq.m. comprises 2 retail shop units at level 1 of a 7-storey building. The property was completed in 1995.	One of the shops with gross floor area of approximately 23 sq.m. is tenanted to a third party for a monthly rent of RMB1,200 expiring on 30 April 2008. The other shop is vacant.	No commercial value

Notes

1. As advised by the Company, the Group did not possess any State-owned Land Use Rights Certificate of the property as at 29 June 2005. In our valuation, we have ascribed "no commercial value" to the property. Should the Group obtain the State-owned Land Use Rights Certificate of the property, the capital value of the property in its existing state as at 29 February 2008 was in the sum of RMB150,000 (69.23% interests attributable to the Group: RMB103,845).
2. Pursuant to the following Building Ownership Certificates issued by Chengdu Real Estate Management Bureau dated 25 January 2005, the property with gross floor area of approximately 33.39 sq.m. is held by the Group for commercial use.

Building Ownership Certificate Number	Gross Floor Area (sq.m.)
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi 1149331	22.68
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi 1149338	10.71
Total	33.39

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The legal advisor cannot justify whether the Group has the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
20.	Level 1, No. 68 Shaoling Bystreet, Wuhou District, Chengdu City, Sichuan Province, the PRC	The property with gross floor area of approximately 39 sq.m. comprises an apartment unit in a 6-storey residential building The property was completed in 1998	The property is currently occupied by the Group as staff quarters.	No commercial value

Notes

1. Pursuant to the following Building Ownership Certificates, the property with gross floor area of 39.19 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi No. 1028904	20 April 2004	39.19	Residential

2. We have ascribed "no commercial value" to the property as the Group has not obtained the State-owned Land Use Rights Certificate of the property. Should the Group obtain all the valid land use rights certificate of the property, the capital value of the property in its existing state as at 29 February 2008 was in the sum of RMB130,000 (69.23% interests attributable to the Group: RMB89,999).
3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The legal advisor cannot justify whether the Group has the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
21.	No. 38 Jiaotong Road, Jinjiang District, Chengdu City, Sichuan Province, the PRC	The property comprises a 5-storey building with total gross floor area of approximately 1,342 sq.m. The property was completed in 1997.	The property is currently occupied by the Group	No commercial value

Notes

1. We have ascribed "no commercial value" to the property as the Group has not obtained a valid State-owned Land Use Rights Certificate. Should the Group obtain a valid State-owned Land Use Rights Certificate, the capital value of the property at its existing state as at 29 February 2008 was in the sum of RMB2,400,000 (69.23% interests attributable to the Group : RMB1,661,520)
2. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 1,341.5 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi No. 0935145	5 September 2003	1,341.5	Kindergarten and Canteen

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The legal advisor cannot justify whether the Group has the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
22.	No. 19 Dawan South Road, Dawan Town, Qingbaijiang District, Chengdu City, Sichuan Province, the PRC	The property comprises Levels 1 to 3 of No. 19 Dawan South Road with a total gross floor area of approximately 3,638 sq.m., erected on a site with site area of approximately 3,519 sq.m. (the "Site"). The property was completed in 2003. The Site is held for a term expiring on 16 September 2046 for commercial use.	The property is currently vacant.	14,800,000 (69.23% interests attributable to the Group: RMB10,246,040)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with area of approximately 3,519.48 sq.m. is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Qing Guo Yong (2005) .04238	3 October 2005	3,519.48	16 September 2042

2. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 3,637.93 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Cheng Qing Fong Quan Zheng Jian Zheng Zi . 0038233	23 November 2001	3,637.93	Commercial

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

    a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.

    b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
23.	A commercial building and an industrial building, Jindu Village, Baijia Town, Shuangliu County, Chengdu City, Sichuan Province, the PRC	The property with total gross floor area of approximately 3,898 sq.m. comprises two buildings for commercial and industrial uses respectively erected on a site with area of approximately 16,631 sq.m. (the "Site"). The property was completed in 2004. The Site is held for a land use term for commercial services use with expiry date on 8 September 2043.	The property is currently occupied by the Group as a showroom.	13,000,000 (69.23% interests attributable to the Group: RMB8,999,900)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the Site with an area of approximately 16,631.03 sq.m. is held by the Group for commercial services use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Date of Expiry
Shuang Guo Yong (2004) Zi Di 00305	26 April 2004	16,631.03	8 September 2043

2. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 3,897.68 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Shuang Fang Ouan Zheng Shuang Quan Zi 0171678	31 July 2007	3,897.68	Commercial, Office and Industrial

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights, save the part mentioned in b) below.
   b) The following parts of the property are subject to mortgages.

Corresponding Stateowned Land Use Rights Certificates Number	Term of mortgage	Consideration (RMB)
Shuang Guo Yong (2004) Zi Di 00305	24 November 2004 to 13 November 2007	4,510,300

   c) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
24.	Various residential and non-residential units on Level 3 through Level 8, Nos. 42-50 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property with total gross floor area of approximately 493 sq.m. comprises 3 residential units and 9 non-residential units in a building. The property was completed approximately in 1987. The property is held for commercial use with the expiry date on 25 March 2042.	Portions of the property with gross floor area of approximately 236 sq.m. are tenanted to various third parties for a total annual rent of RMB8,575 for various terms with the last expiry date on 30 June 2008. The remaining portions of the property are currently vacant.	740,000 (69.23% attributable to the Group: RMB512,302)

Notes

1. According to the State-owned Land Use Rights Certificate No. Nan Chong Guo Yong (2002) Zi Di 14031 dated 1 January 2002, the land use rights of the property is held by the Group for commercial use with land use term expiring on 25 March 2042.
2. According to the following Building Ownership Certificates dated 26 November 2002, the property with total gross floor area of approximately 493 sq.m. is held by the Group.

Building Ownership Certificate Number	Gross Floor Area (sq.m.)	Use
Nan Fang Quan Zheng Nan Jian Zi Di 00125627	215.91	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125628	14.89	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125629	14.89	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125630	14.89	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125631	5.48	Residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125632	5.48	Residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125633	72.83	Residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125634	29.78	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125635	29.78	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125636	29.78	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125637	29.78	Non-residential
Nan Fang Quan Zheng Nan Jian Zi Di 00125638	29.78	Non-residential
Total	**493.27**	

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% interests, is a limited liability company established according the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
25.	Two retail shop units at Level 1 and Level 2, Nos. 102-104 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises two retail shops with total gross floor area of approximately 1,382 sq.m.. The property was completed in 1987. The property is held for a land use term for commercial use with the expiry date on 27 August 2050.	The property is currently tenanted as retail shops.	14,600,000 (69.23% interests attributable to the Group: RMB10,107,580)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the property is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Date of Expiry
Nanchong City Guo Yong (2007) 13559 and 13660	2 August 2007	27 August 2050

2. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 1,381.84 sq.m. is held by the Group.

Building Ownership Certificate Number		Gross Floor Area (sq.m.)	Use
Nan Fang Quan Zheng Nan Jian Zi Di 00233537		892.85	Non-Residential
Nan Fang Quan Zheng Nan Jian Zi Di 00233538		488.99	Non-Residential
	Total:	**1,381.84**	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
26.	Level 1, No. 171 Renmin Middle Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises a retail shop with gross floor area of approximately 138 sq.m.. The property was completed in 1997. The property is held for a land use term for commercial use with the expiry date on 22 April 2046.	The property is currently rented to a third party for a monthly rent of RMB5,500 for a term expiring on 12 April 2009.	1,620,000 (69.23% interests attributable to the Group: RMB1,121,526)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the property is held by the Group for commercial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Date of Expiry
Nan Chong Guo Yong(2006) Di 006160	10 April 2006	22 April 2046

2. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 137.62 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Nan Fong Quan Zheng Nan Jian Zi Di 0018113	6 April 2005	137.62	Non-Residential

3. During the inspection, the address of the property has been changed from "26 Sangong Street" to "171 Renmin Middle Road".

4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
27.	Unit 201, Level 2, No. 100 Mofan Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises a retail shop with gross floor area of approximately 543 sq.m. The property was completed in 1983. The property is held under a land use term for commercial use with the expiry date on 25 March 2042.	The property is tenanted to a third party for an annual rent of RMB70,000 for a term expiring on 14 December 2008.	950,000 (69.23% interests attributable to the Group; RMB657,685)

Notes

1. According to the State-owned Land Use Rights Certificate No. Nanchong Shi Guo Yong (2002) Zi 0000015736 issued by Nanchong Land Resources Bureau dated 11 December 2002, the land use rights of the property is held by the Group for commercial use expiring on 25 March 2042.
2. According to the Building Ownership Certificate No. Nan Fang Quan Zheng Nan Jian Zi 00125535 issued by Nanchong Real Estate Management Bureau dated 26 November 2002, the property with gross floor area of approximately 440.78 sq.m. is held by the Group for non-residential use.
3. As advised by the Company, the Group does not possess any Building Ownership Certificate of a portion of the property with gross floor area of approximately 102 sq.m. In our valuation, we have ascribed "no commercial value" to that portion. Should the Group obtain the Building Ownership Certificate of that portion, the capital value of the property at existing state as at 29 February 2008 was in the sum of RMB1,180,000 (69.23% interests attributable to the Group: RMB816,914).
4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
28.	Level 2, No. 103 Mofan Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises a retail shop with gross floor area of approximately 183 sq.m. The property was completed in 1991. The property is held for commercial use with the expiry date on 21 March 2046.	The property is tenanted to a third party for a monthly rent of RMB40,000 for a term expiring on 19 August 2008.	620,000 (69.23% interests attributable to the Group; RMB429,226)

Notes

1. According to the State-owned Land Use Rights Certificate No. Nanchong Shi Guo Yong (2006) 05177 dated 10 April 2006, the land use rights of the property is held by the Group for commercial use with the expiry date on 21 March 2046.
2. According to the Building Ownership Certificate No. Nan Fang Quan Zheng Nan Jian Zi 00181181 dated 6 April 2005, the property with gross floor area of approximately 182.69 sq.m. is held by the Group for non-residential use.
3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

    a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
    b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008
				(RMB)
29.	Level 1, No. 104 Mofan Street, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises a retail shop with gross floor area of approximately 67 sq.m. The property was completed in 1994. The property is held for commercial use with the expiry date on 21 March 2046.	The property is currently vacant.	180,000 (69.23% interests attributable to the Group; RMB124,614)

Notes

1. According to the State-owned Land Use Rights Certificate No. Nanchong Shi Guo Yong (2006) 05175 dated 10 April 2006, the land use rights of the property is held by the Group for commercial use with the expiry date on 21 March 2046.
2. According to the Building Ownership Certificate No. Nan Fang Quan Zheng Nan Jian Zi 00181186 dated 6 April 2005, the property with gross floor area of approximately 67.3 sq.m. is held by the Group for non-residential use.
3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
30.	A retail shop unit at Level 1 and an apartment unit at Level 2 of Block 1, No. 161 Changzheng Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises a retail shop with gross floor area of approximately 116 sq.m and an apartment unit with gross floor area of approximately 56 sq.m. The property was completed in 1984. The property is held under State-owned Land Use Certificates for terms with the expiry dates on 25 March 2052 and 25 March 2042 respectively.	The retail shop with gross floor area of approximately 116 sq.m. is tenanted for a monthly rent of RMB2,333 expiring on 31 May 2009. The apartment unit is occupied by the Group as staff quarters.	270,000 (69.23% interests attributable to the Group: RMB186,921)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property is held by the Group for residential and commercial uses.

State-owned Land Use Rights Certificate Number	Date of Issuance	Date of Expiry
Nan Chong Si Guo Yong (2002) Zi Di 0000015732	11 December 2002	25 March 2042
Nan Chong Si Guo Yong (2002) Zi Di 0000015731	11 December 2002	25 March 2052

2. Pursuant to the following Building Ownership Certificates, the property with gross floor area of approximately 172.55 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Nan Fong Quan Zheng Nan Jian Zi Di 00125613	January 2002	56.10	Residential
Nan Fong Quan Zheng Nan Jian Zi Di 00125614	January 2002	116.45	Commercial
	Total:	172.55	

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
31.	Level 1, Nos. 332-336 Yan'an Road, Shunqing District, Nanchong City, Sichuan Province, the PRC	The property comprises a retail shop in a 5-storey building with gross floor area of approximately 98 sq.m.. The property was completed in 1979. The property is held under a land use term for commercial use with the expiry date on 25 March 2042.	The property is tenanted to various third parties for a total annual rent of RMB4,380 for various term with the last expiry date on 5 November 2008.	100,000 (69.23% interests attributable to the Group: RMB69,230)

Notes

1. Pursuant to the following State-owned Land Use Rights Certificate, the land use rights of the property is held by the Group.

State-owned Land Use Rights Certificate Number	Date of Issuance	Date of Expiry
Nan Chong Si Guo Yong(2002) Zi Di 0200015735	11 December 2002	25 March 2042

2. Pursuant to the following Building Ownership Certificate, the property with gross floor area of approximately 97.65 sq.m. is held by the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Nan Fong Quan Zheng Nan Jian Zi Di 00125612	26 November 2002	97.65	Non-Residential

3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
32.	Shop Nos. 309 and 352 at Level 3, Wangjiao Shopping Plaza, Central Dongmen Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	The property with total gross floor area of approximately 27 sq.m. comprises two retail shop in a shopping centre. The property was completed approximately in 1996. The property is held for a land use terms for commercial use with the expiry date on 27 March 2046.	The property is currently vacant.	700,000 (100% attributable to the Group: RMB700,000)

Notes

1. According to the following Realty Title Certificates, the property with total gross floor area of approximately 26.89 sq.m. is held by the Group for commercial use with the expiry date on 27 March 2046.

Certificate No.		Gross Floor Area (sq.m.)
Shen Fang Di Zi 2000108362		14.83
Shen Fang Di Zi 2000155681		12.06
	Total:	**26.89**

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The Group has the rights to freely transfer, lease out and mortgage the property.
   b) Maoye Shangsha, the owner of the property in which the Group has 100% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
33.	A parcel of land, Liuhe Island, Shipan Town, Jianyang City, Sichuan Province, the PRC	The property comprises a land parcel with site area of approximately 55,040 sq.m.. The Site is held under a land use term for educational use with the expiry date on 10 April 2050.	The property is currently vacant.	15,000,000 (69.23% interests attributable to the Group: RMB10,384,500)

Notes

1. According to the State-owned Land Use Rights Certificate No. Jian Shi Pan Guo Yong (2004) Zi 04633 dated 16 September 2004, the land use rights of the property with site area of approximately 55,040 sq.m. is held by the Group for educational use for a land use term expiring on 10 April 2050.
2. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:

    a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
    b) Chengshang, the owner of the property in which the Group has 69.23% equity interests, is a limited liability company established in accordance with the law of the PRC.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
34.	Units 1-3, Level 3, Block 2, Qiushui Terrace, Qiuyuan Community, Xishi District, Kunming City, Yunnan Province, the PRC	The property with total gross floor area of approximately 566 sq.m. comprises 3 connected residential units in a residential development. The property was completed approximately in 2002. The property is held for residential use.	The property is occupied by the Group.	1,500,000 (69.23% attributable to the Group: RMB1,038,450)

Notes

1. According to the State-owned Land Use Rights Certificates Nos. Kunming Ge Guo Yong (2007) 4017829, 4017830 and 4017831, the land use rights of the property is held by the Group for residential use.
2. According to the following Building Ownership Certificates, the property with total gross floor area of approximately 566 sq.m. is held by the Group.

Building Ownership Certificate Number	Issue Date	Gross Floor Area (sq.m.)	Use
Kunming City Fang Quan Zheng Xi Fang Guan Zi Di 200710921	22 August 2007	188.17	Residential
Kunming City Fang Quan Zheng Xi Fang Guan Zi Di 200710922	22 August 2007	190.79	Residential
Kunming City Fang Quan Zheng Xi Fang Guan Zi Di 200711010	23 August 2007	186.97	Residential
	Total:	565.93	

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The Group has the building ownership and the land use rights of the property and has the rights to occupy, use and transfer the building ownership and the land use rights.
   b) Chengshang, the owner of the property in which the Group has 69.23% interests, is a limited liability company established according the law of the PRC

VALUATION CERTIFICATE

GROUP II – PROPERTY INTERESTS RENTED BY THE GROUP IN THE PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
35.	Level 5 to Level 7, Wangjiao Shopping Plaza, Central Dongmen Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	The property comprises the whole of level 5 to level 7 in a commercial building for retail use. The total gross floor area of the property is approximately 3,710 sq.m.. The property was completed in 1996 The property is tenanted to the Group for a term of 12 years from 1 January 2007 to 31 December 2018.	The property is occupied by the Group as part of a department store.	No commercial value

Notes

1. Pursuant to the Realty Title Certificates Nos. Shen Fang Di Zi Di 2000207863, 2000212969, 2000280545, the property with total gross floor area of approximately 3,709.68 sq.m. is held by Shenzhen Maoye Group for commercial use with the expiry date on 27 March 2046.
2. According to the tenancy agreement and its supplementary agreement entered into between Shenzhen Maoye Group (“Party A”) and the Group (“Party B’) dated 1 September 2007, the property was rented by the Group for a monthly rent of RMB296,774.4 for a term of 12 years from 1 January 2007 to 31 December 2018.
3. We were informed that the owner of the property is a connected party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement is legitimate and valid, the Group can use the property according to the terms and conditions of the tenancy agreement.
   b) According to the Realty Title Certificates in Note 1 above, Party A has the rights to let the property to the Group.
   c) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
36.	Maoye Shenzhen Heping Store, No. 3009 Heping Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	The property with total gross floor area of approximately 25,048 sq.m. comprises a 5- storey commercial building in a residential and commercial development. The property was completed in 2000. The property is tenanted to the Group for a term of 12 years from 1 January 2007 to 31 December 2018.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. Pursuant to the following Realty Title Certificates, the property with total gross floor area of approximately 23,047.78 sq.m. is held by Shenzhen Maoye Group for commercial use with the expiry date on 17 November 2068.

Realty Title Certificate Number	Gross Floor Area (sq.m.)	Date of Issuance
Shen Fang Di Zi Di 2000111134	1,458.66	23 August 2002
Shen Fang Di Zi Di 2000111136	1,447.76	23 August 2002
Shen Fang Di Zi Di 2000111137	1,592.58	23 August 2002
Shen Fang Di Zi Di 2000111138	2,170.52	23 August 2002
Shen Fang Di Zi Di 2000111139	1,006.46	23 August 2002
Shen Fang Di Zi Di 2000111140	1,637.61	23 August 2002
Shen Fang Di Zi Di 2000176635	1,325.46	23 December 2003
Shen Fang Di Zi Di 2000176636	1,475.01	23 December 2003
Shen Fang Di Zi Di 2000176637	1,367.47	23 December 2003
Shen Fang Di Zi Di 2000176638	1,637.61	23 December 2003
Shen Fang Di Zi Di 2000176639	1,490.49	23 December 2003
Shen Fang Di Zi Di 2000176640	1,525.43	23 December 2003
Shen Fang Di Zi Di 2000176641	1,592.58	23 December 2003
Shen Fang Di Zi Di 2000176642	1,447.76	23 December 2003
Shen Fang Di Zi Di 2000176643	1,872.38	23 December 2003
Total:	23,047.78	

2. According to the tenancy agreement entered into between Shenzhen Maoye Group ("Party A") and the Group ("Party B') dated 1 September 2007, the property was rented by the Group for a monthly rent of RMB1,152,389 for a term of 12 years from 1 January 2007 to 31 December 2018.
3. Pursuant to the supplementary agreement between Party A and Party B, the basement level 1 of the property with gross floor area of approximately 2,000 sq.m. is tenanted to the Group without additional rental payment for a term of 12 years from 1 January 2007 to 31 December 2018.
4. As advised, the Shenzhen Maoye Group does not possess the Realty Title Certificate of the basement.
5. We were informed that the owner of the property is a connected party to the Group.
6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement in Note 2 above is legitimate and valid and the Group can use the property, except the basement, according to the terms and conditions of the tenancy agreement in Note 2.
   b) According to the Realty Title Certificates stated in Note 1 above, Party A has the rights to let the property, except the basement, to the Group.
   c) The tenancy agreement of the property in Note 2 above has been registered.
   d) In the tenancy agreement in Note 3, Party A shale compensate the loss of Party B if Party B suffers from renting the basement. This term is considered legitimate and valid.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
37.	Maoye Shenzhen Shennan Store, No. 1018 Central Shennan Road, Futian District, Shenzhen City, Guangdong Province, the PRC	The property with total gross floor area of approximately 10,507 sq.m. comprises a 5-storey commercial podium in a high-rise commercial and office building. The property was completed in 1984. The property is tenanted to the Group for a term of 12 years from 1 January 2007 to 31 December 2018.	The property is currently occupied by the Group as a department store.	No commercial value

Notes

1. Pursuant to the following Realty Title Certificates, the property with total gross floor area of approximately 10,507.16 sq.m. is held by Shenzhen Maoye Property Business Company Limited for commercial use for various terms with the last expiry date on 27 September 2042.

Realty Title Certificate Number	Gross Floor Area (sq.m.)	Date of Issuance
Shen Fang Di Zi Di 3000365428	830.32	25 November 2005
Shen Fang Di Zi Di 3000365429	198.65	25 November 2005
Shen Fang Di Zi Di 3000365430	843.79	25 November 2005
Shen Fang Di Zi Di 3000365431	830.32	25 November 2005
Shen Fang Di Zi Di 3000365432	1,402.87	25 November 2005
Shen Fang Di Zi Di 3000365433	1,402.87	25 November 2005
Shen Fang Di Zi Di 3000365434	1,402.87	25 November 2005
Shen Fang Di Zi Di 3000365435	1,402.87	25 November 2005
Shen Fang Di Zi Di 3000365436	1,362.28	25 November 2005
Shen Fang Di Zi Di 3000369981	830.32	N/A
Total:	10,507.16	

2. According to the tenancy agreement entered into between Shenzhen Maoye Group (“Party A”) and the Group (“Party B’) dated 1 September 2007, the property was rented by the Group for a monthly rent of RMB525,358 for a term of 12 years from 1 January 2007 to 31 December 2018.
3. We were informed that the owner of the property is a connected party to the Group
4. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:

    a) The tenancy agreement is legitimate and valid and the Group can use the property according to the terms and conditions of the tenancy agreement.
    b) According to the Realty Title Certificates stated in Note 1 above, Party A has the rights to let the property to the Group.
    c) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
38.	Maoye Shenzhen Huaqiangbei Store, Nos. 2005-2006 North Huaqiang Road, Futian District, Shenzhen City, Guangdong Province, the PRC	The property comprises a 9-storey building with site area and total gross floor area of approximately 6,553.39 sq.m. and 63,388 sq.m. respectively. The property was completed in 2004. The property is tenanted to the Group for a term of 12 years from 1 January 2007 to 31 December 2018.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. Pursuant to the following Realty Title Certificates dated 26 July 2004, part of the property with total gross floor area of approximately 29,715.60 sq.m. is held by Shenzhen Oriental Times Industrial Company Limited for commercial use with the expiry date on 28 April 2041.

Certificate Number	Gross Floor Area (sq.m.)
Shen Fang Di Zi Di 3000276092	3,276.30
Shen Fang Di Zi Di 3000276093	3,276.30
Shen Fang Di Zi Di 3000276095	3,276.30
Shen Fang Di Zi Di 3000276096	3,276.30
Shen Fang Di Zi Di 3000276097	3,276.30
Shen Fang Di Zi Di 3000276099	3,276.30
Shen Fang Di Zi Di 3000276100	3,492.60
Shen Fang Di Zi Di 3000276101	3,204.05
Shen Fang Di Zi Di 3000276102	3,361.15
Total:	29,715.60

2. According to the tenancy agreement entered into between Shenzhen Maoye Group ("Party A") and the Group ("Party B") dated 1 September 2007, part of the property as mentioned in Note 1 was rented by the Group for a monthly rent of RMB2,377,248 for a term of 12 years from 1 January 2007 to 31 December 2018.
3. According to the supplementary agreement of the agreement in Note 2 above, Party A agreed to tenant the basement of the property with gross floor area of approximately 3,600 sq.m. to Party B for the same term for the rent to be ascertained after Party A changing the use of the basement to commercial.
4. According to another tenancy agreement and its supplementary agreement dated 1 September 2007, Party A agreed to tenant part of the property other than those mentioned in Note 1 and 3 above to the Group for a total monthly rent of RMB2,405,734 for a term of 12 years from 1 January 2007 to 31 December 2018.
5. As advised, Party A is currently applying for change of use of the part of the property mentioned in Note 3 and is applying the Realty Title Certificate for the part of the property mentioned in Note 4 above.
6. We were informed that the owner of the property is a connected party to the Group.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreements as mentioned in Note 2 and 4 are legitimate, valid and legally binding on both parties, the Group can use those parts of the property according to the terms and conditions of the tenancy agreements.
   b) According to the Realty Title Certificates stated in Note 1 above, Party A has the rights to let those parts of the property to the Group.
   c) In the tenancy agreement in Note 3, Party A shall compensate the loss of Party B if Party B suffers from renting the basement of the property. This term is considered to be legitimate and valid.
   d) For the part of the property mentioned in Note 4 above, after obtaining the completion tests and approvals, such as fire services approvals, Party A shall not have substantial legal impediment to obtaining the title registration of the property.
   e) The tenancy agreements in Note 2 and 4 above have been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
39.	Maoye Zhuhai Store, No. 301 Zijing Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	The property comprises the first 4-storey of in a commercial building with total gross floor area of approximately 25,293 sq.m.. The property was completed in 1999. The property is tenanted to the Group for a term of 12 years from 1 January 2007 to 31 December 2018.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. According to the tenancy agreement entered into between Zhongzhao Investment (Group) Co., Ltd. ("Party A") and the Group ("Party B") dated 1 September 2007, the property was rented by the Group for a monthly rent of RMB604,235 for a term of 12 years from 1 January 2007 to 31 December 2018.
2. According to the judgment of the court, Party A has obtained the ownership of the property.
3. We were informed that the owner of the property is a connected party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreements is legally binding on both parties, the Group can use those parts of the property according to the terms and conditions of the tenancy agreements.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
40.	Maoge Chongqing Jiangbei Store, No. 16 North Jianxin Road, Jiangbei District, Chongqing City, the PRC	The property comprises the portion of basement level 1 and the whole of level 1 to level 7 in a 37-storey commercial building. The total gross floor area of the property is approximately 52,214.57 sq.m.. The property was completed in 2003 The property is tenanted to the Group for a term of 12 years from 1 January 2007 to 31 December 2018.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. According to the Realty Title Certificates No. 103 Fang Quan Zheng 2005 Zi Di 09459, 09460,09461, 09462, 09463, 09464, 09465, 09466, 09467, 09468, 09469 dated 18 August 2005, the property is held by Chongqing Maoye Property Co., Ltd.
2. According to the tenancy agreement entered into between Chongqing Maoye Property Co., Ltd. ("Party A") and the Group ("Party B") dated 1 September 2007, the property is rented by the Group for a monthly rent of RMB1,566,437 for a term of 12 years from 1 January 2007 to 31 December 2018.
3. We were informed that the owner of the property is a connected party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) a) The tenancy agreement is legitimate and valid, the Group can use the property according to the terms and conditions of the tenancy agreement.
   b) According to the Realty Title Certificates stated in Note 1 above, Party A has the rights to let those parts of the property to the Group.
   c) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
41.	Chengshang Chengda Wenjiang Store, Block 4, Fanhuashidai Retail Park, Wenjiang District, Chengdu City, Sichuan Province, the PRC	The property comprises the portion of basement level 1 and the whole of level 1 and level 2 in a 5-storey commercial building. The total gross floor area of the property is approximately 8,422 sq.m.. The property was completed in 2002. The property is tenanted to the Group for a term of 20 years.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. According to the Building Ownership Certificate, the property, with gross floor area of approximately 8,421.6 sq.m., is held by Sichuan Guotai Real Estate Development Limited for commercial use.
2. According to a tenancy agreement entered into between Sichuan Guotai Real Estate Development Limited ("Party A") and the Group ("Party B") on 2 April 2004, Party A agreed to lease the property to Party B for a term of 20 years.
3. We were informed that the owner of the property is an independent third party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement is legal, valid and legally binding on both parties.
   b) According to the Realty Title Certificate/Building Ownership Certificate or the consent letter to sublet, the property can be leased to the Group.
   c) The Group has the right to occupy and use the property.
   d) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
42.	Chengshang Chengdu Wuhou Store, No. 34 Section 4 of First Ring Road South, Wuhou District, Chengdu City, Sichuan Province, the PRC	The property comprises the majority of area of the commercial podium under a residential development. The total gross floor area of the property is approximately 16,000 sq.m.. The property was completed in 1998 The property is tenanted to the Group for a term of 10 years from 1 March 2003.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. According to the Building Ownership Certificate, the property is held by Sichuan Juyin Real Estate Development Limited for Commercial use.
2. According to a tenancy agreement entered into between Sichuan Juyin Real Estate Development Limited ("Party A") and the Group ("Party B") on 30 January 2003, Party A agreed to lease the property to Party B for a term of 10 years from 1 March 2003.
3. We were informed that the owner of the property is an independent third party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement is legal, valid and legally binding on both parties.
   b) According to the Realty Title Certificate/Building Ownership Certificate or the consent letter to sublet, the property can be leased to the Group.
   c) The Group has the right to occupy and use the property.
   d) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
43.	Chengshang Luzhou Store, No. 2 Yinghui Road, Luzhou City, Sichuan Province, the PRC	The property comprises the portion of basement level 1 and the whole of level 1 to level 3 in a 6-storey commercial building. The total gross floor area of the property is approximately 12,000 sq.m.. The property was completed in 2003 The property is tenanted to the Group for a term from 1 January 2003 to 31 August 2013.	The property is occupied by the Group as a department store.	No commercial value

Notes

1. As advised, the landlord of the property cannot provide any valid Building Ownership Certificate.
2. According to a tenancy agreement entered into between Luzhou Big World ("Party A") and the Group ("Party B") on 27 August 2003, Party A agreed to lease the property to Party B for a term from 1 September 2003 to 31 August 2013.
3. We were informed that the owner of the property is an independent third party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
44.	Level 37, Block A, World Finance Centre, No. 4003 Central Shennan Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	The property comprises the whole of 37/F in a 3-storey connected office unit from 37/F to 39/F in an office building. The gross floor area of the property is approximately 1,715 sq.m.. The property was completed in 2004 The property is tenanted to the Group for a term of 3 years from 1 January 2007 to 31 December 2009.	The property is occupied by the Group as an office.	No commercial value

Notes

1. According to the Realty Title Certificate No. Shen Fang Di Zi Di 2000231699, the property with gross floor area of approximately 1,714.58 sq.m. is held by Shenzhen Maoye Group for hotel, office and residential uses with the expiry date on 28 December 2046.
2. According to the tenancy agreement entered into between Shenzhen Maoye Group (“Party A”) and the Group (“Party B’) dated 1 September 2007, the property was rented by the Group for a monthly rent of RMB195,462 for a term of 3 years from 1 January 2007 to 31 December 2009
3. We were informed that the owner of the property is a connected party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement is legitimate and valid and the Group can use the property according to the terms and conditions of the tenancy agreement.
   b) According to the Realty Title Certificate stated in Note 1 above, Party A has the rights to let the property to the Group.
   c) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
45.	Basement Level 1, Yongcui Huafu, Taibai Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	The property with gross floor area of approximately 1,414 sq.m. comprises the warehouse at basement level one of a residential development. The property was completed in 2004 The property is tenanted to the Group for a term of 12 years form 1 January 2007 to 31 December 2018.	The property is occupied by the Group as a warehouse.	No commercial value

Notes

1. According to the Realty Title Certificate No. 2000231053, the property, with gross floor area of approximately 1,413.93 sq.m., is held by Shenzhen Chongde Real Estate Company Limited for commercial use with the expiry date on 28 May 2071.
2. According to the tenancy agreement entered into between Shenzhen Chongde Real Estate Company Limited ("Party A") and the Group ("Party B') dated 1 September 2007, the property was rented by the Group for a monthly rent of RMB35,348.25 for a term of 12 years from 1 January 2007 to 31 December 2018.
3. We were informed that the owner of the property is a connected party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement is legitimate and valid and the Group can use the property according to the terms and conditions of the tenancy agreement.
   b) According to the Realty Title Certificate stated in Note 1 above, Party A has the rights to let the property to the Group.
   c) The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
46.	Nos. 16-18 Balizhuang Road, Chenghua District, Chengdu City, Sichuan Province, the PRC	The property comprises a warehouse development with total gross floor area of approximately 4,947 sq.m. The property is tenanted to the Group for a effective term of 20 years commencing from 1 August 1999.	The property is tenanted to various third parties for a total annual rent of RMB1,131,240 for various terms with the last expiry date on 9 May 2009.	No commercial value

Notes

1. According to a tenancy agreement entered into between Chongqing Steel (Group) Company Limited ("Party A") and the Group ("Party B") on 30 July 1999, Party A agreed to lease the property to Party B for a term of 20 years and 5 months from 1 August 1999 to 31 December 2020.
2. As advised, the owner of the property is an independent party to the Group.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The term of the tenancy agreement should be 20 years.
   b) The land use rights of the property is allocated rights, and the owner of the property has not obtained any approval from the relevant authority and/or settled any land premium for the tenancy. The owner may face the penalty imposed by the relevant administrative bureau.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
47.	Units 20-23, 29, 30, Level 2, Zone 1, Hehuachi Market, Jinniu District, Chengdu City, Sichuan Province, the PRC	The property with total gross floor area of approximately 150 sq.m. comprises 6 retail shops in a commercial centre. The property is tenanted to the Group for a term expiring on 31 December 2018.	The property is tenanted to various third parties for a total annual rent of RMB762,100 for various terms with the last expiry date on 24 March 2009.	No commercial value

Notes

1. As advised by the Group, the owner of the property is an independent third party to the Group.
2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The tenancy agreement is legitimate and valid and the Group can use the property according to the terms and conditions of the tenancy agreement.

VALUATION CERTIFICATE

GROUP III – PROPERTY INTERESTS RENTED BY THE GROUP IN HONG KONG

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
48.	Room 1810 on 18/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong	The property comprises an office on the 18th floor in an office tower. The property was completed in 1974. The saleable area of the property is approximately 525 sq.ft.. The property is leased by the Hongville Limited to the Group at a monthly rent of HK$38,500, exclusive of rates, management fees and all utility charges, for a term of 3 years from 1 February 2008 to 31 January 2011.	The property is occupied by the Group as an office.	No commercial value

Notes:

1. The registered owner of the property is Hongville Limited.
2. We were advised that the registered owner is an independent third party to the Group.
3. As advised, the Group is currently renewing the tenancy.
4. The property is zoned “Commercial” under the approved Central District Outline Zoning Plan No. S/H4/12 dated 18 February 2003.

VALUATION CERTIFICATE

GROUP IV – PROPERTY INTERESTS ACQUIRED BY THE GROUP AFTER THE DATE OF VALUATION

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 29 February 2008 (RMB)
49.	Reserved Land Parcel, Haide Second Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	The property comprises a site with an area of approximately 10,926 sq.m. ("the Site"). Upon Completion, the property will comprise a retail podium for department store with gross floor area of approximately 44,967 sq.m., an office tower with gross floor area of approximately 19,000 sq.m. and 544 underground car parking spaces. The property will be completed in two phases in 2009. The Site is held for commercial and office uses for a land use term of 40 year expiring on 13 March 2048.	The property is currently occupied as an open car park.	No commercial value

Notes

1. According to the State-owned Land Use Rights Grant Contract No. Shen Di He Zi (2008) 0007 dated 14 March 2008, the land use rights of the Site with total site area of approximately 10,926.48 sq.m. was agreed to be granted to the Group for a total consideration of RMB650,000,000 for commercial and office uses from 14 March 2008 to 13 March 2048.
2. As advised, the Group has paid all the land premium and is applying for the State-owned Land Use Rights Certificate.
3. As the Group signed the land grant contract after the Date of Valuation, we have attributed "no commercial value" to the Group. Had the Group obtained all the State-owned Land Use Rights Certificate at the Date of Valuation, the capital value of the property in its existing state as at 29 February 2008 was in the sum of RMB1,500,000,000. (100% interests attributable to the Group: RMB1,500,000,000)
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   a) The contract stated in Note 1 above is legitimate and valid.

5. A summary of major certificates/approvals is shown as follows:

i.	State-owned Land Use Rights Certificate	NA
ii.	State-owned Land Use Rights Grant Contract	Yes
iii.	Construction Land Use Planning Permit	NA
iv.	Construction Works Planning Permit	NA
v.	Pre-sale Permit	NA
vi.	Individual Construction Works Completion Certified Report	NA

Set out below is a summary of certain provisions of our Memorandum and Articles and of certain aspects of Cayman Islands Companies Law.

We were registered in the Cayman Islands as an exempted company with limited liability on 8 August 2007 under the Cayman Islands Companies Law. The Memorandum and the Articles comprise our constitution.

1. MEMORANDUM

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Islands Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES

The Articles were conditionally adopted on January 10, 2008 and will become effective upon the listing of our Shares on the Hong Kong Stock Exchange. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Cayman Islands Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Islands Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Islands Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Cayman Islands Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Cayman Islands Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Cayman Islands Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Islands Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Islands Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Cayman Islands Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Islands Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the

Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Islands Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Cayman Islands Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Cayman Islands Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Islands Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Islands Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Islands Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock

Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Cayman Islands Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Islands Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Islands Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Cayman Islands Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Cayman Islands Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Islands Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Cayman Islands Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking has been granted by the Governor-in-Council to the Company, for a period of twenty years from 15 January 2008.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Islands Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Cayman Islands Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Cayman Islands Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Cayman Islands Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our special legal counsel on Cayman Islands law, have sent to us a letter of advice summarizing certain aspects of the Cayman Islands Companies Law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of the Cayman Islands Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

We were incorporated in the Cayman Islands as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on August 8, 2007. We have established a place of business in Hong Kong at Room 1810, 1811, Hutchison House, 10 Harcourt Road, Central, Hong Kong and have been registered as an oversea company under Part XI of the Hong Kong Companies Ordinance under the same address. Mr. Lu Fa Chee, one of our authorized representatives for the purposes of Part XI of the Companies Ordinance, has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for the service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong. As we are incorporated in the Cayman Islands, our corporate structure, and our Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum and Articles and certain relevant aspects of Cayman Islands Companies Law are set out in Appendix V to this prospectus.

2. Changes in our share capital

As of the date of our incorporation, our authorized share capital was HK$380,000.00 divided into 3,800,000 shares of HK$0.1 each. On August 8, 2007, one Share of HK$0.10 of the Company was allotted and issued for cash at par to Offshore Incorporations (Cayman) Limited. On the same date, Offshore Incorporations (Cayman) Limited transferred the said one share to Maoye Investment.

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

Assuming that the Global Offering becomes unconditional and the Offer Shares are issued and the Capitalization Issue is completed but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of the Company will be 5,113,000,000 Shares.

Save as disclosed in this prospectus, there has been no alteration in our share capital since its incorporation.

3. Written resolutions of our shareholder

Pursuant to the written resolutions passed by the Shareholder of our Company on April 17, 2008:-

(a) our new Memorandum and Articles were conditionally approved and adopted;

(b) the Capitalization Issue was approved conditional on the share premium account of the Company being credited as a result of the Global Offering, among other things;

(c) conditional on the conditions as set out in the paragraph headed ''Conditions of the Hong Kong Public Offering'' under the section headed ''Structure of the Global Offering'' in this prospectus being fulfilled or waived,

(aa) the Global Offering and the Over-allotment Option were approved and our directors were authorized to allot and issue the Offer Shares and shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(bb) a general unconditional mandate was given to our directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require shares to be allotted and issued), otherwise than by way of rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with our Articles or pursuant to an issue of shares upon the exercise of any subscription rights attached to any warrants which may be issued by our Company, the shares of our Company with an aggregate nominal value not exceeding 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering (excluding any shares which may be issued upon the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which our next annual general meeting is required to be held by our Articles or any applicable laws; or

(iii) the passing of an ordinary resolution of our shareholders in a general meeting revoking, varying or renewing such mandate;

(cc) a general unconditional mandate was given to our directors authorizing them to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the HKSFC and the Hong Kong Stock Exchange for this purpose such number of shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering (excluding any shares which may be issued upon the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which our next annual general meeting is required to be held by our Articles or any applicable laws; or

(iii) the passing of an ordinary resolution of our shareholders in a general meeting revoking, varying or renewing such mandate; and

(dd) the general unconditional mandate mentioned in paragraph (bb) above was extended by the addition to the aggregate nominal value of our share capital which may be allotted or agreed conditionally or unconditionally to be allotted by our directors pursuant to such general mandate of an amount representing the aggregate nominal value of our share capital repurchased by our Company pursuant to the mandate to repurchase the shares referred to in paragraph (cc) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of our share capital in issue immediately following completion of the Global Offering (excluding any shares which may be issued upon the exercise of the Over-allotment Option).

4. Corporate reorganization

For information with regard to our corporate reorganization please refer to "History and Structure— The Reorganization" in this prospectus.

5. Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years preceding the date of this prospectus:

On September 11, 2007, Maoye Department Store Holdings was incorporated in the BVI with an authorised share capital of 50,000 shares of no par value of which the one subscriber's share of no par value was allotted and issued to our Company for US$1.0 on September 11, 2007. On or around January 14, 2008, Maoye Department Store Holdings allotted and issued one share to our Company in consideration of MOY International transferring the entire issued share capital in Maoye China to Maoye Department Store Holdings, among other things.

Save as set out above and in "— History and Structure" above, there has been no alteration in the share capital of any of our subsidiaries (apart from Chengshang which is listed on the Shanghai Stock Exchange) within the two years immediately preceding the date of this prospectus.

6. Repurchase of our own securities

This section includes information relating to the repurchases of our own securities, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchases.

The Hong Kong Listing Rules permit shareholders to grant the directors of a listed company a general mandate to repurchase securities that are listed on the Hong Kong Stock Exchange, subject to certain restrictions, the most important of which are summarized below:

(i) ***Provisions of the Hong Kong Listing Rules***

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a listed company on the Hong Kong Stock Exchange must be approved in advance by ordinary resolutions of its shareholders in a general meeting either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions passed by our sole shareholder on April 17, 2008, a general unconditional mandate was granted to our directors authorizing the repurchase by our Company on the Hong Kong Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the HKSFC and the Hong Kong Stock Exchange for this purpose, shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering (excluding any shares which may be issued upon the exercise of the Over-allotment Option) until (i) the conclusion of our next annual general meeting; (ii) the expiration of the period within which our next annual general meeting is required by our articles of association or any other laws to be held; or (iii) such mandate being revoked, varied or renewed by ordinary resolution of our shareholders in a general meeting, whichever shall first occur (the "Relevant Period").

(b) *Source of funds*

Repurchases of the securities of a company listed on the Hong Kong Stock Exchange must be funded out of funds legally available for such purposes in accordance with the constitutional documents of such company, the Hong Kong Listing Rules and any applicable laws. The company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange as in effect from time to time. Subject to the foregoing, repurchases may be made out of funds legally permitted to be used in this connection, including profits of a company or out of proceeds of a new issue of shares made for that purpose or out of the company's share premium account or, if so authorized by its articles of association and subject to the provisions of any applicable laws, out of its share capital.

(ii) ***Reasons for Repurchases***

Our directors believe that it is in the best interests of our shareholders as a whole and our Company for them to have a general authority from our shareholders to repurchase our securities in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net asset value per share and/or earnings per share and will only be made where our directors believe that such repurchases will benefit our Company and our shareholders.

(iii) ***Funding of Repurchases***

In repurchasing securities, we may apply funds legally available for such purpose in accordance with our articles of association, the Hong Kong Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our directors believe that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with our position disclosed in this prospectus. However, our directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels.

The exercise in full of the current repurchase mandate, on the basis of 5,113,000,000 shares in issue immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option) would accordingly result in up to 511,300,000 shares being repurchased by us during the Relevant Period.

(iv) ***General***

None of our directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates has any present intention to sell any of the shares to our Company.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Hong Kong Listing Rules and the applicable laws of the Cayman Islands and the regulations set out in our Memorandum and Articles.

If, as a result of any repurchase of our securities, a shareholder's proportionate interest in the voting rights in our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the ''Takeovers Code''). Accordingly, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Save as disclosed in this prospectus, our directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

We have not made any repurchases of our own securities since our incorporation.

No connected person (as defined in the Hong Kong Listing Rules) has notified us that he, she or it has a present intention to sell his, her or its shares in our Company to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated May 8, 2006 and entered into between Si Chuan Zhong Jia Real Estate Development Company Limited (四川中嘉房地產開發有限責任公司) and Xue Qiu (薛秋) as transferors and Chengshang as transferee in relation to the transfer of their respective equity interest in Si Chuan Xin Shi Ji Cable TV Network Construction Company Limited (四川新世紀有綫電視網絡建設有限責任公司) valued at RMB15 million in aggregate in consideration of Chengshang's settlement of RMB14.01 million bank loan owed by a third party;

(b) a fund borrowing agreement dated July 26, 2006 and entered into between Maoye Shangsha as lender and Chengshang as borrower in relation to an inter-company loan of not more than RMB130 million;

(c) an equity transfer agreement dated January 8, 2007 and entered into between E'mei Shan Heng Da Industrial Company Limited (峨眉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 (峨眉山成商鳳凰有限公司) at a consideration of RMB12,517,400;

(d) an equity transfer agreement dated March 31, 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 Department Store Chain (成都人民百貨連鎖有限公司) 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;

(e) a fund borrowing agreement dated January 24, 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;

(f) an equity transfer agreement dated April 4, 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 at a consideration of RMB5,062,500;

(g) an equity transfer agreement dated May 26, 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;

(h) an equity transfer agreement dated May 30, 2007 and entered into between Zhong Zhao Investment (Groups) Limited (中兆投資（集團）有限公司) as transferor and Maoye China 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;

(i) an equity transfer agreement dated July 11, 2007 and entered into between Maoye Shangsha as transferor and Maoye Industry as transferee in relation to the transfer of a 75% equity interest and a loan of RMB12,826,400 in the Department Store Chain (成都人民百貨連鎖有限公司) 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;

(j) an equity transfer agreement dated July 27, 2007 and entered into between Zhongzhao 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 46% equity interest in Zhongzhao Investment Management at a consideration of RMB23 million;

(k) an equity transfer agreement dated July 27, 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;

(l) an equity transfer agreement dated August 24, 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 (深圳茂業和平商廈有限公司) 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 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;

(m) an equity transfer agreement dated August 24, 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 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;

(n) an equity transfer agreement dated August 24, 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 (深圳茂業和平商廈有限公司) 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;

(o) an equity transfer agreement dated August 24, 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 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;

(p) an equity transfer agreement dated December 10, 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;

(q) an equity transfer agreement dated November 26, 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;

(r) an equity transfer agreement dated November 26, 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;

(s) an equity transfer agreement dated December 10, 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;

(t) an equity transfer agreement between Zhongzhao Investment Management as transferor and Maoye Shangsha as transferee in relation to the transfer of 35% equity interest in Zhuhai Maoye at a consideration of RMB1,680,000;

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

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

(w) a deed of non-competition and call option dated April 17, 2008 and entered into between Mr. Huang, Maoye Holdings Limited and Richon (collectively, the "Covenantors") and our 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 this prospectus;

(x) the Hong Kong Underwriting Agreement; and

(y) a deed of indemnity dated April 17, 2008 and entered into between Mr. Huang, MOY International, Maoye Department Store Investment Limited (collectively, the "Indemnifiers") and our 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 this appendix.

2. Intellectual property

Trademarks

As of the Latest Practicable Date, we are the registered owner of the following trademarks:

Trademark	Name of Registrant	Territory of Registration	Class	Registration Number	Expiry Date
1. MOY	Maoye Shangsha	PRC	18	1188544	July 6, 2008
2. MOI	Maoye Shangsha	PRC	18	1188545	July 6, 2008
3. MOI	Maoye Shangsha	PRC	18	1188546	July 6, 2008
4. 茂 業	Maoye Shangsha	PRC	35	1127824	November 13, 2007

Trademark	Name of Registrant	Territory of Registration	Class	Registration Number	Expiry Date
5. MAOYE	Maoye Shangsha	PRC	35	3988122	January 13, 2017
6. 茂业中心 MAOYE CENTRE	Maoye Shangsha	PRC	35	3988124	February 27, 2017
7. 成 商	Chengshang	PRC	38	851960	June 27, 2016
8.	Chengshang	PRC	42	857990	July 20, 2016
9.	Chengshang	PRC	37	859926	July 27, 2016
10.	Chengshang	PRC	40	861834	August 6, 2016
11.	Chengshang	PRC	36	863818	August 13, 2016
12.	Chengshang	PRC	41	865908	August 20, 2016
13.	Chengshang	PRC	39	869877	September 6, 2016
14.	Chengshang	PRC	35	879771	October 6, 2006
15. 成 商	Chengshang	PRC	28	1196414	August 6, 2008

	Trademark		Name of Registrant	Territory of Registration	Class	Registration Number	Expiry Date
16.	成 商	. . .	Chengshang	PRC	24	1200827	August 20, 2008
17.	成 商	. . .	Chengshang	PRC	29	1201465	August 20, 2008
18.	成 商	. . .	Chengshang	PRC	18	1202534	August 27, 2008
19.	成 商	. . .	Chengshang	PRC	3	1204199	September 6, 2008
20.	成 商	. . .	Chengshang	PRC	32	1206957	September 13, 2008
21.	成 商	. . .	Chengshang	PRC	34	1211758	September 27, 2008
22.	成 商	. . .	Chengshang	PRC	16	1216478	October 20, 2008
23.	成 商	. . .	Chengshang	PRC	23	1216877	October 20, 2008

Trademark	Name of Registrant	Territory of Registration	Class	Registration Number	Expiry Date
24.	Chengshang	PRC	25	1218618	October 27, 2008
25.	Chengshang	PRC	30	1219407	October 27, 2008
26.	Chengshang	PRC	30	1647215	October 6, 2011
27.	Chengshang	PRC	42	2005984	December 6, 2012
28.	Maoye Shangsha	Macao	35	N/012680	March 9, 2011
29.	Maoye Shangsha	Macao	35	N/012681	March 9, 2011
30. A B	Maoye Shangsha	Hongkong	35	300106604	November 5, 2013
31.	Maoye Shangsha	Singapore	35	T03/18362C	November 17, 2013
32.	Maoye Shangsha	Singapore	35	T03/18299F	November 17, 2013
33.	Maoye Shangsha	Taiwan	35	01112708	July 15, 2014
34.	Maoye Shangsha	Taiwan	35	01114294	July 31, 2014

Patents

As of the Latest Practicable Date, we are the registered owner of the following patent:

Patent Description	Territory of Registration	Patent Number	Expiry Date
Teddy Bear	PRC	ZL2006 30051044.3	January 19, 2016

3. Further information about our PRC establishments

(a) Maoye Shangsha

(i)	nature of the company:	Sino-foreign equity joint venture
(ii)	term of business operation:	30 years from January 31, 1996
(iii)	registered capital:	US$12 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(b) Heping Maoye

(i)	nature of the company:	PRC domestic company with limited liability
(ii)	term of business operation:	50 years from April 20, 2000
(iii)	registered capital:	RMB1 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(c) Maoye Shennan

(i)	nature of the company:	PRC domestic company with limited liability
(ii)	term of business operation:	50 years from April 20, 2000
(iii)	registered capital:	RMB1 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(d) Maoye Huaqiangbei

(i)	nature of the company:	PRC domestic company with limited liability
(ii)	term of business operation:	50 years from March 31, 2003
(iii)	registered capital:	RMB1 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(e) Maoye Oriental Times

(i)	nature of the company:	PRC domestic company with limited liability
(ii)	term of business operation:	50 years from August 8, 2005
(iii)	registered capital:	RMB1.2 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(f) Zhuhai Maoye

(i)	nature of the company:	PRC domestic company with limited liability
(ii)	term of business operation:	10 years from August 24, 2001
(iii)	registered capital:	RMB4.8 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(g) Chengshang

(i)	nature of the company:	Joint stock limited company established and listed in PRC
(ii)	term of business operation:	permanently existing (commenced from December 31, 1993)
(iii)	registered capital:	RMB203,148,000
(iv)	attributable interest of our Company:	69.23%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities; real estate development and management
(vi)	legal representative:	Huang Mao Ru

(h) Zhongzhao Commercial

(i)	nature of the company:	Wholly foreign-owned enterprise
(ii)	term of business operation:	50 years from June 18, 2004
(iii)	registered capital:	HK$1 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(i) Chongqing Maoye

(i)	nature of the company:	Sino-foreign equity joint venture
(ii)	term of business operation:	30 years from August 27, 2004
(iii)	registered capital:	RMB30 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Huang Mao Ru

(j) Zhongzhao Investment Management

(i)	nature of the company:	PRC domestic company with limited liability
(ii)	term of business operation:	15 years from October 28, 1997
(iii)	registered capital:	RMB50 million
(iv)	attributable interest of our Company:	100%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	Lin Zhenxiong

(k) Guiyang Friendship Group

(i)	nature of the company:	Joint stock limited company established in the PRC
(ii)	term of business operation:	Permanently existing (commenced from November 14, 1997)
(iii)	registered capital:	RMB53,182,000
(iv)	attributable interest of our Company:	5.87%
(v)	general nature of business:	Operation and management of department stores and ancillary facilities
(vi)	legal representative:	He Pengfei

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

Our Directors confirm that immediately following completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised), the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debenture of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions), or which will be required, pursuant to section 347 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies in the Hong Kong Listing Rules to be notified to us and the Hong Kong Stock Exchange, or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, once the Shares are listed, are as follows:

Long position in the Shares

	Number of shares		
Name	**Personal interests**	**Family interests**	**Corporate Interests**
Mr. Huang	Nil	Nil	4,250,000,000(1)
Mrs. Huang	Nil	4,250,000,000(2)	Nil

Notes:

(1) These Shares are beneficially owned by Maoye Investment which is 100% owned by Mr. Huang. As Mr. Huang is entitled to exercise control of Maoye Investment, by virtue of the SFO, Mr. Huang is deemed to be interested in the Shares held by Maoye Investment;

(2) These Shares are corporate interests held by Mr. Huang, spouse of Mrs. Huang.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any shares which may be taken up under the Global Offering and assuming that the Over-allotment Option is not exercised), the following persons have the following beneficial interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at general meetings any member of our Group:

Name	Type of interest	Number of Shares	Approximate percentage of voting power (%)
Mr. Huang(1)	Interest of a controlled corporation	4,250,000,000	83.1%
Mrs. Huang(2)	Interest of spouse	4,250,000,000	83.1%
MOY International(3)	Interest of a controlled corporation	4,250,000,000	83.1%
Maoye Investment	Beneficial owner	4,250,000,000	83.1%

Notes:

(1) Mr. Huang directly holds the entire interest in MOY International and is accordingly deemed to have an interest in the Shares deemed to be interested by MOY International.

(2) Mrs. Huang is deemed to be interested in the Shares by virtue of the fact that she is the wife of Mr. Huang, the chairman and Executive Director of the Company.

(3) MOY International holds 100% direct interest in Maoye Investment and is accordingly deemed to have an interest in the Shares interested by Maoye Investment.

Save as disclosed above, our Directors confirm that they are not aware of any other person who will, immediately following completion the Global Offering and the Capitalization Issue (taking no account of any shares which may be taken up under the Global Offering and assuming that the Over-allotment Option is not exercised), have beneficial interests or short positions in any of the Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at our general meetings.

3. Particulars of Directors' service agreements

(1) Each of the executive Directors has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are summarised below:

(a) each service agreement is for a term of three years commencing from the Listing Date;

(b) each of the executive Directors is entitled to their respective annual salary (subject to an annual review) and discretionary bonus where the Group records profit in the relevant financial year in accordance with terms proposed by the Board and approved by shareholders; and

(c) each of the service agreement may be terminated by either party thereto giving to the other not less than three months' prior notice in writing.

(2) Each of the non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are summarised below:

(a) each of the non-executive Directors and independent non-executive Directors is appointed for an initial term of three years from the Listing Date;

(b) each of the service agreement may be terminated by either party thereto giving to the other not less than three months' prior notice in writing; and

(c) each of the non-executive Directors and independent non-executive Directors is entitled to an annual fee.

4. Directors' remuneration

Under the arrangements currently in force, the estimated amounts of directors' fees and other emoluments payable to the Directors for the year ending December 31, 2008 will be approximately RMB6.8 million.

5. Fees or commission received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue of sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

6. Related party transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under Note 36 of the Accountants' Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed herein:

(1) none of our Directors or chief executive has any interests and shorts positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed;

(2) none of our Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix has any direct or indirect interest in the promotion of the any member of our Group, or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(3) none of our Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(4) none of the experts referred to in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix has any shareholding in any member of our Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save as contemplated under the Underwriting Agreement; and

(5) our Directors confirm that none of our Directors, their respective associates or Shareholders who are interested in 5% or more of our issued share capital have any interests in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

1. Deed of Indemnity

(i) Estate duty indemnity

Each of Mr. Huang, our controlling shareholder, MOY International and Maoye Department Store Investment Limited (the ''**Indemnifiers**'') has entered into a deed of indemnity (the ''**Indemnity Deed**'') with and in favor of us (for ourselves and as trustee for our present subsidiaries) (being the material contract (s) referred to in the paragraph headed ''Summary of material contracts'' under the section headed ''Further Information about the Business of Our Group'' in this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on us Company or any of our subsidiaries in the Cayman Islands or China.

(ii) Taxation indemnity

Under the Indemnity Deed, the Indemnifiers have also given indemnities to our Group on a joint and several basis in respect of any claim or demand for Taxation (as defined therein) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the Relevant Date (as defined therein).

Under the Indemnity Deed, the aforesaid indemnities against Taxation do not cover any claim and the Indemnifiers shall be under no liability thereunder in respect of any Taxation claim:

(a) to the extent that provision has been made for such Taxation claim in the audited combined accounts of our Group for each of the three financial years ended December 31, 2007 in Appendix I to this prospectus;

(b) for which any member of our Group is liable as a result of any event occurring or income, profits or gains earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Listing Date;

(c) to the extent that such Taxation claim would not have arisen but for any act or omission voluntarily effected by any member of our Group, otherwise in the ordinary course of business after the Listing Date;

(d) to the extent that such Taxation claim is discharged by another person who is not a member of our Group and that such member of our Group is not required to reimburse such person in respect of the discharge of such Taxation claim; and

(e) to the extent that such Taxation claim arises or is incurred as a consequence of any retrospective change in the law, interpretation or practice coming into force after the Listing Date or to the extent that such Taxation claim arises or is increased by an increase in the rates of Taxation after the Listing Date with retrospective effect.

(iii) Property and legal proceeding indemnities

Under the Indemnity Deed, the Indemnifiers have further given indemnities to our Company on a joint and several basis (whether or not our Company is or may be entitled to claim reimbursement from any other person), on demand, against any damages incurred by any member of our Group arising from:

(a) lack of any proper title or use or occupation rights or any breach of any law or regulation, covenants or obligations under any property ownership certificate, land use right certificate or land grant contract in connection with any property owned, leased, rented, occupied or used by any member of our Group;

(b) any legal proceeding in connection with any property by virtue of any of the Indemnifiers' status as a current and/or former controlling shareholder of our Group; or

(c) any of the legal proceedings and non-compliances set out under "Business – Legal, Compliance and Litigation" in this prospectus.

2. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus. Each of Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and UBS AG has declared pursuant to Rule 3A.08 of the Hong Kong Listing Rules that it is independent pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be less than US$20,000 (approximately HK$156,000) and are payable by our Group.

5. Promoter

Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted on given, or proposed to be paid, allotted or given, to the promoter in connection with the Global Offering or related transactions described in this prospectus within two years preceding the date of this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
The Hongkong and Shanghai Banking Corporation Limited	Registered under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and is also a licensed bank under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong
UBS AG	Registered under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities as defined under the SFO

Name	Qualification
Conyers Dill & Pearman	Cayman Islands legal advisors
King & Wood PRC Lawyers	Qualified PRC lawyers
Ernst & Young	Certified public accountants
CB Richard Ellis	Property valuer

7. Consents of experts

Each of Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Conyers Dill & Pearman, King & Wood PRC Lawyers, Ernst & Young and CB Richard Ellis has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

Save as otherwise disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for on to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance insofar as applicable.

9. Advisory fees or commissions received

The Underwriters will receive an underwriting commission and advisory fee as referred to under the section headed “Underwriting” in this prospectus.

10. Shares will be eligible for CCASS

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

All necessary arrangements have been made enabling our Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

11. Miscellaneous

(I) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;

(v) our Group has no outstanding convertible debt securities or debentures;

(vi) no commission has been paid or payable (except commissions to the underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company; and

(vii) no amount or securities or benefit has been paid or allotted or given to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given.

(2) Save as disclosed in this prospectus, no member of our Group is presently listed on any stock exchange or traded on any trading system and save as disclosed in the prospectus, no listing or permission to deal being or proposed to be sought.

(3) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

(4) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(5) Our Directors confirm that save as disclosed in this prospectus, there has not been any material adverse change in the financial trading position or prospects of our Group since December 31, 2007 (being the end of the period reported on in the audited combined financial statements of our Group).

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** application forms, the written consents referred to in the paragraph headed "Consent of experts" in Appendix VI to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VI to this prospectus, and the statement of adjustments in relation to the Accountants' Report in Appendix I to this prospectus received from Ernst & Young.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Morrison & Foerster, 41/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including May 9, 2008:

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

(b) the accountants' report received from Ernst & Young, the text of which is set out in Appendix I to this prospectus, together with the statement of adjustments received from Ernst & Young;

(c) the report received from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the letters received from Ernst & Young and the Joint Sponsors respectively relating to the profit forecast of our Group, the text of which is set out in Appendix III to this prospectus;

(e) the audited accounts of companies comprising the Group for each of the three years ended December 31, 2007, except for those companies for which there are no statutory audit requirements in their jurisdiction of incorporation;

(f) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by CB Richard Ellis, the text of which is set out in Appendix IV to this prospectus;

(g) the letter of advice prepared by Conyers Dill & Pearman referred to in the section headed "Summary of the constitution of the Company and Cayman Islands Companies Law" in Appendix V to this prospectus;

(h) the PRC legal opinion prepared by King & Wood PRC Lawyers, our legal advisors on PRC law;

(i) the Cayman Islands legal opinion prepared by Conyers Dill & Pearman, our legal advisors on Cayman Islands law;

(j) the Cayman Islands Companies Law;

(k) the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further information about the business of our Group" in Appendix VI to this prospectus;

(l) the service agreements with each of the Directors referred to in the paragraph headed "Particulars of Directors' service agreements" under the section headed "Further information about Directors, substantial shareholders and experts" in Appendix VI to this prospectus; and

(m) the written consents referred to in the paragraph headed "Consents of experts" under the section headed "Other information" in Appendix VI to this prospectus.